TDB

TRADE & DEVELOPMENT BANK

2008 Annual Report

CONTENTS

Vision

TDB will be the leading financial institution in Mongolia, a universal bank with a strong international presence, a dedicated, trusted and responsible financial partner helping all its clients and stakeholders in their pursuit of sustainable financial well-being.

Mission

As the leading universal bank in Mongolia TDB constantly aims to achieve highest customer satisfaction by developing and providing demand driven, valuable banking solutions for corporate, SME and retail customers. Our success will be built upon our commitment to excellent service, staff professionalism and best corporate governance.

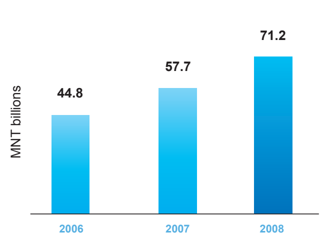
Moody's Investors Service (2009.02.15)

> long- and short-term foreign currency deposit ratings	B2/NP
> long- and short-term local currency deposit ratings	Ba1/NP
> long- and short-term foreign currency issuer ratings	Ba2/NP
> long- and short-term local currency issuer ratings	Ba1/NP
> senior unsecured foreign currency issue	Ba2
> subordinated foreign currency issue	Ba2
> outlook	stable

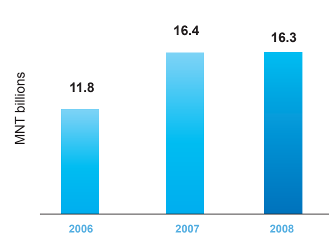
FINANCIAL HIGHLIGHTS 2008

Financial Indicators	**2007**	**2008**
		In MNT millions
Summary of Consolidated Income Statement		
Interest income	47,322	71,218
Net interest income	20,647	37,571
Operating income	31,073	37,596
Net profit	**16,396**	**16,335**
Profitability ratios	**2007**	**2008**
ROE	23.9%	23.8%
ROA	2.9%	2.5%
Summary of Consolidated Balance Sheet	**2007**	**2008**
Assets		
Cash and placements with banks and FIs	110,375	140,812
Loans, advances and securities	382,308	440,259
Other	70,819	78,205
Total assets	**563,503**	**659,275**
Liabilities		
Deposits from customers	373,018	383,266
Deposits due to banks and Fis	22,649	35,042
Other liabilities	98,205	162,330
Subordinated loans	9,359	10,140
Total Liabilities	503,233	590,778
Shareholders equity	60,270	68,497
Total liabilities and Shareholders equity	**563,503**	**659,275**
Prudential ratios	**2007**	**2008**
Capital adequacy ratio (>10%)	13.7%	14.7%
Liquidity ratio (>18%)	26.0%	37.0%
Foreign currency exposure (<10%)	0.6%	7.8%
Single borrower exposure/ Capital funds (<20%)	18.0%	17.3%
Related person loans/Capital funds (<5%)	0.1%	0.1%

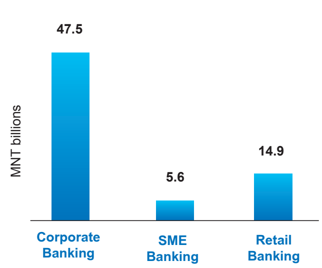
Total income growth



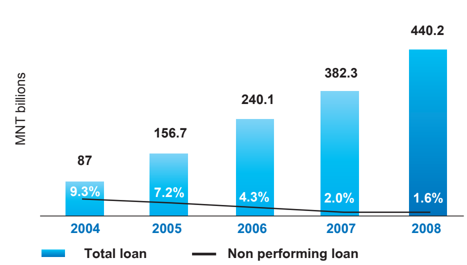
Net profit



Business segment Income



Total loan portfolio, Non-performing loan



Although economic sectors of Mongolia experienced slower growth in the second half of 2008, TDB was able to maintain solid earnings while maintaining loan quality and liquidity during the months of tighter money and slower growth. At year end, the non performing loan ratio of 1.5 percent was the lowest in the Bank's recent history, and the best among Mongolian Banks. A liquidity ratio of 37% at the end of December further demonstrated the Bank's commitment to maintain a sound condition in this economic downturn.

RANDOLPH S. KOPPA
President of the Trade and Development Bank and Chairman of the Board of the Mongolian Mortgage Corporation

Dear Ladies and Gentlemen

I am delighted to inform you, through this Annual Report, that Trade and Development Bank (TDB) worked with great effort and made many achievements in 2008.

In the reporting year, the mortgage loan crisis, which had arisen in the United States and which hit hard the global financial sector, led to stagnation of the economic growth in the developing and industrialized countries. In the time of globalization the negative impacts of the international financial market did not leave Mongolia unaffected. Although economic sectors of Mongolia experienced slower growth in the second half of 2008, TDB was able to maintain solid earnings while maintaining loan quality and liquidity during the months of tighter money and slower growth. At year end, the non performing loan ratio of 1.6 percent was the lowest in the Bank's recent history, and the best among Mongolian Banks. A liquidity ratio of 37% at the end of December further demonstrated the Bank's commitment to maintain a sound condition in this economic downturn.

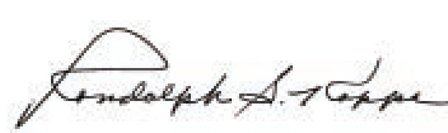
During 2008, goverments of the US and other Asian and European countries instituted large scale programs to stimulate their economics and support their banking systems. In Mongolia, the Goverment took applaudable action by passing a law to guarantee all bank savings deposits for the next two years.Other measures being taken to stimulate the economy provide liquidity to the banks minimize the budget deficit, together with new programs arranged with the IMF and the international donor institutions, provide us with confidence that the domestic economy will stabilize and the growth rate will improve.

In the past months as credit ratings of countries and banks were being revised downward, the foreign currency issuer rating of Ba2 which was assigned to TDB by Moody's in 2007 remained unchanged after the agency reviewed TDB's operations in June and December 2008.

In order to enhance the Goverment's efforts to attract foreign investment into Mongolia, TDB concluded a cooperation agreement with the Foreign Investment and Foreign Trade Agency of Mongolia (FIFTA) in the past year. The Bank participated as lead sponsor and main donor, respectively, in the Mongolia-Europe Investment Forum organized in London, the Euromoney's Mongolia Investment Forum 2008 and the Mongolian-Japanese Business Forum organized in Ulaanbaatar. Thus, once more the Bank demonstrated itself as the intenational face of Mongolia.

The Bank enhanced its reputation on the international market by executing over 50 percent of the country's foreign payments in 2008. Correspondent relations, maintained with over 80 international financial institutions, were expanded. The Bank now offers its clients the opportunity to do currency trade Swedish Krona, the fourteenth currency in which foreign payments can be made. Efforts to continuously expand the Bank's trade finance capabilities resulted in the Agricultural Bank of China and the German DZ Bank offering new credit lines, resulting in a 12 percent increase in the Bank's trade finance lines to USD 113 million at year end.

Finally, I would like to express my deepest gratitude to all our esteemed clients, depositors, foreign and domestic partners for their continuous support and cooperation and to all staff of TDB for their devotion, and wish all the best of success in the year of ahead.



In the reporting year the total assets of TDB reached MNT 659.3 billion, representing a growth of 17 percent, the equity increased to MNT 68.5 billion and the net profit reached MNT 16.3 billion.

BALBAR MEDREE
CEO of the Trade and Development Bank and
President of the Mongolian Bankers Association

Dear Shareholders, Clients, Partners and Staff

On behalf of the Executive Committee I am pleased to report the 2008 performance of Trade and Development Bank (TDB).

Despite the winds of crisis which hit hard the global financial market, weakened economy of industrialized countries, psychological instability among people and high level of risk on the financial market, the reporting year was a special year for TDB enriched with new results and achievements and quality performances.

In the reporting year the total assets of TDB reached MNT 659.3 billion, representing a growth of 17 percent, the equity increased to MNT 68.5 billion and the net profit reached MNT 16.3 billion.

In the past year 2008, the Bank has reached we can say as for human development a grown man's stature, coupled with the momentous event of our 18th anniversary. Looking back today, it was a time of gaining experience, striving ever forward, full of energy and success, and at the same time one in which we were the first in many areas of the financial market, sensitive to the demand of our clients and partners, and capable of staffing our team with skilled personnel.

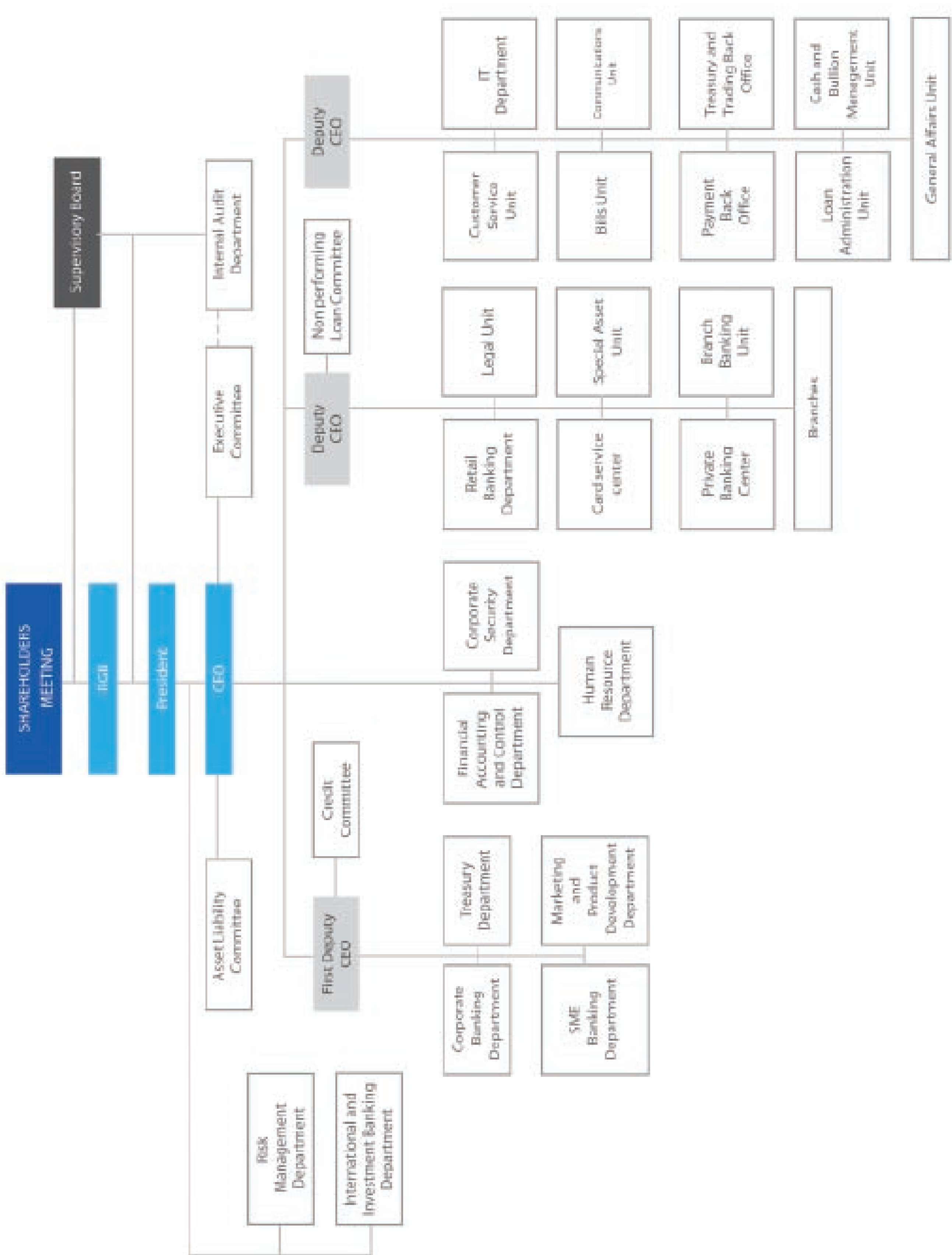
During the reporting period we have successfully completed the tasks set at the beginning of the year and were able to keep our leading position in the rapidly developing financial market, introducing new, innovative products and services and expanding our field. TDB having the largest card network has been continuously supporting and developing the culture of using noncash payment instruments. Thus, in the reporting year with the purpose to expand the network of the card payment receivers the Bank increased the number of the retail merchants using card services by 31 percent and the number of the card terminals by 42 percent, which resulted in an increase of the TDB card holders by 32 percent.

In this time when our clients' demand is increasing at a rapid pace it has become necessary to improve the quality of our products and services, raising it to meet international standards. In 2008, TDB first time on the domestic market launched 4 types of international MasterCard, Classic, Gold, Business and Platinum cards, in EUR and USD.

We are certain that the cooperation between us and all the local and foreign organizations, partners and clients who have been with us constantly during these past 18 years will continue in the coming years.

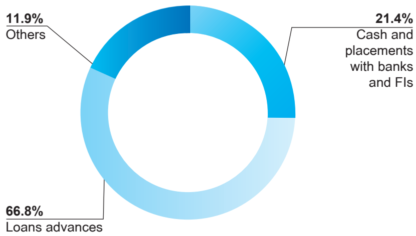
I wish to express my sincere gratitude to the management team and all directors and employees of TDB for their hard work in 2008.

I believe 2009 will be a good year full of prosperity and success for us.

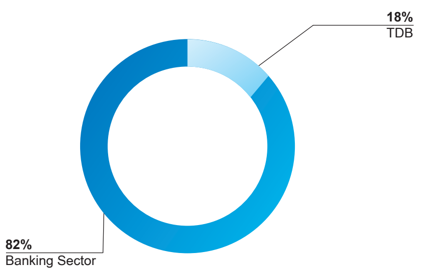

SHAREHOLDERS MEETING
Supervisory Board
President
CEO
Internal Audit Department
Executive Committee
Asset Liability Committee
Risk Management Department
International and Investment Banking Department
First Deputy CEO
Credit Committee
Deputy CEO
Nonperforming Loan Committee
Deputy CEO
Corporate Banking Department
Treasury Department
SME Banking Department
Marketing and Product Development Department
Financial Accounting and Control Department
Corporate Security Department
Human Resource Department
Retail Banking Department
Legal Unit
Card service center
Special Asset Unit
Private Banking Center
Branch Banking Unit
Branches
Customer Service Unit
IT Department
Bills Unit
Payment Back Office
Treasury and Trading Back Office
Loan Administration Unit
Cash and Bullion Management Unit
General Affairs Unit

Profile

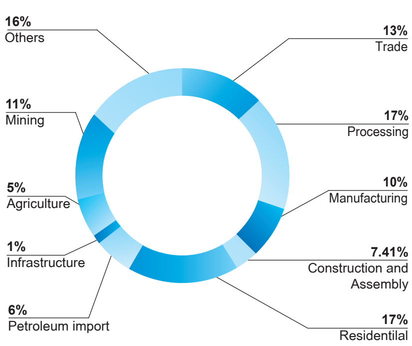
Total asset
/659.3 billion MNT at the end of December, 2008/



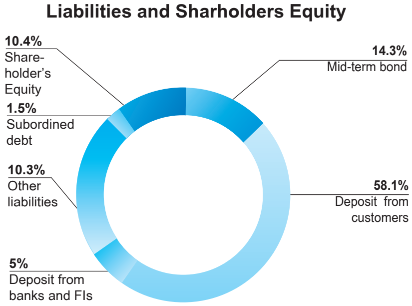
Total Loan market share



Total loan by economic sector



Liabilities and Sharholders Equity



TDB's core operational policy has been oriented primarily towards setting standards of a modern bank, expanding the scope of services, being open and transparent and serving the interests of its clients.

The Bank constantly seeks innovations, introduces totally new products and services in the banking sector and puts increased emphasis on the quality of its services are the main reasons for it being positioned as a strong lead player in the domestic market.

Today TDB, Mongolia's first commercial bank, makes an invaluable contribution to the development of the economy and undoubtedly has been the pillar and leader in the banking and finance sector of Mongolia for the past eighteen years.

TDB provides a package of over 60 types of the most up-to-date banking products and services meeting the international standards to large corporations, small and medium businesses and thousands of retail clients. These include long- and mid-term loans, trade financing, personalized private banking, funds management services to ensure efficiency and profitability, and currency trading.

As of the end of 2008, TDB operated with total assets amounting to MNT 659.3 billion, employed over 600 staff and served its clients through large departments such as Corporate Banking, SME Banking, Retail Banking International and Investment Banking, Treasury, Private Banking Center, and with a network of 26 branches, settlement centers and 50 ATMs.

As the first Mongolian company to issue bonds in the international public capital market, the Bank gained heightened international recognition. TDB has established correspondent relations with over 80 international financial institutions, and as of today executes over 50 percent of Mongolia's foreign payments.The Bank provides international standard products and services, financial advice and project financing to over 340 corporations and supports them in receiving financing from the international financial markets through active participation syndication financing.

TDB has the largest equity capital position among Mongolian banks which allows it to have highest single borrower lending limit. The strong capital base provides assurance to its clients and counterparties that TDB is a strong, reliable partner.

Highlights of the year 2008

- Launched "Certificate of deposit", a highly-secured international standard product, into the market in currencies MNT and USD.
- Launched for the first time in the card market of Mongolia 4 types of MasterCard, Classic, Gold, Business and Platinum cards, available in EUR and USD.
- Successfully introduced jointly with the Visa International 2 types of "Olymp" Visa card designed for the 29th Summer Olympic Games organized in Beijing, China.
- Expanded the e-billing services, for the first time launched electronic invoice services in Mongolia, initiating cooperation with the mobile phone operators, Skytel, Unitel and G-Mobile corporations.
- Becoming the first bank to offer an opportunity to make transactions, transfers and payments in Swedish krona (SEK) in the domestic market, TDB once more demonstrated itself as a provider of payment services in most foreign currencies.
- German DZ Bank and Agricultural Bank of China opened credit lines for TDB.
- Newly established and deepened the existing cooperation with BNP Paribas, UBS and Dresdner banks.
- TDB was first among the Mongolian commercial banks to implement "Physical Gold Swap" jointly with one of the larger international banks, "Goldman Sachs international".
- "Training Program-2008" developed by TDB in the framework of the World Bank "Private Sector Development Credit Project II" was approved by the World Bank.
- Syndicated loans designed for the credit purposes of the Bank's bigger clients with considerable contribution to the economy of Mongolia, were disbursed in cooperation with VTB Bank Austria.
- The Verified by Visa technology services that offer an opportunity to use the highly secured internet shopping which unifies the global consumers, were expanded. Preparatory works for introducing the MasterCard Secure Code were completed.
- International standard Mobile Banking System, the next stage of the Internet Banking Services, was newly introduced to save the client's time and expense.
- Concluded cooperation agreement with the Foreign Investment and Foreign Trade Agency of Mongolia (FIFTA), cooperated in the directions of increasing the efficiency of the overseas investment and providing realistic support to the economy, and participated

as the lead sponsor and major contributor in organizing international and domestic forums and events.

- TDB joined the Asian Bankers Association (ABA) as a member. CEO of TDB B.Medree was elected as the member of the ABA Board of Directors.

Rewards and Achievements of 2008

- TDB was rewarded with the Grand Prix as the best institution in the banking, finance and insurance sector on the public opinion poll conducted by the Mongolian Marketing and Management Association to select the standout performers in every business industry.
- TDB was selected by the MoneyGram International as the "Best Partner in Marketing" of the year 2008.
- O.Orkhon, First Deputy CEO of TDB, was awarded the "Prideworth Youth of Mongolia".
- D.Gantugs and D.Nyamrentsen were granted ranks and medals of the "Leading Professional in the Banking and Finance Sector", D.Sarantuya, Ch.Byambasuren and S.Dolgorjav were awarded "Certificate of Merit" by the Bank of Mongolia.
- N.Tsetsgee and M.Dolgor were awarded the "Best Accountant-Teller", B.Bayarjargal as the "Best Loan Economist" of the year 2008 in the banking sector.
- T.Erdenechimeg and G.Onon were given the City Government Rewards.
- Ts.Otgonbileg, Ts.Tsengel and S.Naran were rewarded the "Best Youth" medals, S.Narangoo and Ch.Purevjargal the "Labour Merit" medal by the Mongolian Youth Association.
- TDB collected a crop of prizes from the annual sport events organized in 2008: "Gold Medal" of the Inter-Bank Basketball Championship won by the team led by D.Bat-Erdene, "Gold Medal" from the Inter-Bank Table Tennis Championship by the team score, the "Best Connector" from the Inter-Bank Volleyball Championship won by G.Sukhchuluun, and the "Boroo cup-2008" Football Championship's "Gold Medal" won by the team and the "Best Player" by B.Ganbold.

REPRESENTATIVE GOVERNING BOARD

Chairman

Mr. Doljin ERDENEBILEG

Members:

Mr. Dumaajav MUNKHBAATAR
Mr. Chuluunbaatar ENKHBOLD
Mr. Tumurtogoo BOLDKHUU
Ms. Tamir TSOLMON

EXECUTIVE COMMITTEE:

Mr. Randolph KOPPA
President
Mr. Balbar MEDREE
CEO
Mr. Onon ORKHON
First Deputy CEO
Ms. Damdin GANTUGS
Deputy CEO
Mr. Dambiijav KHURELBAATAR
Deputy CEO

Mr. Onon ORKHON
First Deputy CEO

Ms. Damdin GANTUGS
Deputy CEO

Mr. Dambiijav KHURELBAATAR
Deputy CEO

Management team

Mr. Ichinnorov ORKHONKHUU
Director, Information Technology Department

Mr. Naidansuren ZOLJARGAL
Director, International & Investment Banking Department

Ms. Vanchigsuren ENKHTSETSEG
Director, Branch Banking Unit

Ms. Dagmid YANJMAA
Director, Financial Accounting Control Department

Ms. Bayarbaatar BAYARMAA
Director, Retail Banking Department

Mr. Shirendev ERDENEBAATAR
Director, Corporate Security Department

Mr. Luvsan NYAMSUREN
Director, Human Resource Department

Ms. Demchigjav OTGONBILEG
Director, Risk Management Department

Mr. Anya MUNKHBAYASGALAN
Director, Marketing, Product Development Department

Ms. Navaansharav NYAMSUREN
Director, Corporate Banking Department

Ms. Palamdorj GANTUUL
Internal Audit Department

Mr. Sharavsambuu ENKHTUR
Director, Legal Unit

Mr. Gombosuren USUKHBAYAR
Director, SME Banking Department

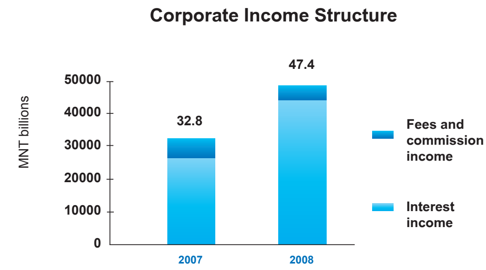
Corporate Business

TDB has continuously striven to meet its key objectives: to provide a complete package of quality products and services to its corporate clients in support of their economic development, to create a quality loan portfolio and to reduce the amount of non-performing loans.

TDB has continuously striven to meet its key objectives: to provide a complete package of quality products and services to its corporate clients in support of their economic development, to increase the income earned from one client, to create a quality loan portfolio and to reduce the amount of non-performing loans. As a result, the corporate loan portfolio grew 19 percent and the interest, fees and commission income increased 68 percent from the previous year.

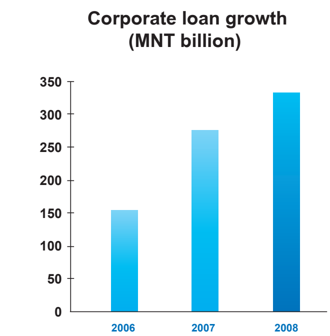
In light tightening local monetary conditions and the global recession, in the second half-year of 2008 the Bank had to limit the disbursement of new loans and focus more on loan repayment and portfolio quality. However the loan portfolio increased by MNT 53.59 billion in line with the annual plan and reached MNT 331.08 billion by the end of the reporting year.

The intensive growth of corporate loans, a driving force in Mongolian economy in the first half year and the implementation of the policy on increasing trade financing helped loan interest, LC and guarantee fee revenue in 2008 reach MNT 44.74 billion, 36 percent above plan.



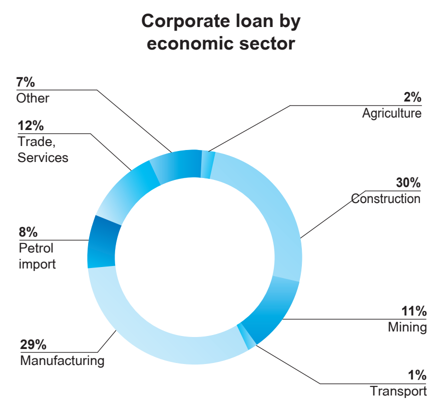
Project Financing

TDB has been providing financial advice and financial support on projects to over 340 leading large corporations of Mongolia. In the reporting year, in order to support livestock and crop-farmers and food production businesses the Bank has successfully financed long-term projects with preferential interest rates in the framework of the Government programs at the end of the year the disbursed project loans amounted to MNT 5.05 billion.



Trade Financing

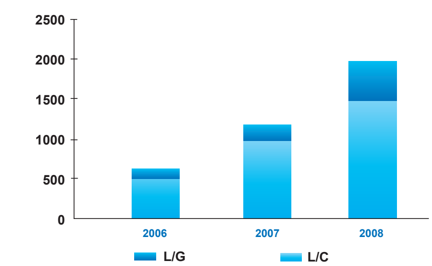
In the reporting year, TDB policies and regulations pursued with respect to the leading economic sectors of Mongolia such as mining, oil products, wool and cashmere, and trade and service industries as well as the regulations on LC and LG services have been reviewed in light of the current economic situation with the purpose to improve the loan portfolio quality and reduce the risk. This was an important measure of foreseeing the customer's demand and improving the access to products and services.



TDB has been providing its customers the following basic facilities of the trade financing:

- All types of LC
- All types of LG
- Foreign trade collection
- Payments of Japanese grant aid

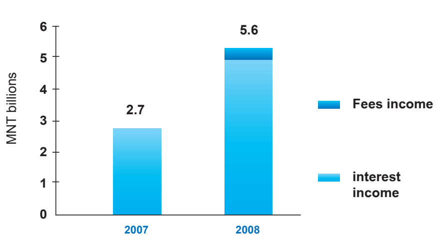
LC and LG fees income
(in million MNT)



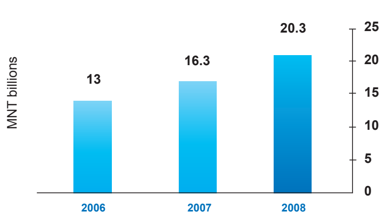
The Bank has an experience of executing the LC, guarantee and collection services fast and at high level in compliance with the Bank of Mongolia and internal regulations and procedures and the applicable international standards. 489 payments of LC, LG, collection and of Japanese grant aid were executed in total in the reporting year.

SME Business

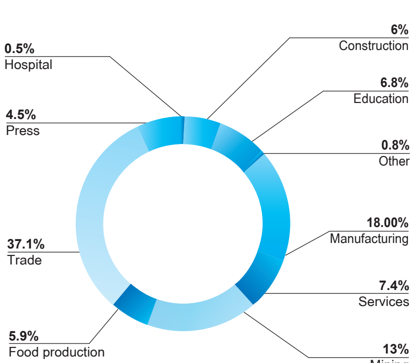
SME income structure



SME loan growth



SME Loan portfolio by sector



By 2005, TDB started focusing in customer and non-customer SMEs by establishing a new department dedicated to provide with banking products to SMEs, who are generally prioritized behind. Upon establishment of SME Banking Department (SMEBD) TDB creates opportunities to itself to sustain existing banking relationship with retail customers/ micro businesses those upgrading to small and medium scale enterprises, furnishing them with more sophisticated financial services, creating access to tailor-made financing facilities with more favorable terms; and to prepare a new member of corporate customer clientele when a SME graduates. In turn, TDB benefits from SME segment of higher margin interest income and rapid business growth.

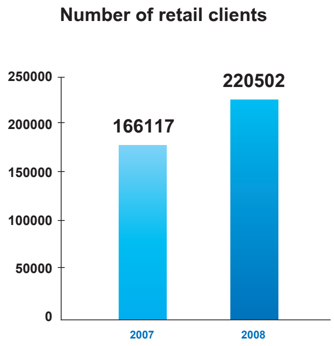
Since establishment in March 2006, the SME Banking Department (SMEBD) gradually develops its operation shaping up into professional and optimized business unit. SME banking operation at TDB is designed to offer/cross-sell entire range of banking products and financial services to SME customer, and to provide with wide range of flexibility to match specific financing needs of a certain SME customer to preserve competence further. On the contrary, SMEBD concentrates mainly lending products and remains strict with the TDB's credit policy.

In March 2008, the SMEBD was reorganized and set up two distinctive functional sections segregating operational functions (Analysis Section and Monitoring Section) to obtain smoother operations flow, to improve quality of loan portfolio and to perform higher efficiency.

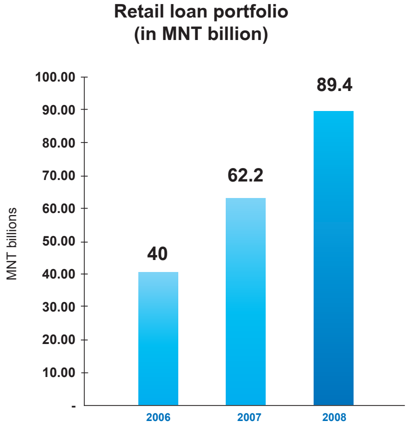
Although faced economic slowdown in year 2008, SMEBD achieved remarkable performance of profitability and quality of loan portfolio. Operating income of SMEBD increased by 49% reaching to MNT4 billion and net income increased by 93% reaching MNT1.6 billion, in year 2008. At the end of year 2008, loan portfolio of SMEBD balanced MNT20.3 billion which is higher by 24.5% than the figure of previous year.

Retail Business

In the reporting year TDB has successfully fulfiled its objectives to further expand the scope of the retail banking services and to introduce new products reflecting the advanced technology, with the most flexible terms and conditions meeting the ever-growing demand and needs of the customers.

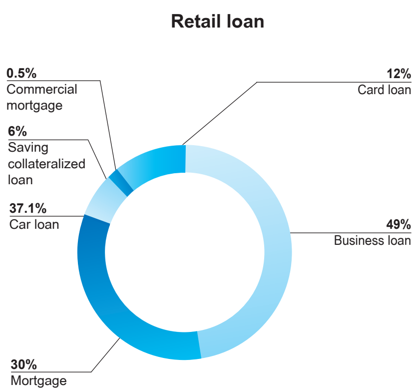


Besides successfully introducing new ones, the Bank made changes to the terms and conditions of the traditional products and services, offering the customers more favorable fees and commissions. This was the impetus for the improvement of customer satisfaction and the rise in number of new clients.



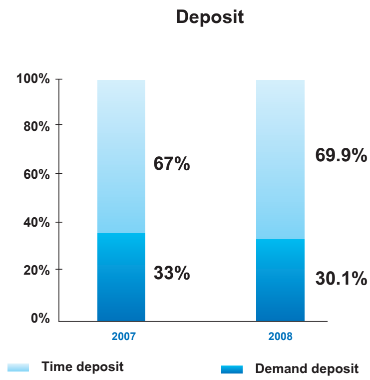
Lending Activities

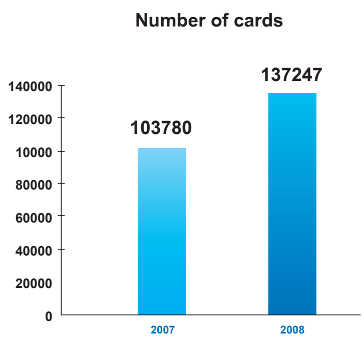
TDB provides all types of loan products and services to satisfy the financial needs of the customers with competitive fees and commissions and a flexible policy. As of the end of 2008, the outstanding amount of loans reached MNT 89.4 billion, constituting 20 percent of the Bank total loan portfolio and representing a growth of 42 percent from the end of the previous year.



The 66.3 percent growth in mortgage loans, 84.4 percent and 183.1 percent growth of deposit secured loan and salary loans respectively, contributed largely to the overall increase of the retail total loan portfolio.

Thus, the growth of the loan portfolio influenced to an increase of the total interest income by 36.7 percent to MNT 14.4 billion. Offering of small business loan, consumer loan





and pension loan at more favorable terms and conditions to customers resulted in an increased disbursement of loans in the reporting year. Mortgage prepayment penalties were relaxed, thereby complying with the customers interest and evidencing the flexibility of the policies pursued.

In the reporting year, TDB further expanded its cooperation with the Mongolian Mortgage Corporation (MIK) and sold MNT 405 million of its mortgages, thus providing additional liquidity for financing of more mortgage loans. Moreover, building trust with its regular partners the Bank gave their staff mortgage loans on preferential terms.

Retail Saving Deposits

In the reporting year individual's saving deposits reached MNT 165.1 billion, of which the demand deposits amounted to MNT 50.2 billion and time deposits MNT 114.9 billion. The total represented a 5.5 percent increase over 2007.

The outstanding amount of the retail savings is shown in the graph below:

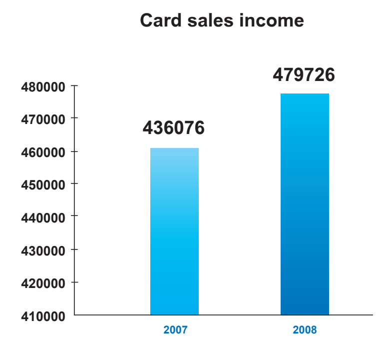
In line with introducing new products to meet client needs, the Bank launched a Certificate of Deposit (CD) product in October. The CD was launched in two currency types, MNT and USD, is freely convertible and complies with the international standards. In addition, "Employer's incentive deposit", a 9-month term deposit designed to strengthen the relationship between the employer and the staff was newly introduced on the market in currencies togrog, US dollar and Chinese yuan.

Card Services

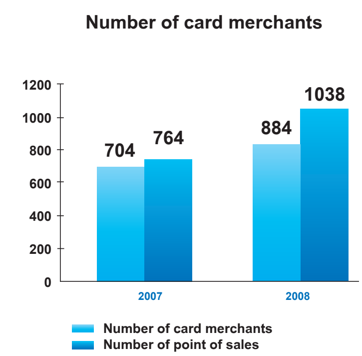
TDB is the first bank in Mongolia that issued a wide variety of innovative and advanced multi-payment cards on the market.

The objectives to streamline the card services, to launch new types of product and to expand the network of merchant organizations using the card services were fulfilled successfully in the reporting year.
The leading position of TDB in terms of variety of cards and number of card holders has been fortified by the launching

of 4 new types of MasterCard, the international Classic, Gold, Business and Platinum cards with available choices in euro and US dollar. Moreover, jointly with Visa International the Bank issued 2 types of "Olymp" Visa cards designed for the 29th Summer Olympic Games.
In order to offer our customers and card holders products and services corresponding to their needs, fees and commissions of the card products were renewed in 2008 to the most favorable minimum level on the local card market. Subsequently, as at end of the reporting year the number of the issued cards increased by 22 percent from the end of 2007, totaling to 34,000. At the end of 2008 the number of the total active cards reached 137,247.



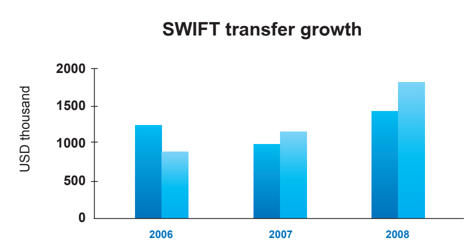
In the reporting year, TDB expanded its relations with the leading institutions on the international payment card market such as VISA, MasterCard, AmericanExpress and JCB, and besides jointly providing incentives and discounts, expanded its network of card payment receivers in order to support the noncash payment instruments in Mongolia and increased the number of merchant organizations by 31 percent and the number of card terminals by 42 percent. This resulted in a dramatic growth of 74 percent in the amount of card paid purchases from the end of the previous year.



Moreover, the Verified by Visa technology services, which fully secure the internet shopping which unifies the global consumers have been expanded. Besides this, the preparatory work for introducing the MasterCard Secure Code has been completed.

International Payments

TDB maintained its leading position in international payments with a 58 percent and 41.9 percent growth respectively in the amount of executed and received foreign transactions in 2008, evidence of the Banks role as Mongolia's financial bridge to the outside world.



MoneyGram

TDB operates as the authorised representative of the international money transfer service MoneyGram Inc. An exclusive discount and incentive service provided in the past year to the send and receive transactions to China and Korea has been acknowledged by the customers, and the Bank has been conferred the "Best Agent for co-op Marketing" prize in 2008 from MoneyGram.

E-billing Services

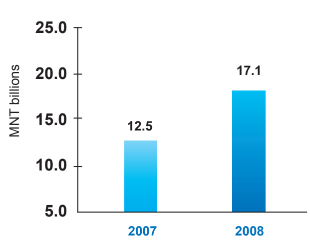
In 2006 TDB first launched electronic invoice or e-billing services into the market. As of 2008, the customers of all local operators of the mobile phone services in Mongolia have access to this time saving type of service.

Private Banking

The Private Banking Center (PBC) provides comprehensive services designed for and corresponding to the needs of substantial and reputable clients of the Bank, both individuals and corporations, in a prestigious environment, while strictly keeping the confidentiality of their financial information. The Platinum card, being the best and prestigious product of the Bank with flexible terms and highest credit limit, is issued to every client of the PBC as proof of prestige. In the reporting year, the number of the PBC clients increased by 30 percent, the saving deposits had an increase of 13 percent or MNT 3 billion, and the number of holders of the Platinum card grew by 41 percent from the previous year.

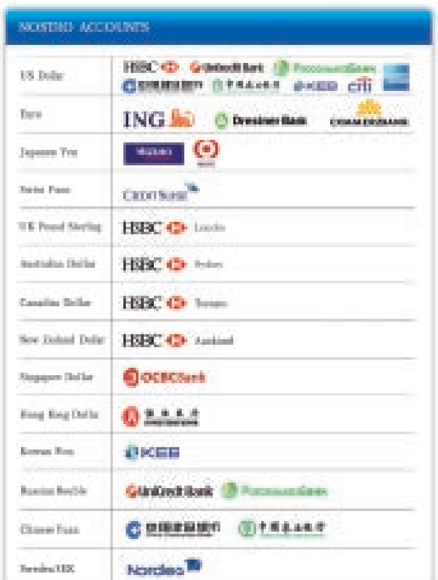
Branch Management

Total income of branches



In the reporting year the total income of TDB branches reached MNT 20.8 billion, indicating a growth of 45.29 percent from the previous year and constituting 23.0 percent of the Bank's total income. The outstanding loan portfolio of branches reached MNT 85.7 billion by the end of 2008, constituting 19.2 percent of the Bank's total loan portfolio. It had a growth of 40.4 percent compared with the same period of previous year. The loan interest income of the Bank increased by 46.3 percent from the result of previous year and reached MNT 13.8 billion.

International and Investment Activities



Correspondent Banking Activities

The reporting year TDB was successful in expanding foreign relations and cooperation, keeping its existing correspondent relations sound, establishing new relations with other financial institutions and attracting resources from the international capital market.

TDB established correspondent relations with DZ Bank German and Nordea Bank Finland, and opened a SEK account in Nordea Bank Sweden in order to provide its clients Swedish krona transfers and payments, and opened USD and RUB accounts in Russian Agricultural Bank in order to execute the payments swiftly and support inter-bank loans. Thus, the scope of TDB Nostro accounts and foreign correspondents increased.

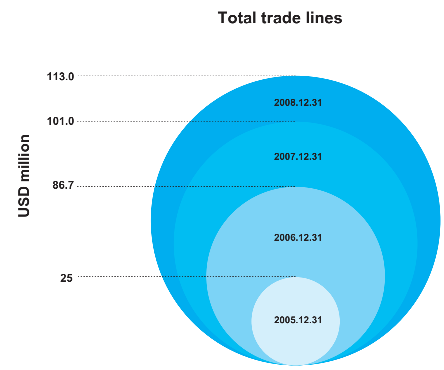
In order to provide international payments fast and more effectively, the Bank has introduced a new service of effecting payments from American Express Bank and Citibank to foreign beneficiaries in full amount. This service has met the demand and needs of the clients.

In the frame of expanding foreign relationships and making the client payment services fast and reliable, a Memorandum of Understanding was signed with China Construction Bank in March 2008 and "Agreement on Border Trade Settlement via Internet Banking" and "The Card issuing (KINS Debit Card) Agreement" agreements respectively were concluded with Agricultural Bank of China in December 2008.

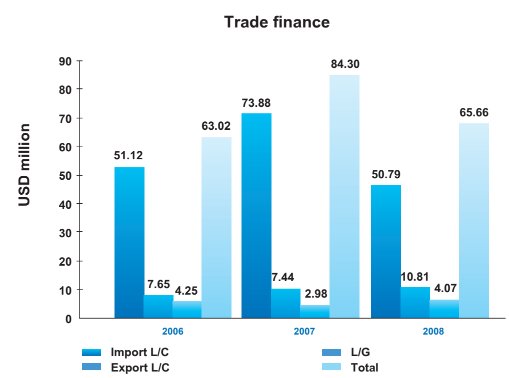
Moreover, TDB concluded a cooperation agreement with Foreign Investment and Foreign Trade Agency of Mongolia (FIFTA) to support attracting overseas investors, increasing efficiency and strengthening relations and co-operations to positively influence Mongolian economic growth. The Bank participated as the lead sponsor and the major contributor correspondingly in the Mongolia-Europe Investment Forum organized in London, Euromoney's Mongolia Investment Forum 2008 and the Mongolian-Japanese Business Forum organized in Mongolia.

Trade Finance Lines

In the reporting year, alongside with the Bank's increased trade finance credit activity and improved results, DZ German Bank and Agricultural Bank of China have approved new credit lines for TDB, and EXIM Bank Republic of China increased its trade finance relending facility amount to USD 4 million. Consequently, the total amount of the trade finance lines stablished by reputable international institutions reached USD 113 million, representing a growth of 12 percent from the previous year.



With the increase of the trade finance lines and improvement of their utilization, TDB became able to provide LCs, L/G and long- and short-term trade finance credits using the credit lines approved by the foreign correspondents, reputable financial institutions such as ING Bank, Mizuho, BhF Bank, UBS, BNP Paribas, Unicredit Bank Moscow, Standard Chartered Bank Plc, IFC, DZ Bank, Commerzbank, Korea EXIM Bank, EXIM Bank Republic of China and Vneshtorgbank Moscow, to its clients to expand their business scope and extend international activities. This shows that TDB's correspondent relations are maintained at high level.



On-Lending Programs Provided by Multinational Institutions

In the reporting year, TDB aimed to increase the implementation of the project loan and operated as the participating commercial bank to on-lend various project loans under the credit projects of the World Bank, Japanese Bank for International Cooperation (JBIC) and the German KfW Bank.

In the scope of the World Bank "Private Sector Development Credit II" project TDB disbursed sub-loans amounting to USD 2.8 million and MNT 850.0 million. Moreover, in the framework of the JBIC "Two Step Loan Program on SME Development and Environmental Protection", the Bank provided on-lending loans amounting to USD 51.1 thousand and MNT 530 million.

The World Bank

Long-term financing for SME and natural resources projects.

JBIC

Japanese investment loans for international business development and natural resources projects.

German KFW bank project loan for SME.

In the framework of the German KfW "SME Development Program" the Bank disbursed sub-project loans amounting to EUR 323 thousand.
Besides this, TDB has developed a "Training Program-2008" in the framework of the World Bank "Private Sector Development Credit II" project, thereby starting the implementation of the World Bank technical assistance agreement.

Korea Eximbank

Comprehensive Credit Facility for the support of Korean exports.

The Export-Import Bank of the Republic of China

Relending Facility to support Taiwanese exports.

Syndicated Loan Facilities

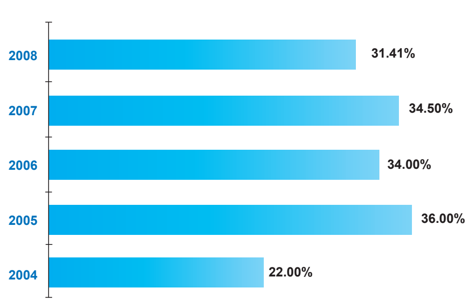
Every year TDB has been expanding its operations on organizing jointly with the international and domestic financial institutions syndicated loan facilities for its bigger corporate clients in petrol import and mining sectors, the key contributing sectors of the economy of Mongolia. Thus, in the reporting year the Bank decided jointly with reputable international banking institutions syndicated loan facilities of USD 19 million for its bigger corporate clients.

In the reporting year TDB earned total interest income of MNT 1.2 billion and total non-interest income of MNT 11.6 million from the syndicated loans, showing an overfulfilment of budget of that year by 82 percent.

Treasury and Trading Activities

Money Market

TDB money market share



In the reporting year, TDB not only remained the leading participant in the money market, but also expanded mutually profitable cooperation with other commercial banks, contributing largely to the intensification of the inter-bank money market activities.

In the framework of the funds management, the Bank aimed to rationalize the management of free resources while satisfying the liquidity requirements and to increase the interest income. As a result the Bank successfully overpassed the reporting year, which was a high risk for the domestic financial market.

The Bank's cash flow management and investment activities and by the end of the reporting year occupied 31.41 percent of the domestic money market by the portfolio of Central Bank bills, which indicates that the adequacy of the Bank's liquidity.

The minimum requirements of the prudential ratios of liquidity set forth by the Bank of Mongolia have been consistently satisfied, which strengthened the clients' trust in the Bank.

Forex Market

By performing international payments and foreign transfers in most foreign currencies in the domestic banking sector, TDB has established a strong position in the international financial market and alone executes 40 percent of the currency trading in Mongolia.

In the reporting year TDB offered own customers an opportunity to make payments and transfers in Swedish krona, thus contributing to the development of the business cooperation between Sweden and Mongolia.

Although the past year experienced turmoil and substantial losses in the larger capital markets of the world, TDB was able to run normal and active operations on the international and local markets.

In this context the Bank has strengthened its ties with its clients and attract new ones by offering more flexible and lower exchange rates than competing banks. As a result, the turnover of currency trading grew by 137 percent.

Gold Trading

TDB maintains its leader position in the market of physical gold trading obtained the Bank was the first local bank to be issued an official license to purchase physical gold in 2000.

In the reporting year TDB delivered all types of services related to physical gold trading directly to 93 clients, while providing them with information about markets of precious metals and foreign exchange on a weekly basis.

For the first time among domestic commerical banks, TDB successfully completed physical gold swap jointly with Goldman Sachs International, in the reporting year.

Although the sales of physical gold have tended to decrease in recent years due to certain stipulations of the "Mining Law of Mongolia", TDB's market share remains number one among domestic banks.

Furthermore, enhanced comprehensive services of funds management are delivered to customers in order to satisfy their ever-growing financial needs and protect them from the risk of sharp fluctuations of foreign exchange on the international market.

Asset Liability Management

In the reporting year the Bank's profitability was enhanced through rationalizing the asset liability management with more attention focused on liquidity, placing funds into low-risk assets and aiming to minimize potential risks.

Consequently, TDB besides being the most sustainable lender among Mongolian banks, supported the business activities of its customers and maintained the stability of product and service fees and commissions, thereby contributing significantly to improved profitability.
In the framework of maintaining the Bank's risk management

at high level for developing, implementing and putting control over comprehensive measures on reduction of risks possible to arise in the course of the operations, TDB in the reporting year focused on introducing a multi-sided new methodology of the risk management, improving the credit risk management and control, reducing the rate of non-performing loans and diminishing economic concentration risk.

Credit Risk

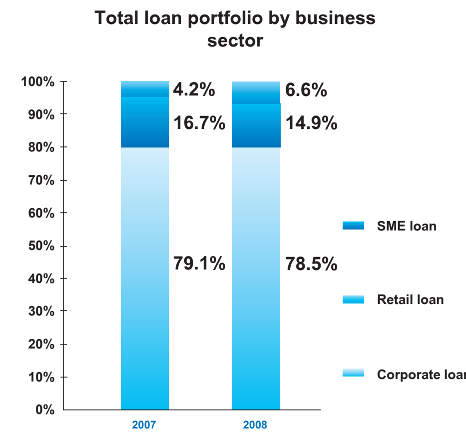
In the reporting year, the Bank developed a policy on sector financing in order to diminish the risks possible to arise due to economic situation of the country, thereby making it possible to enhance the risk management scheme and to put control at high level over the loan concentration risk.

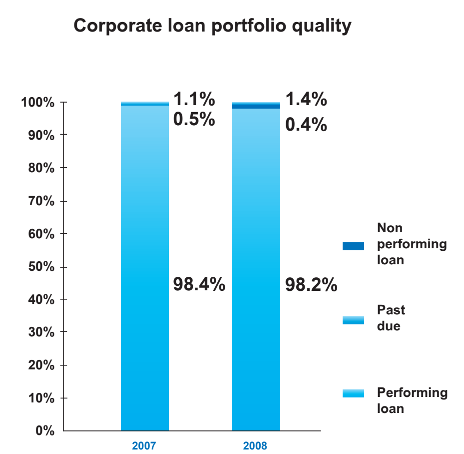
A template to set forth the limitation on disbursement of loans for the Branch Credit Committees was developed in order to reduce the branch loan risk, and the branch loan portfolio was reviewed on a semi-annual basis in order to improve and regularize the loan monitoring.
As a result, the non-performing loan percentage in the total loan portfolio decreased from 2.0 percent to 1.5 percent.

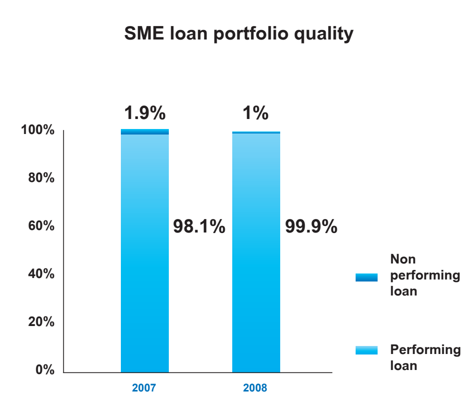
Moreover, the loan interest rate in the template of calculating the customer risk rating is updated every year. As a result, the interest rate was determined realistically by the customer risk rating and the percentage of the loan portfolio risk decreased steadily.

Market Risk

The international risk assessment Value-at-Risk (VAR) methodology was used to measure foreign currency and security derivatives trading risks and to control potential loss from the Bank's loan portfolio caused by price fluctuations of main financial instruments. Consequently, the management was properly provided with necessary information. The Bank uses the back-testing methodology to verify the realness of the calculated potential loss and







controls whether the VAR values were within the approved limit (according to BASEL Committee requirements) by the appropriate confidence level.

Liquidity Risk

In the scope of the Bank's operation a package of risk management policies was developed to reduce and prevent from the liquidity risks, reliability and creditworthiness of the Bank owing before the clients was increased, thereby significant improvements were made the risk management activities.

Operational Risk

Operational Risk Committee (ORC) was established in order to enhance the management of the operational risks, to determine the ways of reducing the risks and to regularizing the monitoring. After the consolidation and reviewal by the Risk Management Department, issues related to operational risks are discussed at the ORC, which then controls the fulfilment of the adopted decision.

IT DEVELOPMENT

TDB lays special emphasis on ensuring uninterrupted and secure operations of the Bank by using up-to-date processes of information technology, studying and launching new products and services of the advanced technology, creating products and services corresponding to the rapidly growing demands of customers based on the information technology achievements, automating the Bank's operations, all thereby increasing the labor productivity of employees.

In the reporting year, not only were the Bank accounting software renewed and a number of new modules and functions introduced, but also proper funds management software and trade finance software systems were newly adopted for the Bank needs, and integration of the card system with the basic accounting software was started.

As a result of these improvements, it will be possible to simultaneously provide own clients different types of products and services at quality level, the internal operations of the Bank will become fast and smoothened, and the risk arising from human will be diminished.

Mobile Banking System, the next stage of the Internet Banking Services, was introduced in 2008 and is ready for the launch into the market.

In the framework of the objective to modernize the Bank's equipment and machinery, additionally 5 ATMs, 100 Verifone GPRS POS terminals and 100 Dial-up POS terminals satisfying the advanced technology standards were installed in the reporting year.

Moreover, the server computer of the Bank's basic system and the data base servers were newly installed, enabling it to secure the confidentiality of the client information at high level, to ensure reliable operation and storage of the Bank's system information, to increase the scope of the customer services and to provide swift services.

HUMAN RESOURCES

The core of the TDB's human resource policy in 2008 was the principle stating that the core to success is a "right and needed person", which was then reflected in the Human resource policy approved by the Bank in 2008.

As in previous years, the main directions of the human resource management were forming of highly qualified staff capable to accomplish the Bank's mission statement and meet the high requirements of the customers, molding good conscience and integrity in employees to respect the interests of customers and of the community, and providing the staff with environment and stable work conditions to enhance productivity and personal and professional development.

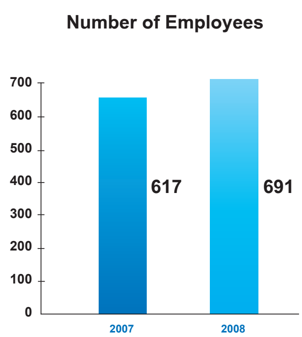
One of the measures performed in 2008 towards streamlining the human resouce management was enforcement of the human resource policy and improvement of the legal environment for conducting human resouce management.

In this context, the Bank developed and pursued in its activites major regulations and procedures required for implementing the objectives and principles of the human resource policy, and made the surveys and planning realistic and efficient.

In the frame work of the HR policies, the Bank developed and enforced a "Human Resource Cycle Planning" and a "Liquidity Planning" in 2008, which resulted in a tangible outcome such as advanced planning of the human resource recovering, uninterrupted coordination and shortened time of formation.

With the expansion of the scope of activities and increase of assets the need for human resources has increased. Thus, in 2008 the number of the total staff reached about 700, a growth of 10.7 percent.

Main focus of the HR policies in the reporting year was to ensure stable human resource cycle. In this regard, employee social issues were decided and bonus and incentives were increased. As a result, disbursement of the staff soft loans doubled from the previous year, and various benefits and allowances increased 5 times from the previous year. The basic salary of the employees was raised twice, incentives in an amount of MNT 938 million were granted based on the work performance evaluation and MNT 302.9 million



supplemental salary was paid.

As a result of pursuance of policies on establishment of stable labour relations with employees in 2008, the movements have been decreased, in particular the outward movement of employees has decreased drastically, showing a fall of 47.1 percent compared to the previous year.

Trainings were organized based on the initiative of the employees to develop themselves, necessary measures were taken to streamline the training approaches, topics and forms, instructors were trained on a reporting training method, and quality of trainings rather than quantity were considered as priority issues. These were the main factors that influenced to the improved effectiveness of the trainings in 2008.

The number of TDB staff who have been involved in various foreign and local trainings in 2008 was 1202 in aggregate amount.

SOCIAL CONTRIBUTION ACTIVITIES

Contribution and Sponsorship

Since the beginning of its activities, TDB has been undertaking measures to back up the economic growth of the country and to contribute to bettering life of wealthy and intellectual citizens and to creating a bright future for the society. Through out the year 2008, the Bank remained socially responsible by contributing and sponsoring as follows:

- Lead sponsor and major contributor to the Mongolia-Europe Investment Forum organized in London involving more than 300 representatives of 27 European countries;
- Lead sponsor and major contributor to the Mongolia Investment Forum 2008 organized in Ulaanbaatar city;
- Lead sponsor and major contributor to the Second Joint Mongolia-Japan Government and Private Sector Consultative Meeting on Trade and Investment Issues;
- General sponsor and partnership with the TV5 television channel for the direct transmission of the Beijing Olympics 2008;

Signed a 4-year contract with Mr. N.Tuvshinbayar, First Mongolian Olympic Champion, to represent the TDB in various marketing endeavors.

- General sponsor and partnership with the C1 television channel to offer the Mongolian people a possibility to watch in direct the EURO-2008 Football Championship;
- General sponsor of the "Silver Ring" Basketball competition organized among the journalists;
- General sponsor and partnership for the "Sensation-2020" Football in a gym-hall competition under the auspices of the President of Mongolia;
- Sponsoring the publication of the first ever "English-Mongolian Pictural Pocket Dictionary" by Nepko LLC as a contribution to improve the citizens' general knowledge and their English language skills;
- Providing financial assistance to the School of Economy of the National University of Mongolia (NUM) on the occasion of its 50th anniversary as a contribution to the economic growth of Mongolia and preparation of skillful human resources;
- Providing financial contribution to the attraction of more foreign tourists - "The Chinggis Cavalry" show displaying the versatile skills of horse-riders.

Public Oriented Activities

The public oriented activities take an important part in the operations of TDB, and therefore the following measures were undertaken in the year of 2008 to meet the needs of citizens.

- Organized an event of welcoming and gift distribution to the customers with the Children's Savings accounts on the occasion of the International Day of Protection of Children's Rights.
- Participated in the New Year celebration and distributed gifts to about 300 pupils of the School No.29 for the handicapped children, an activity that has become a tradition since five years ago.
- Offerred an opportunity to enjoy the Beijing Olympics on the ground to the eight winners of the lottery organized among the owners of the "Olymp" Visa Card.
- Refurbished the Newborn Ward of the Research Centre for Mother and Child, creating favourable conditions for the young citizens to receive treatment in safe environment.

Trade and Development Bank of Mongolia LLC
Financial Statements for the year ended

31 December 2008

Registered office and principal place of business	Juulchny Street – 7 Ulaanbaatar - 11 Mongolia
Board of Directors	D. Erdenebileg (Chairman) D. Munkhbaatar Ch. Enkhbold T. Tsolmon T. Boldkhuu
Bank's secretary	D. Davaajav
Joint Auditors	KPMG Kuala Lumpur, Malaysia Tentsver Orgil Audit LLC Ulaanbaatar, Mongolia

Statement by Directors and Executives

I, D. Erdenebileg, being director of Trade and Development Bank of Mongolia LLC ("the Bank"), Randolph Koppa, B. Medree and D. Yanjmaa, being the officers primarily responsible for the financial management of the Bank, do hereby state that, in our opinion, the accompanying financial statements set out on pages 5 to 59 are drawn up in accordance with applicable International Financial Reporting Standards as modified by Bank of Mongolia guidelines so as to give a true and fair view of the financial position of the Bank as at 31 December 2008 and the financial performance and its cash flows for the year then ended.

D. Erdenebileg
Director

Randolph Koppa
President

B. Medree
Chief Executive Officer

D. Yanjmaa
Chief Financial Officer

Ulaanbaatar, Mongolia
Date: 24 February 2009

KPMG (Firm No.AF 0758)
Chartered Accountants
Wisma KPMG
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur, Malaysia

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Suite 402, 4th Floor, Khatan Sukh Building
Zaluuchuudin Urgun Chuluu
Sukhbaatar District 8th subdistrict
Ulaanbaatar city, Mongolia
Phone/Fax: 976-11-324496

Report of the auditors to the members of Trade and Development Bank of Mongolia LLC
(Incorporated in Mongolia)

Report on the Financial Statements
We have audited the accompanying financial statements of Trade and Development Bank of Mongolia LLC ("the Bank"), which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 59.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Opinion on the financial statements

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2008 and the financial performance and its cash flows for the year then ended on that date in accordance with International Financial Reporting Standard as modified by Bank of Mongolia guidelines.

Other Matters

Without qualifying our opinion, we draw your attention to Note 29(b) to the financial statements setting out management's use of estimates and judgements in ascertaining the classification of impaired loans and determining the allowances for loan loss.

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

УЛААНБААТАР
ТЭНЦВЭР ОРГИЛ АУДИТ ХХК

KPMG
Chartered Accountants

Tentsver Orgil Audit LLC
Certified Public Accountants

Date: 24 February 2009

Ulaanbaatar, Mongolia
Date: 24 February 2009

	Note	2008 MNT'000	2007 MNT'000
ASSETS			
Cash and cash equivalents	**4**	140,811,540	110,375,937
Investment securities	**5**	38,816,493	46,424,127
Loans and advances	**6**	440,259,284	382,308,143
Subordinated loan	**7**	4,000,000	4,000,000
Property, plant and equipment	**8**	21,848,077	11,683,487
Intangible assets	**9**	983,090	1,004,359
Other assets	**10**	12,556,864	7,707,071
TOTAL ASSETS		**659,275,348**	**563,503,124**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits from customers	**11**	383,265,826	373,018,621
Deposits and placements of banks			
and other financial institutions	**12**	35,041,650	15,261,624
Loans from financial institutions	**13**	59,079,718	7,387,649
Taxation		476,004	1,455,320
Debt securities issued	**14**	94,457,535	86,661,743
Other liabilities	**15**	8,317,115	10,088,345
Total deposits, loans, taxation and other liabilities		580,637,848	493,873,302
Subordinated loans	**16**	10,140,080	9,359,760
Total liabilities		590,777,928	503,233,062
Shareholders' equity			
Share capital	**17**	6,610,113	6,610,113
Other reserves		14,619,283	6,338,749
Retained earnings		47,268,024	47,321,200
Total shareholders' equity		68,497,420	60,270,062
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**659,275,348**	**563,503,124**

The notes set out on pages 45 to 90 form an integral part of these financial statements

	Note	2008 MNT'000	2007 MNT'000
Interest income	**19**	71,218,232	47,322,951
Interest expense	**20**	(33,646,375)	(26,675,606)
Net interest income		37,571,857	20,647,345
Net fee and commission income	**21**	6,989,451	6,287,916
Other operating (expense)/income	**22**	(6,964,865)	4,138,548
Net non-interest income		24,586	10,426,464
Operating income		37,596,443	31,073,809
Operating expenses	**23**	(15,864,588)	(13,696,975)
(Allowance)/writeback for impairment losses	**24**	(1,817,730)	2,571,664
Profit before tax		**19,914,125**	**19,948,498**
Corporate income tax	**25**	(3,579,470)	(3,552,346)
Net profit for the year		**16,334,655**	**16,396,152**

The notes set out on pages 45 to 90 form an integral part of these financial statements

Trade and Development Bank of Mongolia LLC
Statement of changes in ep for the year ended 31 December 2008

				Non-distributable		*Distributable*	
	Note	**Share capital MNT'000**	**Share premium MNT'000**	**Treasury shares MNT'000**	**Revaluation reserve MNT'000**	**Retained earnings MNT'000**	**Total MNT'000**
Balance at 1 January 2007		6,610,113	7,392,192	-	4,779,570	30,918,127	49,700,002
Net profit for the year		-	-	-	-	16,396,152	16,396,152
Total recognised income and expense for the year		-	-	-	-	16,396,152	16,396,152
Transfer of reserve		-	-		(6,921)	6,921	-
Purchase of treasury shares	**18**	-	-	(5,826,092)	-	-	(5,826,092)
Balance at 31 December 2007		6,610,113	7,392,192	(5,826,092)	4,772,649	47,321,200	60,270,062
Net profit for the year		-	-	-	-	16,334,655	16,334,655
Revaluation of property, plant and equipment		-	-	-	8,910,674	-	8,910,674
Total recognised income and expense for the year		-	-	-	8,910,674	16,334,655	25,245,329
Dividends to equity holders	**26**	-	-	-	-	(16,387,831)	(16,387,831)
Purchase of treasury shares	**18**	-	-	(630,140)	-	-	(630,140)
Balance at 31 December 2008		6,610,113	7,392,192	(6,456,232)	13,683,323	47,268,024	68,497,420

The notes set out on pages 45 to 90 form an integral part of these financial statements

	Note	2008 MNT'000	2007 MNT'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**19,914,125**	**19,948,498**
Adjustments for			
Depreciation and amortisation		1,757,320	1,443,208
Property, plant and equipment written off		10,253	284,242
Intangibles written off		-	11,583
(Gain)/(loss) on disposal of property, plant and equipment		(444)	1,761
Allowance/(writeback) for impairment losses		1,817,730	(2,571,664)
Operating profit before changes in operating assets and liabilities		**23,498,984**	**19,117,628**
Increase in loans and advances		(59,682,249)	(138,575,907)
Subordinated loan disbursed		-	(4,000,000)
(Increase)/ decrease in other assets		(4,936,416)	1,870,571
Increase in deposits from customers		10,247,205	48,349,174
Increase in deposits and placements of banks and other financial institutions		19,780,026	5,678,500
Increase in other liabilities		6,416,384	4,767,656
Cash flows used in operations		**(4,676,066)**	**(62,792,378)**
Corporate income tax paid		(4,558,786)	(3,327,079)
Net cash flows used in operating activities		**(9,234,852)**	**(66,119,457)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from disposal/(acquisition) of investment securities		8,691,309	(18,640,655)
Purchase of property, plant and equipment		(2,739,300)	(1,448,273)
Purchase of intangible assets		(294,635)	(400,235)
Proceeds from disposals of property, plant and equipment		34,159	475,322
Purchase of unquoted equity securities		(1,083,675)	(199,000)
Net cash flows generated from/(used in) investing activities		**4,607,858**	**(20,212,841)**

The notes set out on pages 45 to 90 form an integral part of these financial statements

	Note	2008 MNT'000	2007 MNT'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from/(repayment of) loans from financial Institutions, net		51,692,069	(19,070,449)
Proceeds from debt securities issued		-	86,661,743
Purchase of treasury shares		(630,140)	(5,826,092)
Dividend paid		(15,999,332)	-
Net cash flows generated from financing activities		**35,062,597**	**61,765,202**
Net increase/(decrease) in cash and cash equivalents		**30,435,603**	**(24,567,096)**
Cash and cash equivalents at the beginning of the year		**110,375,937**	**134,943,033**
Cash and cash equivalents at the end of the year	**4**	**140,811,540**	**110,375,937**

The notes set out on pages 45 to 90 form an integral part of these financial statements

1. Corporate information and principal activities

The holding company of the Bank is Globull Investment and Development (SCA), incorporated in Luxembourg and its ultimate holding company is US Global Investment LLC, incorporated in the United States of America. US Global Investment LLC is a consortium owned by Ulaanbaatar City Bank, Capitron Bank, Central Asia Mining LLC and Mr. Erdenebileg Doljin (the current Chairman of the Bank).

Trade and Development Bank of Mongolia LLC (the "Bank") is a company domiciled in Mongolia. The Bank is principally engaged in the business of provision of banking and financial services pursuant to License No. 8 issued by the Bank of Mongolia. There have been no significant changes in the nature of these activities during the financial year.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as modified by Bank of Mongolia guidelines.

The financial statements were authorised for issue by the Board of Directors on 24 February 2009.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- available-for-sale financial assets are measured at fair value
- property, plant and equipment which are subsequently measured at fair value

(c) Functional and presentation currency

The financial statements are presented in Mongolian Tugrug ("MNT"), rounded to the nearest thousand. MNT is the Bank's functional currency.

(d) Use of estimates and judgements

The presentation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Notes 29 and 30.

3. Significant accounting policies

The accounting policies set out below have been consistently applied by the Bank and are consistent with those used in previous years.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to MNT at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are retranslated to MNT at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to MNT at foreign exchange rates ruling at the dates that the fair values were determined.

(b) Financial instruments

(i) Classification

Trading instruments are those that the Bank principally holds for the purposes of short-term trading and liquidity management. These include certain derivative contracts that are not designated as effective hedging instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as trading assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as trading liabilities.

Originated loans and receivables are loans and receivables created by the Bank providing money to a debtor other than those created with the intention of short-term trading. Originated loans and receivables comprise loans and advances to customers.
Held-to-maturity as are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the intent and ability to hold to maturity, and are nor designated as at fair value through profit and loss or as available-for-sale. This includes certain investment securities held by the Bank.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the Bank, or held to maturity.

(ii) Initial recognition

Financial instruments are measured initially at cost, which should equal its fair values, when purchased or originated by the Bank.
If the transaction is not based on market terms, or if a market price cannot be readily determined, then an estimate of future cash payments or receipts, discounted using the current market interest rate for a similar financial instrument, should be used to approximate the fair value. The difference between the fair value of the financial instruments and the consideration given or received is recognised directly in the income statement unless it qualifies for recognition as financial asset/liability under another applicable IFRS.

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Subsequent measurement

Subsequent to initial recognition, all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses. Gains and losses arising from changes in the fair value of trading instruments and available-for-sale assets are recognised in the income statement and directly in equity, respectively.

All non-trading financial liabilities, originated loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses where applicable. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(c) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits and placements with banks and other financial institutions and balances with Bank of Mongolia.

(d) Loans and advances

Loans and advances originated by the Bank are classified as originated loans and receivables. Loans and advances are reported net of allowances to reflect the estimated recoverable amounts (refer to Note 3 (h)).

(e) Property, plant and equipment

(i) Cost

Property, plant and equipment are measured at cost/valuation less accumulated depreciation (refer below) and any impairment losses (refer to Note 3 (h)). The initial cost of an item of property, plant and equipment comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

The Bank revalues its property, plant and equipment frequently enough to ensure that the fair value of revalued assets does not differ materially from its carrying value.
Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same asset. In all other cases, a decrease in carrying amount is charged to the income statement.

3. Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Buildings	40 years
Office equipment and motor vehicles	10 years
Computers	3 - 5 years

(f) Construction-in-progress

Construction-in-progress represents the cost of construction of new buildings and premises, which have not been fully completed or installed. No depreciation is provided for construction-in-progress during the period of construction.

(g) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated impairment losses (refer to Note 3 (h)).

(ii) Acquired intangible assets

Intangible assets that are acquired by the Bank are stated at cost less accumulated amortisation (refer below) and any impairment losses (refer to Note 3 (h)).

(iii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. The estimated useful life is as follows:-

Software and licenses	3 - 5 years

(h) Impairment

The carrying amounts of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

(i) Originated loans and advances

Loans and advances are presented net of allowances for uncollectability. Allowances are made against the carrying amount of loans and advances that are identified as being potentially impaired, based on regular reviews of outstanding balances, to reduce these loans and advances to their recoverable amount in accordance to Bank of Mongolia's guidelines. Increases in the allowance account are recognised in the income statement. When a loan is known to be uncollectible, all the necessary legal procedures have been completed and the final loss has been determined, the loan is written off directly.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Assets other than loans and advances and cash and cash equivalents

The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of impairment are recognised in the income statement.

(i) Repurchase agreements

The Bank enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or customers. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for either assets held-for-trading or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers. The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest.

(j) Non-trading financial liabilities

Non-trading financial liabilities include deposits from customers and from other financial institutions, debt bonds issued, interest-bearing borrowings and other amounts payable. Non-trading financial liabilities are initially stated at cost. Subsequent to the initial recognition, they are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the instrument on an effective interest basis.

(k) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Treasury shares

When share capital recognised as equity is repurchased, the amount of the

3. Significant accounting policies (continued)

(k) Share capital (continued)

consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

(l) Provisions

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risk specific to the liability.

(m) Segment Reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format for segment reporting is based on business segments.

(n) Revenue

(i) Interest income

Interest income and expense is recognised in the income statement as it accrues, taking into account the effective yield of the asset. Interest income and expense include the amortisation of any discount or premium or other differences between the carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(ii) Fee and commission income

Fee and commission income is charged to customers for the financial services provided. Fee and commission income is recognised when the corresponding service is provided.

(iii) Rental income

Rental income from leased property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(o) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense, over the term of the lease.

(p) Income tax

Income tax on the profit or loss for the year comprises current tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

3. Significant accounting policies (continued)

(p) Income tax (continued)

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax will be provided using balance sheet method, providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes, if any.

(q) Employee benefits

(i) Defined contribution plan

Employee benefits include statutory social insurance payments to the State Social Insurance Scheme. Contributions to this defined contribution plan are recognised as an expense in the income statement as incurred.

(ii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee stock options at grant date is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(r) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(s) New standards and interpretations not yet adopted

A number of new IFRSs, amendments to IFRSs and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these financial statements:

- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 becomes mandatory for the Bank's 2009 financial statements, is not expected to have any impact on the Bank's financial statements.
- IFRIC 15 Agreements for the Construction of Real Estates clarifies how to determine whether an agreement is within the scope of IAS 11, Construction Contracts or IAS 18, Revenue Recognition and will address how revenue from the construction of real estate will be recognised. IFRIC 15, which becomes mandatory for the Bank's

3. Significant accounting policies (continued)

(s) New standards and interpretations not yet adopted (continued)

2009 financial statements, is not expected to have any impact on the financial statements.

• Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancel lations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Bank's 2009 financial statements, is not expected to have any impact on the Bank's financial statements.

• IFRIC 16 Hedges of a Net Investment in a Foreign Operation clarifies that:

– net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation

– the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged

– on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss.

The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. IFRIC 16, which becomes mandatory for the Bank's 2009 financial statements, is not expected to have any impact on the financial statements.

• IFRIC 17 Distributions of Non-cash Assets to Owners clarifies how a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. IFRIC 17, which becomes mandatory for the Bank's 2010 financial statements, is not expected to have any impact on the financial statements.

• Revised IFRS 3 Business Combinations (2008) incorporates the following changes:

– The definition of a business has been broadened, which may result in more acquisitions being treated as business combinations.

– Contingent consideration will be measured at fair value, with subsequent changes in fair value recognised in profit or loss.

– Transaction costs, other than share and debt issue costs, will be expensed as incurred.

3. Significant accounting policies (continued)

(s) New standards and interpretations not yet adopted (continued)

– Any pre-existing interest in an acquiree will be measured at fair value, with the related gain or loss recognised in profit or loss.

– Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which becomes mandatory for the Bank's 2010 financial statements, is not expected to have any impact on the Bank's financial statements

• IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Bank's 2009 financial statements, will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Bank's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Bank presents segment information in respect of its business segments (see note 27). This standard will have no effect on the Bank's reported total profit or loss or equity. The Bank is currently in the process of determining the potential impact on the disclosure of the Bank's segment reporting.

• Revised IAS 1 Presentation of Financial Statements (2007) introduces the term "total comprehensive income," which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Bank's 2009 financial statements, is not expected to have any impact on the Bank's financial statements as the Bank does not plan to provide total comprehensive income in a single statement of comprehensive income for its 2009 financial statements.

• Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 which will become mandatory for the Bank's 2009 financial statements is consistent with the current treatment and as such will require no adjustment.

• Amended IAS 27 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Bank's 2010 financial statements, are not expected to have any impact on the Bank's financial statements.

• Amendments to IAS 32 and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation require puttable in

3. Significant accounting policies (continued)

(s) New standards and interpretations not yet adopted (continued)

struments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Bank's 2009 financial statements with retrospective application required, are not expected to have any impact on the Bank's financial statements.

- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank's 2009 financial statements. The Bank does not expect these amendments to have any significant impact on the consolidated financial statements.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Bank's 2010 financial statements with retrospective application required, are not expected to have any impact on the Bank's financial statements.

4. Cash and cash equivalents

	2008 MNT'000	2007 MNT'000
Cash on hand	24,308,267	27,117,737
Deposits and placements with banks and other financial institutions	81,037,257	73,713,110
Balances with Bank of Mongolia *	16,452,838	9,545,090
Deposits with Bank of Mongolia	19,013,178	-
	140,811,540	110,375,937

Balances are maintained with the Bank of Mongolia in accordance with the Bank of Mongolia's requirements and bear no interest. Balances are determined based on average deposits and liabilities balances.

5. Investment securities

	2008 MNT'000	2007 MNT'000
Held-to-maturity investment securities		
Bank of Mongolia Treasury bills	37,472,468	35,540,155
Government securities	-	4,724,555
Promissory notes	-	5,899,067
	37,472,468	46,163,777
Available-for-sale investment securities		
Unquoted equity securities, at cost	1,344,025	260,350
	38,816,493	46,424,127

During the year, the Bank acquired 370 ordinary shares or 4.6% of Capitron Bank at a consideration of MNT1,083,675,000.

6. Loans and advances

	2008 MNT'000	2007 MNT'000
Loans and advances to customers	443,586,957	386,478,190
Loans to staff	3,656,606	2,979,822
	447,243,563	389,458,012
Allowance for loan losses	(6,984,279)	(7,149,869)
Net loans and advances	440,259,284	382,308,143

6. Loans and advances (continued)

Movements in the allowance for loan losses during the year are as follows:

	2008 MNT'000	2007 MNT'000
Allowance for loan losses		
At 1 January	7,149,869	11,744,380
Charge for the year	3,797,395	942,360
Written back/recoveries	(2,066,287)	(4,568,511)
Written off	(2,093,976)	(814,817)
Others	-	(183,195)
Exchange difference	197,278	29,652
At 31 December	6,984,279	7,149,869

7. Subordinated loan

	2008 MNT'000	2007 MNT'000
Subordinated loan to Ulaanbaatar City Bank	4,000,000	4,000,000

The loan bears interest at a fixed rate of 8% per annum (2007: 8% per annum). The loan is to be repaid in full on 25 September 2012.

8. Property, plant and equipment

	Buildings	Office equipment and motor vehicles	Computers	Construction-in-progress	Total
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
At cost/valuation					
At cost	1,252,040	1,756,736	1,967,046	120,000	5,095,822
At valuation	6,500,483	888,579	426,170	-	7,815,232
At 1 January 2008	7,752,523	2,645,315	2,393,216	120,000	12,911,054
Additions	104,507	200,941	118,104	2,315,748	2,739,300
Disposals	-	(94,965)	-	-	(94,965)
Write offs	-	(72,685)	(103,304)	-	(175,989)
Transfers	938,370	185,518	581,084	(1,722,869)	(17,897)
Elimination against accumulated depreciation	(570,075)	-	-	-	(570,075)
Revaluation surplus	8,910,674	-	-	-	8,910,674
At 31 December 2008	17,135,999	2,864,124	2,989,100	712,879	23,702,102
Representing items at:					
Cost	87,132	2,135,822	2,666,234	712,879	5,602,067
Directors' valuation	17,048,867	728,302	322,866	-	18,100,035
	17,135,999	2,864,124	2,989,100	712,879	23,702,102
Accumulated depreciation					
At 1 January 2008	365,074	367,569	494,924	-	1,227,567
Charge for the year	264,486	301,378	857,655	-	1,423,519
Disposals	-	(61,250)	-	-	(61,250)
Write offs	-	(62,432)	(103,304)	-	(165,736)
Elimination against cost	(570,075)	-	-	-	(570,075)
At 31 December 2008	59,485	545,265	1,249,275	-	1,854,026
Carrying amounts					
At 31 December 2008	17,076,514	2,318,859	1,739,825	712,879	21,848,077

8. Property, plant and equipment (continued)

	Buildings	Office equipment and motor vehicles	Computers	Construction-in-progress	Total
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
At cost/valuation					
At cost	1,118,290	1,309,142	1,257,936	-	3,685,368
At valuation	7,194,894	1,194,714	918,807	-	9,308,415
At 1 January 2007	8,313,184	2,503,856	2,176,743	-	12,993,783
Additions	133,750	475,637	713,169	125,717	1,448,273
Disposals	(436,451)	(196,515)	(36,209)	-	(669,175)
Write offs	(258,910)	(142,430)	(460,487)	-	(861,827)
Transfers	950	4,767	-	(5,717)	-
At 31 December 2007	7,752,523	2,645,315	2,393,216	120,000	12,911,054
Representing items at:					
Cost	1,252,040	1,756,736	1,967,046	120,000	5,095,822
Directors' valuation	6,500,483	888,579	426,170	-	7,815,232
	7,752,523	2,645,315	2,393,216	120,000	12,911,054
Accumulated depreciation					
At 1 January 2007	207,928	161,339	399,004	-	768,271
Charge for the year	244,770	414,982	569,221	-	1,228,973
Disposals	(66,124)	(111,406)	(14,562)	-	(192,092)
Write offs	(21,500)	(97,346)	(458,739)	-	(577,585)
At 31 December 2007	365,074	367,569	494,924	-	1,227,567
Carrying amounts					
At 31 December 2007	7,387,449	2,277,746	1,898,292	120,000	11,683,487

8. Property, plant and equipment (continued)

Details of the latest independent professional valuations of buildings valued by McHD LLC are as follows:

Date of valuation	Description of property	Valuation amount MNT'000	Basis of valuation
31 October 2008	Buildings	17,048,867	Market value

The remaining property, plant and equipment were revalued in 2005.

Had the revalued property, plant and equipment been carried at historical cost less accumulated depreciation, the carrying amounts of the revalued assets that would have been included in the financial statements at the end of the year would be as follows:

	2008 MNT'000	2007 MNT'000
Buildings	2,292,775	2,351,564
Office equipments and motor vehicles	437,489	665,505
Computers	152,449	288,441

9. Intangible assets

Cost	**Software and license MNT'000**	**Goodwill MNT'000**	**Total MNT'000**
At 1 January 2008	1,599,037	228,683	1,827,720
Additions	294,635	-	294,635
Transfer (Note 8)	17,897	-	17,897
At 31 December 2008	1,911,569	228,683	2,140,252
Amortisation			
At 1 January 2008	594,678	228,683	
Amortisation charge for the year	333,801	-	823,361
			333,801
At 31 December 2008	928,479	228,683	1,157,162
Carrying amounts			
At 31 December 2008	983,090	-	983,090
At 1 January 2007	1,217,791	228,683	1,446,474
Additions	400,235	-	400,235
Write offs	(18,989)	-	(18,989)
At 31 December 2007	1,599,037	228,683	1,827,720
Amortisation			
At 1 January 2007	387,849	228,683	616,532
Amortisation charge for the year	214,235		214,235
Write offs	(7,406)	-	(7,406)
		-	
At 31 December 2007	594,678	228,683	823,361
Carrying amounts			
At 31 December 2007	1,004,359	-	1,004,359

10. Other assets

	2008 MNT'000	2007 MNT'000
Precious metals	113,554	1,127,405
Accrued interest receivables	5,334,766	3,379,436
Prepayments	3,523,326	115,114
Inventory supplies	448,996	308,392
Foreclosed properties	274,381	632,064
Other receivables	2,861,841	2,144,660
	12,556,864	7,707,071

Foreclosed properties and other receivables are presented net of impairment losses amounting to MNT1,004,490,000 (2007: MNT1,085,454,000) and MNT886,063,000 (2007: MNT892,663,000) respectively. During the year, foreclosed properties amounting to MNT175,160,000 (2007: MNT763,564,000) was written off against impairment losses.
Included in prepayments is a deposit paid to acquire 10% of Ulaanbaatar City Bank amounting to MNT3,502,950,000.

Included in other receivables is an amount of MNT31,958,000 (2007: MNT5,361,000) due from a counterparty in relation to a matured spot contract.

11. Deposits from customers

	2008 MNT'000	2007 MNT'000
Current accounts	150,463,490	197,184,763
Savings deposits	58,023,497	51,898,454
Time deposits	167,372,496	116,029,279
Other deposits	7,406,343	7,906,125
	383,265,826	373,018,621

Current accounts 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 1.0% and 3.0% (2007: 1.0% and 3.0%) per annum for foreign and local currency accounts, respectively.

Foreign and local currency savings deposits bear interest at a rate of approximately 2.4% and 6.0% (2007: 1.8% and 6.0%), respectively.
Foreign currency and local currency time deposits bear interest at a rate of approximately 7.0% and 14.6% (2007: 5.5% and 15.9%), respectively.

12. Deposits and placements of banks and other financial institutions

	2008 MNT'000	2007 MNT'000
Current account deposits:		
Foreign currency deposits	14,229,673	11,552,985
Local currency deposits	12,111	499,631
Foreign currency cheques for selling	49,392	99,740
Deposits from foreign banks	20,750,474	3,109,268
	35,041,650	15,261,624

13. Loans from financial institutions

	2008 MNT'000	2007 MNT'000
Kreditanstalt fuer Wiederaufbau ("KfW")	820,024	503,290
World Bank	4,705,631	2,051,330
Asian Development Bank ("ADB")	130,526	125,697
International Development Association ("IDA")	730,338	718,007
Export-Import Bank of Korea ("KEXIM")	2,477,993	839,092
Sumitomo Mitsui Banking Corporation ("SMBC")	258,178	716,780
VTB Bank Austria ("VTB")	6,341,141	-
Export-Import Bank of the Republic of China ("EXIM")	25,967	-
Japan Bank for International Cooperation ("JBIC")	589,920	-
Bank of Mongolia ("BOM")	43,000,000	-
Mongol Post Bank	-	2,433,453
	59,079,718	7,387,649

Kreditanstalt fuer Wiederaufbau ("KfW")

The KfW loan amounting to EUR459,000 (2007: EUR293,000) is obtained via Bank of Mongolia for the purpose of providing financing to various customers at preferential interest rates. The interest rate is fixed at an annual rate of 1.25%, of which 0.75% is payable to KfW and 0.50% to Bank of Mongolia. Principal repayment is on a semi-annual basis and the repayment dates for this loan varies in accordance to the tenor of loans granted to the various borrowers.

World Bank

	2008 MNT'000	2007 MNT'000
Loan I	537,692	901,945
Loan II	4,167,939	1,149,385
	4,705,631	2,051,330

13. Loans from financial institutions (continued)

Loan I

Loan I comprises the following loans:-

(a) The World Bank USD loan amounting to USD241,000 (2007: USD532,000) is obtained via the Ministry of Finance and Economy. The loan is channelled to various borrowers under the Private Sector Development Credit Programme. The loan bears interest at a rate of LIBOR 6 months USD rate + 3% per annum (2007: LIBOR 6 months USD rate + 3% per annum). The repayment dates for this loan varies in accordance to the tenor of loans granted to the various borrowers.

(b) The World Bank MNT loan amounting to MNT832 million (2007: MNT430 million) is obtained via the Ministry of Finance and Economy. This is to finance specific investment projects through the provision of sub-loans. The loan bears interest at a rate equal to the average rate for MNT demand deposits published by Bank of Mongolia for the preceding twelve months.

(c) The World Bank Training Program loan amounting to USD46,044 (2007: Nil) is obtained via the Ministry of Finance and Economy for the purpose of financing the Bank's implementation of institutional development programme, for staff training in the areas of credit analysis and risk assessment and risk-based internal auditing. The loan bears interest at a fixed rate of 2% per annum. The loan is repayable semi-annually until final repayment due in May 2025.

Asian Development Bank ("ADB")

The ADB loan amounting to USD103,000 (2007: USD107,000) is obtained via Bank of Mongolia for accounting information system upgrading purpose. The loan bears interest at a rate of 1% per annum (2007: 1% per annum) and is repayable in 30 annual instalments which commenced from year 2002.

International Development Association ("IDA")

The IDA loan amounting to USD574,000 (2007: USD575,000) is to finance the Twinning Agreement with Norwegian Banking Resources Ltd. ("NBR"), where NBR had transferred operational knowledge and technical skills to the Bank. The loan bears interest at a rate of 1% per annum (2007: 1% per annum). Principal repayments commenced in August 2007 with the final repayment due in February 2037.

Export-Import Bank of Korea ("KEXIM")

The KEXIM loan amounting to USD1,938,000 (2007: USD702,000) was entered into for relending purposes to finance customers who purchase goods from Korean exporters.

13. Loans from financial institutions (continued)

The line of credit is limited to an aggregate amount of USD 5 million and the interest of this particular loan varies with each drawdown, which is determined by KEXIM. TDB shall repay KEXIM the principal amount of each disbursement on the last day of each financing period. This line of credit is available until May 2010 but may be subject to further extension.

Sumitomo Mitsui Banking Corporation ("SMBC")

The loan from SMBC amounting to USD200,000 (2007: USD599,000) is to on-lend to a borrower for the purpose of financing the purchase of machineries. This loan is backed by a guarantee from International Finance Corporation ("IFC") under its Global Trade and Finance Program which is a program initiated to assist banks such as TDB in emerging markets by issuing guarantees on the loans entered into by TDB. The guarantee facility from IFC is up to USD5 million. The loan bears interest at a rate of LIBOR 6 months + 3.5% per annum (2007: LIBOR 6 months + 3.5% per annum) and the final repayment is due in April 2009.

VTB Bank (Austria) AG ("VTB")

	2008 MNT'000	2007 MNT'000
Risk Participation I	2,538,611	-
Risk Participation II	3,802,530	-
	6,341,141	-

The Bank and VTB had entered into two participation agreements in which the VTB loans were extended to two borrowers. Under these participation agreements, VTB is at its sole risk and have no right of recourse against the Bank for any loss it incurs as a result of default by the borrower. The loans bear interest at rates ranging from 9% to 12% per annum.

Export-Import Bank of China ("EXIM")

The EXIM loan amounting to USD20,000 (2007: Nil) was entered into for relending purposes to finance customers who purchase machinery and other manufactured goods produced in the Republic of China. The line of credit is limited to an aggregate amount of USD 2 million. This particular loan bears interest at a rate of LIBOR 6 months USD rate + 1.25% per annum, and final repayment is due in April 2010. This line of credit was available until January 2009 but subsequent to year end, it was extended to January 2010. The credit line was increased to USD 4 million and the interest rate was reduced to LIBOR 6 months USD rate + 0.3% per annum.

13. Loans from financial institutions (continued)

Japan Bank for International Cooperation ("JBIC")

The JBIC loan comprises the following loans:-

(a) The JBIC USD loan amounting to USD47,200 (2007: Nil) is obtained via the Ministry of Finance and Economy. The loan is channelled to various borrowers for the purpose of Small and Medium-Scaled Enterprises ("SME") Development or Environmental Protection. The loan bears interest at a rate of LIBOR 6 months USD rate + 1% per annum. The repayment dates for this loan varies in accordance to the tenor of loans granted to the various borrowers.

(b) The JBIC MNT loan amounting to MNT530 million (2007: Nil) is obtained via the Ministry of Finance and Economy. The loan is channelled to various borrowers for the purpose of SME Development or Environmental Protection. The loan bears interest at a rate equal to the average rate for MNT demand deposits published by Bank of Mongolia for the preceding 12 months. The repayment dates for this loan varies in accordance with the tenor of loans granted to the various borrowers.

Bank of Mongolia ("BOM")

The loan obtained from the Central Bank of Mongolia amounting to MNT 43 billion (2007: Nil) is to finance unfinished construction projects through the provision of sub-loans. The loan bears interest at a rate of 12% per annum and final repayment is due in May 2009 in one lump sum. At 31 December 2008, the bank had pledged a portion of their performing loans and advances, balances with Bank of Mongolia and balances with other financial intuitions to secure this loan.

14. Debt securities issued

	2008 MNT'000	2007 MNT'000
Debt securities issued, at amortised cost	94,457,535	86,661,743

On 5 January 2007, the Bank launched a Euro Medium Term Note ("EMTN") Programme of which USD75,000,000 was issued on 22 January 2007 at a price of 98.176%. These bonds bear interest at 8.625% per annum. The principal payment is due on 22 January 2010 whilst the interest is payable semi-annually.

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15. Other liabilities

	2008 MNT'000	2007 MNT'000
Foreign remittance under request	1,217	177,153
Delay on clearing settlement	1,540,078	3,957,991
Other payables	6,387,321	5,953,201
Dividend payable	388,499	-
	8,317,115	10,088,345

16. Subordinated loans

	2008 MNT'000	2007 MNT'000
Loan from Asian Development Bank ("ADB")	5,703,795	5,264,865
Loan from International Finance Corporation ("IFC")	4,436,285	4,094,895
	10,140,080	9,359,760

The objective of the loans from ADB and IFC amounting to USD4,500,000 and USD3,500,000 (2007: USD4,500,000 and USD3,500,000) respectively is to strengthen the Bank's capital base, operational abilities and to assist the Bank to be a well managed commercial bank according to international best practices. The loans are utilised for new product development and new lending initiatives. The loans bear interest at rate of LIBOR + 7% per annum (2007: LIBOR + 7% per annum). The loans are to be repaid in full on 15 December 2009.

17. Share capital

	Number of ordinary shares of MNT2,000 each		Amount	
	2008	2007	2008 MNT'000	2007 MNT'000
At 1 January	3,305,057	3,305,057	6,610,113	6,610,113
Issued during the year	-	-	-	-
At 31 December	3,305,057	3,305,057	6,610,113	6,610,113

18. Treasury shares

	2008 MNT'000	2007 MNT'000
At 1 January	5,826,092	-
Purchase of treasury shares	630,140	5,826,092
At 31 December	6,456,232	5,826,092

During the financial year, the Bank purchased 42,577 ordinary shares of its issued share capital from minority shareholders. The price paid for the shares bought back was MNT14,800 per ordinary share. The share buy back transactions were financed by internally generated funds. As at 31 December 2008, the total number of shares bought back were 314,577 ordinary shares of MNT2,000 each which are being held as treasury shares.

Pursuant to an agreement dated 18 January 2007 between the Bank and its ultimate holding company, US Global has the option to repurchase 272,000 shares at a future date at a price to be agreed upon taking into account the net worth of the bank then. This option expires on 30 June 2009.

19. Interest income

	2008 MNT'000	2007 MNT'000
Loans and advances	64,510,133	41,186,348
Investment securities	1,872,745	2,744,765
Deposits and placements with banks and		
other financial institutions	4,377,823	3,084,647
Sale and repurchase agreements	132,199	220,080
Subordinated loan	325,332	87,111
	71,218,232	47,322,951

20. Interest expense

	2008 MNT'000	2007 MNT'000
Deposits from customers	21,427,928	16,346,297
Loans from financial institutions	3,026,767	1,725,729
Subordinated loans	1,033,800	1,170,568
Sale and repurchase agreements	128,155	120,640
Debt securities issued	8,029,725	7,312,372
	33,646,375	26,675,606

21. Net fee and commission income

	2008 MNT'000	2007 MNT'000
Fee and commission income	7,686,241	6,346,305
Fee and commission expenses	(696,790)	(58,389)
	6,989,451	6,287,916

Net fee and commission income includes commission on letters of credit and guarantee, money transfer service charges, credit card service fees and charges, current account withdrawal charges, etc.

22. Other operating (expense)/income

	2008 MNT'000	2007 MNT'000
Foreign exchange gain, net	5,155,461	2,049,270
Precious metal trading (loss)/gain	(9,042,787)	3,835,771
Equity trading loss	(3,310,104)	(1,872,417)
Rental income	6 80	2,699
Other operating income	231,885	123,225
	(6,964,865)	4,138,548

23. Operating expenses

	Note	2008 MNT'000	2007 MNT'000
Staff costs		6,523,503	5,486,875
Technical assistance and foreign bank remittance fees		1,502,842	1,052,019
Depreciation on property, plant and equipment	8	1,423,519	1,228,973
Amortisation on intangible assets	9	333,801	214,235
Write off for property, plant and equipment		10,253	284,242
Write off for intangible assets		-	11,583
(Gain)/loss on disposal of property, plant and equipment		(444)	1,761
Maintenance of property, plant and equipment		110,393	110,349
Rental expense		554,237	566,659

24. (Allowance)/writeback for impairment losses

	2008 MNT'000	2007 MNT'000
(Allowance)/write back for loan losses, net	(1,731,108)	3,626,151
Allowance for other assets, net	(86,622)	(1,025,435)
Letters of credit and guarantee	-	(29,052)
	(1,817,730)	2,571,664

25. Corporate income tax

Recognised in the income statement:

	2008 MNT'000	2007 MNT'000
Income tax expense- current year	3,554,490	3,552,346
- prior years	24,980	-
	3,579,470	3,552,346
Profit before tax	19,914,125	19,948,498
Tax at income tax rate of 25% (2007: 25%)	4,978,531	4,987,125
Tax effect of non-deductible expenses	56,999	119,193
Tax effect of non-taxable income	(1,031,040)	(1,103,972)
Tax effect of progressive tax rate of 10% (2007: 10%) on the portion of taxable profits up to MNT3 billion (2007: MNT3 billion)	(450,000)	(450,000)
Under provision in prior years	24,980	-
Income tax expense	3,579,470	3,552,346

According to Mongolian Tax Laws, the Bank has an obligation to pay the Government Income Tax at the rate of 10% (2007: 10%) of the portion of taxable profits up to MNT3 billion (2007: MNT3 billion) and 25% (2007: 25%) of the portion of taxable profits above MNT3 billion (2007: MNT3 billion).

26. Dividends

Dividends recognised in the current year by the Bank are:

	2008 MNT'000	2007 MNT'000
Dividends to equity holders	16,387,831	-
	16,387,831	-

On 12 December 2008, the Bank declared a dividend of MNT5,480 per ordinary share amounting to MNT16,387,831,000.

27. Segment reporting

Segment information is presented in respect of the Bank's business segments. The primary format, business segments, is based on the Bank's management and internal reporting structure.

Business segments pay to and receive interest from the Central Treasury on an arm's length basis to reflect the allocation of capital and funding costs.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

Business segments

The Bank comprises the following main business segments:

- *Corporate Banking*

Includes loans, deposits and other transactions and balances with corporate customers

- *SME Banking*

Includes loans, deposits and other transactions and balances with SME customers. The Bank classifies a business customer as SME where the level of financing it provides to a customer is between US$100,000 to USD$500,000 rather than the classification on the size or turnover of the business itself.

- *Retail Banking*

Includes loans, deposits and other transactions and balances with retail customers and card customers

- *Investment and International Banking*

Includes the Bank's trading and corporate finance activities

- *Treasury*

Undertakes the Bank's funding and centralised risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities. Operates the Bank's funds management activities.

- *Others*

Includes Headquarter operations and central Shared Services operation that manages the Bank's premises and certain corporate costs.

27. Segment reporting (continued)

As at 31 December 2008	Note	Corporate Banking	SME Banking	Retail Banking	Investment and International Banking	Treasury	Other	Total
		MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Segment result								
External revenue								
Net interest income		44,460,678	5,569,052	(7,164,904)	(6,582,343)	2,461,357	(1,171,983)	37,571,857
Net fee and commission income	**21**	2,162,895	74,269	4,148,470	11,620	345,073	247,124	6,989,451
Other operating income/ (expense)	**22**	141	1,226	81,449	(3,310,104)	(3,883,998)	146,421	(6,964,865)
Intersegment revenue		(26,521,311)	(2,238,190)	16,681,326	7,072,044	(2,431,774)	7,437,905	-
Total segment revenue		20,102,403	3,406,357	13,746,341	(2,808,783)	(3,509,342)	6,659,467	37,596,443
Segment result		17,743,350	3,453,628	8,934.459	(4,154,321)	(3,931,121)	(2,131,867)	19,914,125
Income tax expense	**25**							(3,579,470)
Profit for the period								16,334,655
Segment assets		350,619,206	28,227,316	79,981,372	12,738,216	116,382,367	71,326,871	659,275,348
Segment liabilities		314,158,685	18,709,679	90,314,863	16,892,537	124,159,404	26,066,756	590,301,924
Unallocated liabilities								476,004
Total liabilities								590,777,928

27. Segment reporting (continued)

As at 31 December 2008		**Corporate Banking**	**SME Banking**	**Retail Banking**	**International and Investment Banking**	**Treasury**	**Other**	**Total**
		MNT'000	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**
Allowance for impairment losses on financial assets	**24**	2,065,411	192,653	123,412	-	-	(68,384)	1,817,730
Depreciation and amortisation	**23**	(6,980)	-	(762,676)	(2,856)	(8,570)	(976,238)	1,757,320
Capital expenditure		2,720	402	1,513,876	3,274	157	1,633,236	3,153,665

27. Segment reporting (continued)

As at 31 December 2007	Note	Corporate Banking	SME Banking	Retail Banking	Investment and International Banking	Treasury	Other	Total
		MNT'000	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**
Segment result								
External revenue								
Net interest income		25,045,628	3,794,663	(8,238,420)	(4,774,734)	5,963,218	(1,143,010)	20,647,345
Net fee and commission income	**21**	1,788,079	29,250	3,723,538	21,589	179,707	545,753	6,287,916
Other operating income/(expense)	**22**	264	496	100,229	(1,818,739)	5,825,959	30,339	4,138,548
Intersegment revenue		(17,803,825)	(1,570,096)	15,765,377	(113,786)	(6,751,836)	10,474,166	-
Total segment revenue		9,030,146	2,254,313	11,350,724	(6,685,670)	5,217,048	9,907,248	31,073,809
Segment result		11,594,607	1,949,991	6,829,332	(7,117,150)	4,781,449	1,910,269	19,948,498
Income tax expense	**25**							(3,552,346)
Profit for the period								16,396,152
Segment assets		284,147,039	23,290,821	64,112,826	29,888,821	103,292,998	58,770,619	563,503,124
Segment liabilities		264,586,408	15,193,983	69,236,892	29,689,487	99,843,643	23,227,329	501,777,742
Unallocated liabilities								1,455,320
Total liabilities								503,233,062

27. Segment reporting (continued)

As at 31 December 2007		Corporate Banking	SME Banking	Retail Banking	International and Investment Banking	Treasury	Other	Total
		MNT'000	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**	**MNT'000**
Writeback for impairment losses on financial assets	**24**	(2,936,141)	160,000	240,868	-	-	(36,391)	(2,571,664)
Depreciation and amortisation	**23**	(64,430)	(8,837)	(520,331)	(2,327)	(46,792)	(800,491)	1,443,208
Capital expenditure		1,637	-	519,181	2,908	5,473	687,754	1,216,953

28. Significant transactions with related parties

The holding company of the Bank is Globull Investment and Development (SCA), incorporated in Luxembourg and its ultimate holding company is US Global Investment LLC, incorporated in the United States of America. US Global Investment LLC is a consortium owned by Ulaanbaatar City Bank, Capitron Bank, Central Asia Mining LLC and Mr. Erdenebileg Doljin (the current Chairman of the Bank).

The Bank also has a related party relationship with its executive officers.

During the year, the Bank had the following transactions with related parties and outstanding balances at year end:-

	2008 MNT'000	2007 MNT'000
Ulaanbaatar City Bank		
During the year ended 31 December		
Interest income	3,522,366	1,237,379
Interest expense	(12,528)	(9,820)
As at 31 December		
Short term loan	-	7,487,808
Subordinated loan	4,000,000	4,000,000
	4,000,000	11,487,808
Capitron Bank		
During the year ended 31 December		
Interest income	695,302	222,795
Interest expense	(11,849)	(140)
As at 31 December		
Short term loan	-	5,030,871
Executive officers		
During the year ended 31 December		
Interest income	91,148	33,635
As at 31 December		
Loans to executive officers	690,800	470,327

The loans to executive officers are included in loans and advances of the Bank (see Note 6).
Total remuneration and employees benefit paid to the executive officers for the year amounted to MNT1,158,575,244 (2007: MNT550,058,543).

As at 31 December 2008, the Bank's short term inter bank placements with Ulaanbaatar City Bank and Capitron Bank amounted to MNT43,628,667,000 and MNT7,302,530,000 respectively.

29. Financial Risk Management

(a) Introduction and overview

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Asset and Liability Committee ("ALCO") and Credit Committee, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank's Representative Governing Board ("RGB") is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The RGB is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the RGB.

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances and investment securities.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee. Each branch is required to implement the Bank's credit policies and procedures, with credit approval authorities delegated from the Bank's

29. Financial Risk Management (continued)

(b) Credit risk (continued)

Credit Committee. Each branch is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of branches and credit processes are undertaken by Internal Audit.

Exposure to Credit Risk

	Note	Loans and advances 2008 MNT'000	Loans and advances 2007 MNT'000	Investment securities 2008 MNT'000	Investment securities 2007 MNT'000
Carrying amount	5,6	440,259,284	382,308,143	38,816,493	46,424,127
Neither past due nor impaired		433,832,244	377,263,897	38,816,493	46,424,127
Individually impaired					
In arrears		6,252,993	4,319,733	-	-
Substandard		745,277	2,896,799	-	-
Doubtful		158,856	266,599	-	-
Loss		6,254,193	4,710,984	-	-
Gross amount		13,411,319	12,194,115	-	-
Allowance for loan loss		(6,984,279)	(7,149,869)	-	-
Carrying amount		6,427,040	5,044,246	-	-
Total carrying amount		440,259,284	382,308,143	38,816,493	46,424,127

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s).

Set out below is an analysis of the gross and net (after allowances for loan loss) amounts of individually impaired assets by classifications.

	2008 Gross MNT'000	2008 Net MNT'000	2007 Gross MNT'000	2007 Net MNT'000
Loans and advances at 31 December				
In arrears	6,252,993	5,940,160	4,319,733	3,239,517
Substandard	745,277	447,166	2,896,799	1,738,079
Doubtful	158,856	39,714	266,599	66,650
Loss	6,254,193	-	4,710,984	-
Total	13,411,319	6,427,040	12,194,115	5,044,246

29. Financial Risk Management (continued)

(b) Credit risk (continued)

In ascertaining the classification of impaired loans and determining the allowances for loan loss, management has made certain estimates and assumptions using historical experience and other factors, including current economic environment, which management believes to be reasonable under the circumstances. Recent economic conditions coupled with the illiquid credit market, volatile foreign currency and general slowdown in consumer spending have combined to increase significantly the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ from these estimates.

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Collateral generally is not held over loans and advances to banks and investment securities. It is impracticable to estimate the fair value of the collateral held by the Bank at 31 December 2008 and 2007.

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

	Loans and advances		Investment securities	
	2008 MNT'000	2007 MNT'000	2008 MNT'000	2007 MNT'000
Concentration by sector				
Agriculture	7,450,527	13,603,302	-	-
Mining and quarrying	47,644,670	28,379,544	-	-
Manufacturing	130,870,876	76,943,680	-	-
Petrol import and trade	26,322,379	51,765,260	-	-
Corporate - trading	55,754,292	56,735,005	1,344,025	6,159,417
Construction	94,417,089	70,213,157	-	-
Electricity and thermal energy	271,020	1,500,369	-	-
Hotel and tourism	958,453	791,067	-	-
Financial services	699,415	37,495,746	37,472,468	40,264,710
Transportation	6,020,201	1,904,264	-	-
Individuals	48,057,371	37,312,372	-	-
Others	21,792,991	5,664,377	-	-
	440,259,284	382,308,143	38,816,493	46,424,127

Others include borrowers in insurance, education etc.

(c) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting

29. Financial Risk Management (continued)

(c) Liquidity risk (continued)

obligations from its financial liabilities. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank is exposed to frequent calls on its available cash resources from current deposits, maturing deposits and loan drawdowns. 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.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers/banks. For this purpose net liquid assets are considered as including cash and cash equivalents, central bank bills, current accounts and deposits placed with Bank of Mongolia and other domestic and foreign banks less clearing delay. A similar calculation is used to measure the Bank's compliance with the minimum 18% liquidity ratio established by Bank of Mongolia. Details of the reported Bank ratio of net liquid assets to deposits from customers/banks at the reporting date were as follows:

	2008	**2007**
At 31 December	37.0%	26.0%

The following table provides an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment:

29. Financial risk management (continued)

(c) Liquidity risk (continued)

As at 31 December 2008	Less than three months	Three to six months	Six months to one year	One to five years	Over five years	Total
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Financial assets						
Cash on hand	24,308,267	-	-	-	-	24,308,267
Deposits and placements with banks and other financial institutions	71,935,539	9,101,718	-	-	-	81,037,257
Balances with the Bank of Mongolia	16,452,838	-	-	-	-	16,452,838
Deposits with Bank of Mongolia	19,013,178	-	-	-	-	19,013,178
Investment securities	26,543,050	10,929,418	-	260,350	1,083,675	38,816,493
Loans and advances	49,095,353	64,542,971	110,936,027	176,201,656	39,483,277	440,259,284
Subordinated loan	-	-	-	4,000,000	-	4,000,000
Other assets	12,556,864	-	-	-	-	12,556,864
	219,905,089	84,574,107	110,936,027	180,462,006	40,566,952	636,444,181
Financial liabilities						
Deposits from customers	139,419,078	89,836,194	67,314,659	86,695,895	-	383,265,826
Deposits and placements of banks and other financial institutions	8,673,020	9,446,550	10,584,530	6,337,550	-	35,041,650
Loans from financial institutions	7,742,688	43,000,000	-	8,337,030	-	59,079,718
Subordinated loans	-	-	10,140,080	-	-	10,140,080
Debt securities issued	-	-	-	94,457,535	-	94,457,535
Other liabilities	8,317,115	-	-	-	-	8,317,115
	164,151,901	142,282,744	88,039,269	195,828,010	-	590,301,924
Net financial assets/(liabilities)	55,753,188	(57,708,637)	22,896,758	(15,366,004)	40,566,952	46,142,257
Cumulative total	55,753,188	(1,955,449)	20,941,309	5,575,305	46,142,257	

29. Financial risk management (continued)
(c) *Liquidity risk (continued)*

As at 31 December 2007	Less than three months	Three to six months	Six months to one year	One to five years	Over five years	Total
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Financial assets						
Cash on hand	27,117,737	-	-	-	-	27,117,737
Deposits and placements with banks and other financial institutions	73,713,110	-	-	-	-	73,713,110
Balances with the Bank of Mongolia	9,545,090	-	-	-	-	9,545,090
Investment securities	36,811,220	3,453,490	5,899,067	-	260,350	46,424,127
Loans and advances	86,075,164	25,239,131	106,279,131	148,458,092	16,256,625	382,308,143
Subordinated loan	-	-	-	4,000,000	-	4,000,000
Other assets	7,707,071	-	-	-	-	7,707,071
	240,969,392	28,692,621	112,178,198	152,458,092	16,516,975	550,815,278
Financial liabilities						
Deposits from customers	182,409,739	57,600,543	47,734,680	85,273,659	-	373,018,621
Deposits and placements of banks and other financial institutions	9,286,774	5,974,850	-	-	-	15,261,624
Loans from financial institutions	602,485	1,289,504	1,903,988	3,417,994	173,678	7,387,649
Subordinated loans	-	-	-	9,359,760	-	9,359,760
Debt securities issued	-	-	-	86,661,743	-	86,661,743
Other liabilities	10,088,345	-	-	-	-	10,088,345
	202,387,343	64,864,897	49,638,668	184,713,156	173,678	501,777,742
Net financial assets/(liabilities)	38,582,049	(36,172,276)	62,539,530	(32,255,064)	16,343,297	49,037,536
Cumulative total	38,582,049	2,409,773	64,949,303	32,694,239	49,037,536	

29. Financial risk management (continued)

(d) Market risks

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

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.

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.

Overall authority for market risk is vested with the ALCO.

Exposure to interest rate risks

The principal risk to which the Bank's financial assets and liabilities are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. A summary of the Bank's interest rate gap position on its financial assets and liabilities are as follows:

29. Financial risk management (continued)

(d) Market risks (continued)

As at 31 December 2008

	Effective interest rate	Total	Non-interest sensitive	Less than three months	Three to six months	Six months to one year	One to five years	Over five years
	%	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Financial assets								
Cash on hand	-	24,308,267	24,308,267	-	-	-	-	-
Deposits and placements with banks and other financial institutions	7.78	81,037,257	-	71,935,539	9,101,718	-	-	-
Balances with Bank of Mongolia	-	16,452,838	16,452,838	-	-	-	-	-
Deposits with Bank of Mongolia	1.00	19,013,178	-	19,013,178	-	-		-
Investment securities	11.63	38,816,493	-	26,543,050	10,929,418	-	260,350	1,083,675
Loans and advances	14.00	440,259,284	-	49,093,583	64,542,971	110,936,027	176,201,656	39,485,047
Subordinated loan	8.00	4,000,000	-	-	-	-	4,000,000	-
Other assets	-	12,556,864	-	12,556,864	-	-	-	-
		636,444,181	40,761,105	179,142,214	84,574,107	110,936,027	180,462,006	40,568,722
Financial liabilities								
Deposits from customers	5.92	383,265,826	-	139,419,078	89,836,194	67,314,659	86,695,895	-
Deposits and placements of banks and other financial institutions	-	35,041,650	35,041,650				-	
Loans from financial institutions	8.64	59,079,718	-	7,742,688	43,000,000		8,337,030	
Subordinated loans	11.1	10,140,080	-	-	-	10,140,080	-	-
Debt securities issued	8.63	94,457,535	-	-	-	-	94,457,535	-
Other liabilities	-	8,317,115	-	8,317,115	-	-	-	-
		590,301,924	35,041,650	155,478,881	132,836,194	77,454,739	199,630,540	-
Net financial assets/ (liabilities)		46,142,257	5,719,455	23,663,333	(48,262,087)	33,481,288	(9,028,454)	40,568,722

29. Financial risk management (continued)

(d) Market risks (continued)

As at 31 December 2007	Effective interest rate	Total	Non-interest sensitive	Less than three months	Three to six months	Six months to one year	One to five years	Over five years
	%	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Financial assets								
Cash on hand	-	27,117,737	27,117,737	-	-	-	-	-
Deposits and placements with banks and other financial institutions	4.66	73,713,110	-	73,713,110	-	-	-	-
Balances with Bank of Mongolia	-	9,545,090	9,545,090	-	-	-	-	-
Investment securities	4.88	46,424,127	260,350	36,811,220	3,453,490	5,899,067	-	-
Loans and advances	12.12	382,308,143	-	86,075,164	25,239,131	106,279,131	148,458,092	16,256,625
Subordinated loan	8.00	4,000,000	-	-	-	-	4,000,000	-
Other assets	-	7,707,071	7,707,071	-	-	-	-	-
		550,815,278	44,630,248	196,599,494	28,692,621	112,178,198	152,458,092	16,256,625
Financial liabilities								
Deposits from customers	5.41	373,018,621	-	182,409,739	57,600,543	47,734,680	85,273,659	-
Deposits and placements of banks and other financial institutions	-	15,261,624	15,261,624	-	-	-	-	-
Loans from financial institutions	8.00	7,387,649	-	602,485	1,289,504	1,903,988	3,417,994	173,678
Subordinated loans	11.83	9,359,760	-	-	-	-	9,359,760	-
Debt securities issued	8.63	86,661,743	-	-	-	-	86,661,743	-
Other liabilities	-	10,088,345	10,088,345	-	-	-	-	-
		501,777,742	25,349,969	183,012,224	58,890,047	49,638,668	184,713,156	173,678
Net financial assets/(liabilities)		49,037,536	19,280,279	13,587,270	(30,197,426)	62,539,530	(32,255,064)	16,082,947

29. Financial risk management (continued)

(d) Market risks (continued)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. An analysis of the Bank's sensitivity to a 100 basis point (bp) increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

	100 bp parallel increase MNT'000	**100 bp parallel decrease MNT'000**
2008		
At 31 December	175,730	(175,730)
2007		
At 31 December	86,504	(86,504)

Exposure to foreign currency risks

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 Bank of Mongolia.

A 10 percent strengthening of the MNT against the USD at 31 December would have increased profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	10 percent strengthening
2008	
At 31 December	114,493
2007	
At 31 December	(539,805)

A 10 percent weakening of the MNT against the USD at 31 December would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

29. Financial risk management (continued)

(d) Market risks (continued)

The Bank's transactional exposures comprise monetary assets and monetary liabilities that are not denominated in the measurement currency. These exposures are as follows:

	2008			2007		
	MNT denominated	Foreign currencies	Total	MNT denominated	Foreign currencies	Total
	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
Financial assets						
Cash on hand	13,331,478	10,976,789	24,308,267	12,159,118	14,958,619	27,117,737
Deposits and placements with banks and other financial institutions	18,649,913	62,387,344	81,037,257	15,160,865	58,552,245	73,713,110
Balances with Bank of Mongolia	9,579,970	6,872,868	16,452,838	4,547,169	4,997,921	9,545,090
Deposits with Bank of Mongolia	-	19,013,178	19,013,178	-	-	-
Investment securities	38,816,493	-	38,816,493	40,525,060	5,899,067	46,424,127
Loans and advances	195,561,525	244,697,759	440,259,284	139,406,658	242,901,485	383,305,143
Subordinated loan	4,000,000	-	4,000,000	4,000,000	-	4,000,000
Other assets	7,637,026	4,919,838	12,556,864	3,208,644	4,498,427	7,707,071
	287,576,405	348,867,776	636,444,181	219,007,514	331,807,764	550,815,278
Financial liabilities						
Deposits from customers	182,174,854	201,090,972	383,265,826	165,240,090	207,778,531	373,018,621
Deposits and placements of banks and other financial institutions	11,312,103	23,729,547	35,041,650	3,608,898	11,652,726	15,261,624
Loans from financial institutions	44,362,577	14,717,141	59,079,718	4,422,255	2,965,394	7,387,649
Subordinated loans	-	10,140,080	10,140,080	-	9,359,760	9,359,760
Debt securities issued	-	94,457,535	94,457,535	-	86,661,743	86,661,743
Other liabilities	2,439,686	5,877,429	8,317,115	2,096,784	7,991,561	10,088,345
	240,289,220	350,012,704	590,301,924	175,368,027	326,409,715	501,777,742
Net financial assets/(liabilities)	47,287,185	(1,144,928)	46,142,257	43,639,487	5,398,049	49,037,536

29. Financial risk management (continued)

(e) Capital management

The Bank's regulator, Bank of Mongolia sets and monitors capital requirements for the Bank as a whole.

The Bank of Mongolia requires the Bank to maintain a minimum capital adequacy ratio of 10%, complied on the basis of total capital and total assets as adjusted for their risk ("CAR") and a minimum of 5% complied on the basis of total tier 1 capital and total assets as adjusted for their risk ("TCAR").

Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital.

Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank has complied with all externally imposed capital requirements throughout the period.

There have been no material changes in the Bank's management of capital during the year.

29. Financial risk management (continued)

(f) Capital management (continued)

The Bank's capital position at 31 December was as follows:

	Note	2008 MNT'000	2007 MNT'000
Tier I capital			
Share capital	**17**	6,610,113	6,610,113
Share premium		7,392,192	7,392,192
Retained earnings		47,268,024	47,321,200
Treasury shares	**18**	(6,456,232)	(5,826,092)
Adjustment		(544,826)	(590,486)
Total Tier I capital		54,269,271	54,906,927
Tier II capital			
Revaluation reserve		13,683,323	4,772,649
Subordinated loans		10,140,080	9,359,760
Total Tier II capital		23,823,403	14,132,409
Total Tier I and Tier II capital		78,092,674	69,039,336

Breakdown of risk weighted assets as follows:

Risk weighted factor (%)	2008 MNT'000	2007 MNT'000
20	14,985,862	8,452,160
50	30,803,634	26,530,272
100	479,014,817	465,198,085
VaR estimated foreign currency exposure	-	1,143,040
Foreign currency exposure **(a)**	5,892,743	-
Total	530,697,056	501,323,557
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets ("CAR")	14.71%	13.77%
Total tier 1 capital expressed as a percentage of risk-weighted assets ("TCAR")	10.23%	10.95%

(a) On 30 October 2008, the Bank's regulator, Bank of Mongolia, revised their capital adequacy prudential ratio calculation by ceasing the value-at-risk ("VaR") method and reverting to the traditional method for the calculation of foreign currency exposure as part of its risk weighted average assets.

30. Fair values of financial assets and liabilities

As there is no active market for a large part of the Bank's financial instruments, judgement is necessary in estimating fair value, based on current economic conditions and specific risk attributable to the instrument. Based on these estimates, fair value of financial assets and liabilities are considered to not differ significantly from their carrying amount. The following methods and assumptions are used in estimating the fair value of financial instruments:

(i) Loans and advances

The fair value of the loan portfolio is based on the credit and interest rate characteristics of each individual loan. The estimation of the allowance for loan losses includes consideration of risk premium applicable to various types of loans based on factors such as the current situation of the borrower and collateral obtained. Accordingly, the allowance for loan losses is considered a reasonable estimate of the discount required to reflect the impact of the credit risk. The carrying amount of loans is a reasonable estimate of their fair value.

(ii) Deposits from customers

For demand deposits and deposits with no defined maturity, fair value is taken to be the amount payable on demand at the balance sheet date. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. As most of the deposits mature or reprice in less than one year and the rates offered by the Bank are similar to the market rate, the carrying amount of deposits is considered to be a reasonable estimate of fair value.

31. Commitment and contingent liabilities

At any time the Bank has outstanding commitments to extend credit. These commitments take the form of undrawn portions of approved loans, credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of less than one year. The Bank also provides guarantees by acting as settlement agent in securities borrowing and lending transactions. The contractual amounts of commitments and contingent liabilities are set out in the following table by category.

The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

31. Commitment and contingent liabilities (continued)

	2008 MNT'000	2007 MNT'000
Letters of credit and guarantees	30,531,036	42,419,340
Loan and credit card commitments	28,540,414	29,328,835

These commitments and contingent liabilities have off balance-sheet credit risk because only accruals for probable losses are recognised in the balance sheet until the commitments are fulfilled or expired. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

32. 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.

LIST OF PRINCIPAL FOREIGN CORRESPONDENTS

No.	Bank Name	Location	Swift	Currency	Account No.
1	AGRICULTURAL BANK OF CHINA, NEIMENGGU BRANCH	HUHHOT, CHINA	ABOCCNBJ050	USD	05710114040000937
2	AMERICAN EXPRESS BANK LTD	NEW YORK, USA	AEIBUS33	USD	00716332
3	CITIBANK N.A.,	NEW YORK, USA	CITIUS33	USD	36202093
4	HSBC BANK USA N.A	NEW YORK, USA	MRMDUS33	USD	000304298
5	ZAO UNICREDIT BANK	MOSCOW, RUSSIA	IMBKRUMM	USD	001201442 USD 400202
6	KOREA EXCHANGE BANK	SEOUL, KOREA	KOEXKRSE	USD	963-THR-287-01-1
7	CHINA CONSTRUCTION BANK, ERLIANHAOTE SUB BRANCH	ERLIANHAOTE, CHINA	PCBCCNBJNME	USD	15014150500220100097
8	OJSC RUSSIAN AGRICULTURAL BANK	MOSCOW, RUSSIA	RUAGRUMM	USD	30111840900000000008
9	COMMERZBANK AG	FRANKFURT AM MAIN, GERMANY	COBADEFF	EUR	400878500801 EUR
10	DRESDNER BANK AG	FRANKFURT AM MAIN, GERMANY	DRESDEFF	EUR	499/08104402/11/888
11	ING BELGIUM NV/SA	BRUSSELS, BELGIUM	BBRUBEBB010	EUR	301-0104154-57-EUR
12	CREDIT SUISSE	ZURICH, SWITZERLAND	CRESCHZZ80A	CHF	0835-0893850-73-000
13	BANK OF TOKYO-MITSUBISHI UFJ LTD	TOKYO, JAPAN	BOTKJPJT	JPY	653-0439924
14	MIZUHO CORPORATE BANK LTD	TOKYO, JAPAN	MHCBJPJT	JPY	5793010
15	HSBC BANK PLC	LONDON, UNITED KINGDOM	MIDLGB22	GBP	00334567
16	KOREA EXCHANGE BANK	SEOUL, KOREA	KOEXKRSE	KRW	0963 FRW 001000043
17	AGRICULTURAL BANK OF CHINA, NEIMENGGU BRANCH	HUHHOT, CHINA	ABOCCNBJ050	CNY	05710101040021997
18	CHINA CONSTRUCTION BANK, ERLIANHAOTE SUB BRANCH	ERLIANHAOTE, CHINA	PCBCCNBJNME	CNY	15001658408052501192
19	HSBC BANK AUSTRALIA LTD	SYDNEY, AUSTRALIA	HKBAAU2S	AUD	011-795630-041
20	HSBC BANK CANADA	TORONTO, CANADA	HKBCCATT	CAD	930135598060
21	ZAO UNICREDIT BANK	MOSCOW, RUSSIA	IMBKRUMM	RUB	001201442 RUR 400202
22	OJSC RUSSIAN AGRICULTURAL BANK	MOSCOW, RUSSIA	RUAGRUMM	RUB	30111810800000000015
23	HONGKONG AND SHANGHAI BANKING CORPORATION LTD	AUCKLAND, NEW ZEALAND	HSBCNZZA	NZD	040-013294-261
24	HANG SENG BANK LTD	HONG KONG	HASEHKHH	HKD	250-012796-001
25	OCBC BANK	SINGAPORE	OCBCSGSG	SGD	517-123360-001
26	NORDEA BANK AB	STOCKHOLM, SWEDEN	NDEASESS	SEK	39527705290

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