



ANOD BANK

Annual report 2001

Greetings from the Chairman of the Governing Board



The Year 2001 became the year of macroeconomic achievements, stabilization of the political and economic situation, the reduction of the budget deficit, and the settling of inflation and exchange rates in Mongolia.

In terms of Anod Bank, the reporting year marked the implementation of all planned goals and the Bank strengthened its position in the banking and financial sector.

In the Year 2002, the Bank aims to increase its share in the banking and financial market, expand its international relations, increase profitability and enhance the quality of its services. We hope to surpass the successes achieved by the Bank in 2001.

I wish to extend my sincerest greetings to all our shareholders, esteemed customers, and management team.

*Nyamaagiin Davaa,
Chairman of the Governing Board*

HISTORY AND DEVELOPMENT OF ANOD BANK

The foreign exchange trading company, Anod Co.Ltd., was established in 1992 for the purpose of serving the needs of individuals, organizations, and economic units in the foreign exchange, further expanding operations in the financial sector, and gaining the customers confidence. Anod Co. Ltd became the first trustworthy non-banking financial company in Mongolia.

Anod Co., Ltd., based on its experience of operating in the financial market applied to the Mongolbank for a banking license. In 1999, in accordance with the Mongolbank Governor's Resolution No.164, the license was granted.

Anod Bank is a shareholding limited liability commercial bank offering universal banking services. It is a stable competitive bank with a good reputation offering high quality services and a strong liquidity position in the Mongolian banking and financial system.

In comparison to 11.4 billion of togrog balance turnover in 2000, by the end of 2001, this figure reached 27.5 billion. The sum of accrued liabilities increased from 9.9 billion to 22 billion, and the balance of outstanding loans went up from 6.5 to 14.9 billions togs.

By the end of 2001, the Bank has 6 settlement centers and a saving's cashier in Ulaanbaatar City. There are also settlement centers in Hovd, Selenge, Dornogobi, and Altanbulag Somon of Selenge Aimag which employ a total of 181 employees.



*M*essage from the President and C.E.O.



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Dear Ladies and Gentlemen,

It is a pleasure to present to you the Year 2001 Annual Report of Anod Bank. Last year became the year of great achievements and successes since establishment of the Bank.

The banking sector, which suffered a downfall in the last several years, is now relatively stable. An increase in confidence in the banking sector encouraged the growth of banks and non-banking financial companies.

Consequently, in our work we are paying close attention to a prudent risk management policy, decreasing the capital risks and strengthening liquidity, introduction of new products, and increasing our shares in the financial market as well as enhancing our reputation.

In the Year 2001, we delivered credit financing for the organizations and economic units engaged in mining, raw materials trading, oil import products, electricity, road construction, transportation, building construction, services, and trading businesses. From 30.9 billions of togs extended in loans, 74.7 % went to importers of oil products, electricity, gold mining, cashmere companies, road construction and transportation, building construction companies, and consumers product importers.

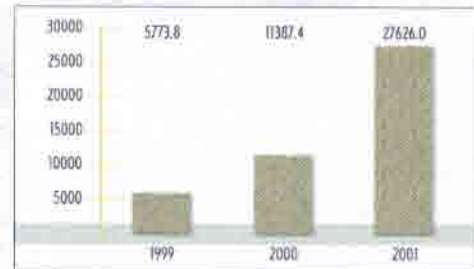
Along with the presentation of the Bank's successes in Year 2001, allow me express our sincerest gratitude to the shareholders, valued customers, and management team for your confidence in Anod Bank.

*Dashdorj Enkhtor,
President and C.E.O.*

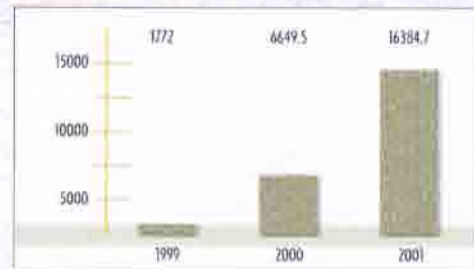
The Main Financial Indicators

	Year End /mln.togs/	
	2001	2000
Total assets	27626.0	11387.4
Loans /net/	16384.7	6649.5
Liabilities to others	25477.6	9988.1
Total income	4731.2	1839.0
Total expense	4408.4	1339.0
Profit before tax	322.8	500.0
Tax	174.4	152.2

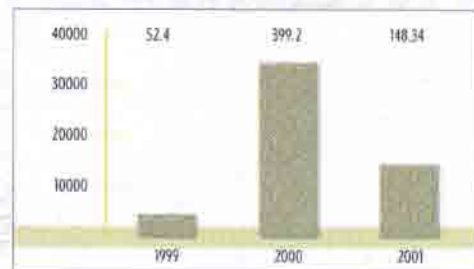
Total assets /mln.togs/



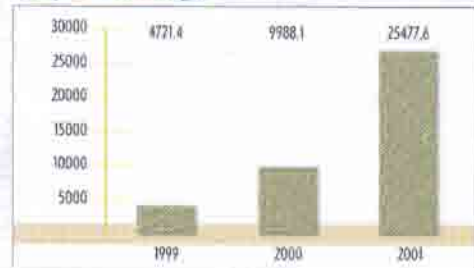
Loan balance /mln.togs/



Liabilities to others /mln.togs/



Net profit /mln.togs/



B oard of Directors



Vice President
E.Gur - Aranz



Director of Credit Department
Ch.Ulziibayar



Director of Administration
Department D.Bold



Director of Internal Auditing
Department B.Tsetsegmaa



Director of Financial Management
Department B.Ariunjargal



Director of Marketing
Department D.Ariunaa



Director of International Settlement
Department L.Ulambayar



Director of Accounting
Department G.Enkhtsetseg

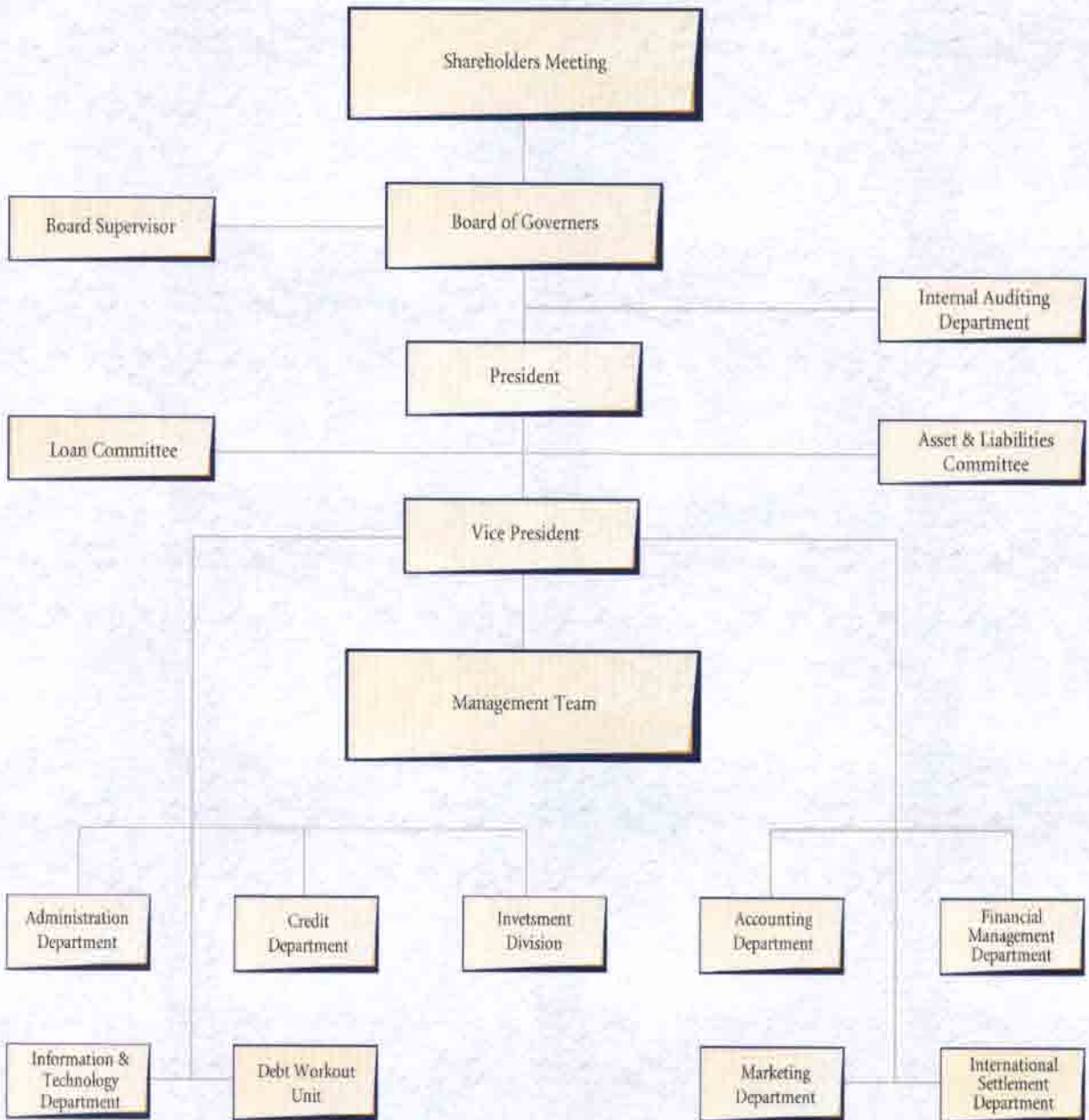


Director of Investment
Division D.Davaadorj



Director of Information & Technology
Department N.Batkhuyag

Organizational Structure of the Bank



BALANCE SHEET

In 2001, the total banking sector balance reached 304.37 millions of togrogs, 0.7 times higher than during the same period of the previous year. Anod Bank is gaining 9 % of the share in this turnover.

The balance sheet turnover of our Bank increased 2.42 times in comparison to last year and reached 27.6 billions togrogs. The sum of liabilities to others increased by 2.6 times, the owned capital of the Bank grew by 53.5 %. During the reporting year, the Bank successfully implemented the goal of extending its shares on market place. (TableI, Picture 1, 2, 3, 4, 5, 6)

TableI. Balance Sheet.

(million togs)

	1999	2000	2001
ASSETS			
Cash and cash equivalents	3,908.50	2,694.54	7,192.53
Securities	-	1,267.00	2,698.65
Loans and advances /net/	1,772.00	6,649.50	16,384.74
Fixed assets /net/	86.22	348.08	927.90
Other assets /net/	7.10	428.26	422.15
Total assets	5,773.82	11,387.37	27,625.97
LIABILITIES AND EQUITY			
Current accounts	1,325.71	1,664.97	5,756.97
Deposits	3,366.58	6,662.95	16,870.27
Liabilities to other banks		1,000.00	2,204.00
Other liabilities	29.12	660.14	646.32
Total liabilities	4,721.41	9,988.06	25,477.56
EQUITY			
Paid up capital	1,000.08	1,000.08	2,000.08
Retained earnings	52.36	399.22	148.34
Total equity	1,052.44	1,399.30	2,148.41
Total Liabilities and Equity	5,773.84	11,387.36	27,625.97

Assets

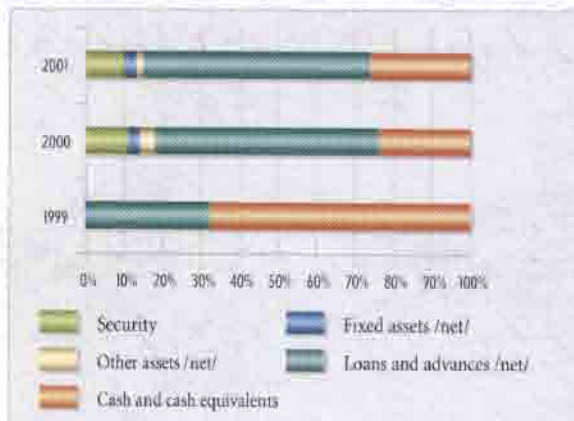
25 % of total liabilities are in the Bank reserves. As a result of continuing completion of Mongolbank's reserve requirements, the Bank received 25.7 millions of togrogs in support.

9,8 % of the total assets are allocated in securities totaling to 2.7 billions of togrogs. The Bank has earned 224.7 millions of togrogs in profits by placing the funds in these low risk papers.

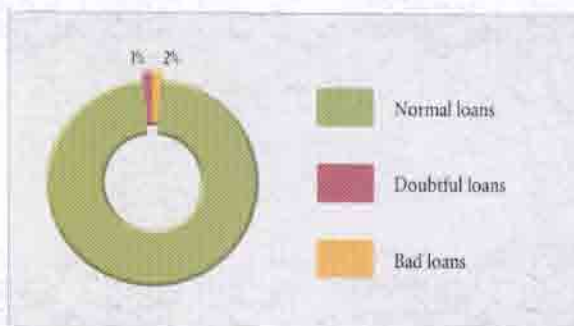
The net balance of outstanding loans and advance payments of 16.4 billions comprise 59.3 % of the total assets. 3 % of all loans are bad loans. The loan repayment rate is 97%. /picture 2/

3.4 % and 1.5 % of total assets are respectively fixed and other assets.

Picture 1. Annual Changes in Assets Structure.



Picture 2. Loan Structure.



L Liabilities to Others

Liabilities to others increased by 1.6 times and reached 25.5 billions of togrogs, from which current accounts rose by 2.5 times and deposits grew by 1.5 times.

23 % of these liabilities are current accounts, 65 % are savings, and the remaining 12 % are other liabilities.

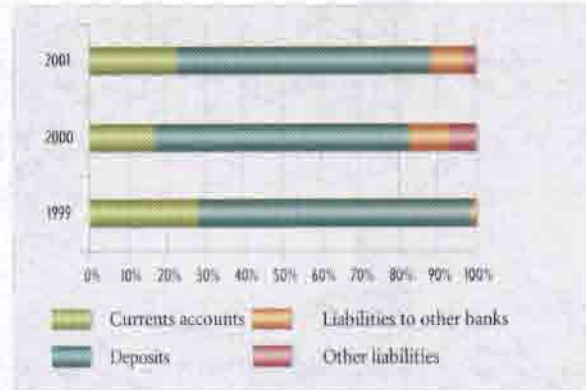
60% of liabilities to others and 92 % of deposits consist of time deposits, and this allowed us to increase the maturity of Bank's assets.

Despite that the Bank decreased the interest for time deposits, the deposit's balance is rising. This fact demonstrates that the confidence of deposit holders in the Bank has increased.

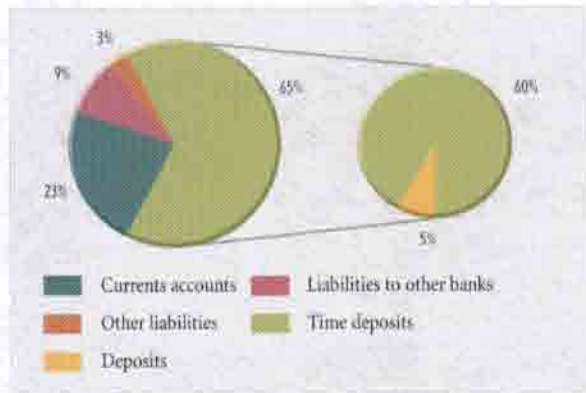
Equity

As per request of Mongolbank, the increase of paid up capital of the Bank to 2 billion togrogs provided an increase in the Bank's equity by 54%.

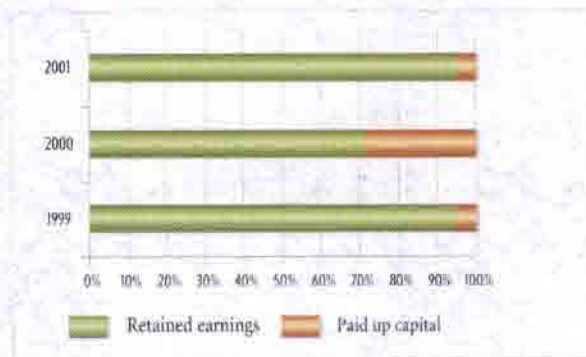
Picture 3. Annual changes in structure of Bank liabilities.



Picture 4. Annual Structure of Bank's Liabilities to Others.



Picture 5. Annual Changes in Bank's Equity.



Financial Outcomes

In the reporting year the Bank earned 4 731.2 millions of togrogs in income, spent 4 408.4 millions in expenses, paid 174.4 million togrogs in taxes and gained 148.3 millions of togrogs in net profits.

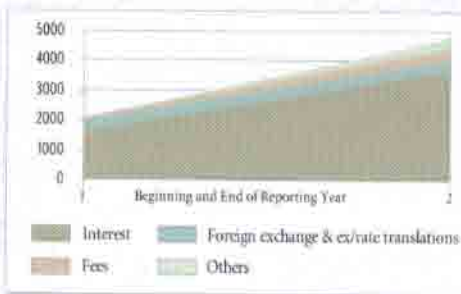
Table 1 Annual changes in income and expense accounts /mln.togro/

	2000 OH	2001 OH
Total income	2,102.2	4,731.2
Total expense	1,602.2	4,408.4
Profit before tax	500.0	322.8
Tax	152.2	174.4
Net profit	347.8	148.3

INCOME STRUCTURE

10 In the reporting year, the total income increased by 125% and amounted to 4 731.2 millions of togrogs. The same as last year 76.6 % of total income consists from interest income. The earnings from service fees commissions rose by 2% and became 8.5 % of the total income. The income from foreign exchange operations and exchange rate translations has decreased in comparison with the Year 2000 from 17% to 8 % in 2001. The reason is a considerable stable exchange rate during the year. (Picture 6).

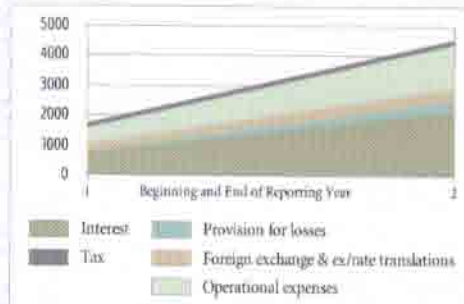
Picture 6. Annual Changes in Income Structure /mln.togro/



EXPENSE STRUCTURE

Expenses are increased by 161 % up to 4 582.9 millions of togrogs. Because of increased deposits by 1.5 times, the interest expense has also grown by 2 % and consists of 46 % of the total expenses. Increases in operational expenses to 1 519.5 millions of togrogs is due to the expansion of our banking services and also the supported increase in total expenses. (Picture 7)

Picture 7. Annual Changes in Expense Structure



PROFIT MARGINS

At the end of 2001, the rate of return for owned capital was 7%, the assets return rate was 1 % in comparison to 29 % and 5 % respectively in Year 2000. During the past year, we paid more attention to expansion of banking activities, which consequently caused an increase in expenses and drop in returns.

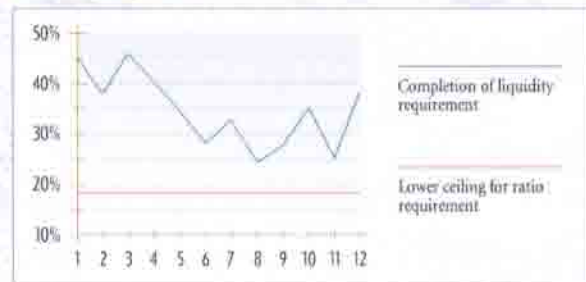
C ompletion of Mongolbank's Prudent Criteria

1. LIQUIDITY

The Bank of Mongolia is based upon the liquidity situation of commercial banks and sets the reserve requirement rates for the banks. It is calculated by division of liquid assets by bank's liabilities to others. The liquidity requirement for our Bank is not less than 18%.

The Bank always satisfied this ratio. From 24 to 46 % of the Bank's liabilities to others were allocated on low interest bearing less exposed assets.

Bank Liquidity Ratio



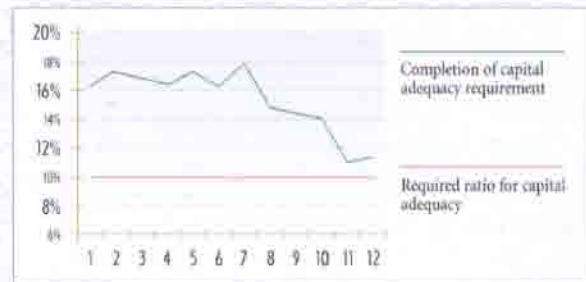
2. ADEQUACY OF BANK CAPITAL

The capital adequacy ratio of the Bank is a weighted average between its own capital and the assets of the Bank.

The Bank of Mongolia enacted the capital adequacy ratio to be not less than 10% and during the reporting year, the Bank was sustaining this ratio more than 11%.

The paid up capital of the Bank by 30 June 2001 reached 2 billions of togrogs. This also increased the credit limitations to borrowers in comparison to Year 2000 by almost by double.

Bank Capital Adequacy Requirement

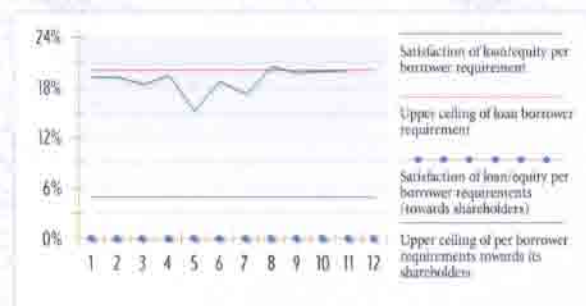


3. LOAN/EQUITY PER BORROWER

In accordance with Banking Law, the upper ceiling for loan per borrower shall not exceed 20% of owned capital of the Bank. The loan per bank shareholder and his/her relatives shall not exceed 5 % of owned capital of the Bank.

In November 2001, the Bank extended a loan to a bank shareholder and their relatives which did not exceed 0.1 % of its capital. The loan per borrower requirement was exceeded on August only by 0.4 %. During other months of the year the Bank was operating within limitations.

Loan/equity per Borrower Requirement



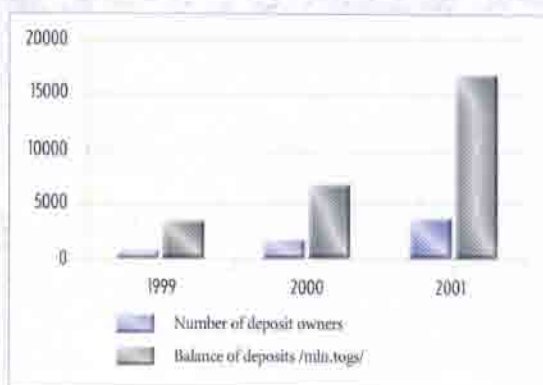
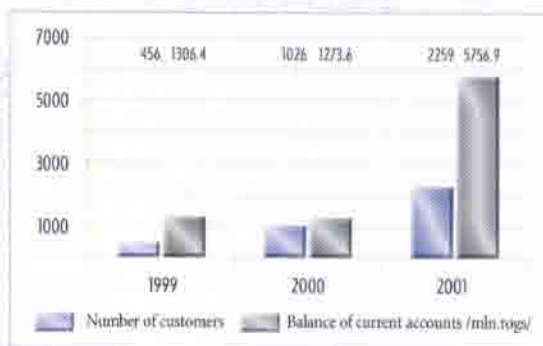
Customer Service

During the reporting year, the Bank along with improvements in the quality of services, and the introduction of new products, supported its business customers by reducing some service fees and commissions.

In the Year 2001, the Bank was extending loans to customers, conducting domestic and foreign transactions, opening import and export Letters of Credits, accepting deposits, conducting foreign exchange transactions, issuing guarantees, selling and canceling travels checks, and offering electronic Card services.

In comparison to the previous year, the customer base increased by 60 %; and the number of deposit holders increased rose by 50 %. Accordingly, the total balance of deposits increased by 285.2 %.

By the end of 2001, the Bank is delivering services through 6 500 current accounts and deposit accounts to 6 110 customers.





In 2001, the Bank was aiming to extend its financial support to key sectors of the economy; i.e., mining, raw materials processing, oil importation, public transportation, and the export and import trading national enterprises of the country.

In order to support the businesses of borrowers and customers as well as ease burden of interest payments, we reduced the average interest rate of togrog loans to 2.93 % and the interest of loans in foreign currency to 2.25%

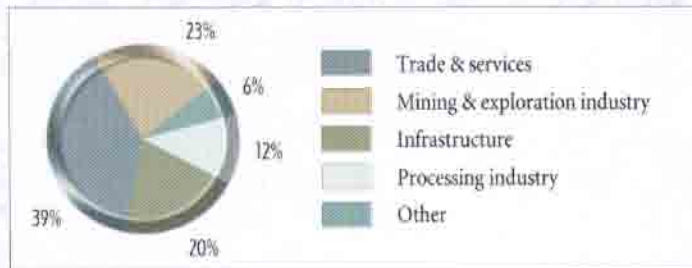
The safety and profitability of the allocation of the capital resources of the Bank are placed in gold mining (5.7 billion togrogs), in wool & cashmere processing industry (1.5 billion togrogs), oil products importation business (1.2 billion togrogs), electricity & transportation enterprises (0.8 billions), construction & construction materials production (1.1 billions), and the import of consumer products (12.1 billion togrogs). These capital resources represent in total consisting 74.7 % of Bank's loan portfolio.

Also for the sake of decentralization of the resource allocations and promotion of small businesses, we expanded credits to more than 120 individuals and business for the total sum of 357 million togrogs. The Bank offered 110.0 million togrogs in loans to individuals for improvement of their homes.

Moreover, the Bank has opened credit lines for its reliable customers to cover of the custom and trade duties. Through these lines, the Bank has approved 1.7 billions of togrogs in loans. Our customers enthusiastically welcomed the introduction of car leasing services.

The Loan Collection Department of the Bank was able to gather 313.5 millions of togrogs from outstanding bad loans totaling to 656.6 millions and collect 291.5 millions of togrogs in collateral.

The Year 2001 Loan Portfolio



Foreign Settlement

In 2001, the Bank has taken systematic measures to expand its foreign relations and increase its reputation within foreign banks and financial institutions.

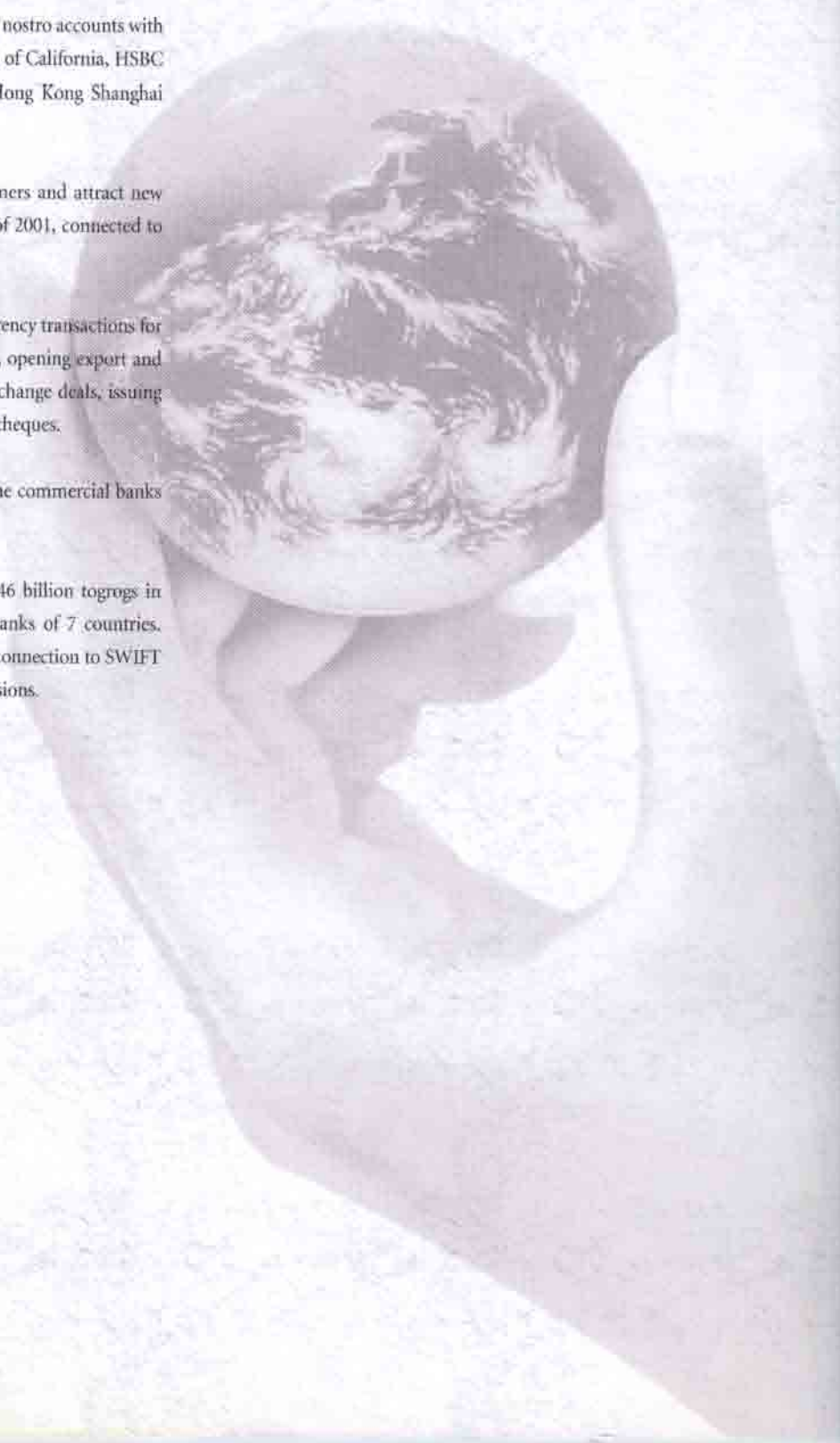
The Bank is conducting its foreign settlements via nostro accounts with the following correspondent banks: Union Bank of California, HSBC USA, Dresdner Bank, Austrian Centro Bank, Hong Kong Shanghai Banking Corporation of Hong Kong

In order to bring closer services closer to customers and attract new clients, the Bank, starting from the first quarter of 2001, connected to worldwide banking network SWIFT.

Last year, the Bank began conducting foreign currency transactions for the of the customers via its correspondent banks, opening export and import Letters of Credits, engaging in foreign exchange deals, issuing bank guarantees, and buying travelers and name cheques.

In 2001, the Bank was ranked 3rd place within the commercial banks by share of foreign assets in total sum of assets.

During the reporting year we have transacted 146 billion togrogs in foreign settlements through 10 correspondent banks of 7 countries. This figure is 7 times higher than in 2000 due to connection to SWIFT and the reduction of our service fees and commissions.



*N*ew Products and Services

NEW PRODUCTS AND SERVICES

Based on marketing research, the Bank launched the electronic card payment system and introduced US\$ cheques services of HSBC.

"ELECTRONIC TOGROG" CARD SERVICE

Launching the system of electronic cards with a microprocessor chip assisted in reducing the risks of dealing with cash currencies by individuals and organizations, eased banking transactions, and increased peoples confidence in the Bank.

As a result of introduction seminars, training courses and presentation of handouts held by the Bank, we now offer card services via 100 centers in approximately 40 organizations.



Human Resource Policy

The professional and educational level of our employees is the foundation of the Bank's success.

For this reason, the Bank is paying close attention to increase the number of principal employees. It is engaging the staff in training courses and seminars, and boosting their professional abilities and knowledge. The Bank is introducing the system of promotions and job responsibilities.

In year 2001, for the completion of above goals, 31 employees were enrolled in training courses both locally and abroad. In accordance with an agreement with the Institute of Economics and Finance, more than 10 employees of the Bank were able to enroll in courses and 17 students spent their internships at the Bank.

Due to the rapid expansion of our banking business and the opening of new offices, the Bank recruited 91 new staff in the Year 2001. Consequently, the total number of staff increased by to 181 people.



"Dalaivan - Audit" Co.,Ltd

Certified accounting, auditing
and appraisal company

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Bairagchuluu Square - 3
Ulaanbaatar, Mongolia
Phone: 329780, 328749
Fax: 976-1-323218
E-mail: dalaivanaudit@mongolnet.mn

TO THE GOVERNING
BOARD OF ANOD BANK

2002.03.22
Auditor's report

We have audited the accompanying balance sheet of Anod Bank of Mongolia as of December 31, 2001 and the related statements of Profit and Loss, Retained Earnings, Changes in Equity and Cash Flows as well as statements of compliances with commercial banks prudential criteria for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Anod Bank as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in accordance with related laws, regulations and standards compiled in Mongolia.



GENERAL DIRECTOR


Ts. JIGDEN

Balance sheet

As of December 31, 2001

(thousand togs)

ASSETS

Bank reserve	7192533,5
Cash and cash equivalent	1603765,7
C/account at Mongolbank	2499791,8
C/accounts in foreign banks	2205286,9
C/accounts in other banks	883689,2
Loan	14897620,9
Standard loans	14959718,1
Sub-standard loans	400252,0
Loan loss provision	(462349,2)
Securities	2698649,6
Mongolbank bond	2700000,0
Others	(1350,4)
Fixed assets	927904,9
Fixed assets	1004585,0
Accumulated depreciation	(76680,1)
Other assets	1909262,2
Receivables	1499025,4
Receivables loss provision	(11910,1)
Accumulated interest receivables	422146,9
TOTAL ASSESTS	27625971,1

LIABILITIES

Liabilities to others	22627237,7
Current accounts	5756966,6
Currents accounts	4921281,2
Other current accounts	474737,3
L/C's	360948,1
Deposits	16870271,1
Time deposits	15508960,5
Demand deposits	1361310,6
Loans from banks	2204000,0
Mongolbank	2204000,0
Other liabilities	646321,7
Accumulated interest payables	627719,4
Others	18602,3
TOTAL LIABILITIES	25477559,4
Ordinary shares	2000075,3
Current year profit / loss	148336,4
Own capital	2148411,7
LIABILITIES AND EQUITY	27625971,1

Profit and loss accounts

As of December 31, 2001

(thousand togs)

Interest and similar income	3623125,2
Interest on loans	3384182,9
Interest on securities	171818,6
Other interest income	67123,7
Interest and similar expense	2118032,6
Interest on deposits	1927304,0
Interest on c/accounts	145371,5
Interest on securities	21241,5
Interest on Mongolbank loan	14964,2
Interest on interbank loan	9151,4
NET INTEREST INCOME	1505092,6
Operating income	1108078,2
Fees and commissions	401852,6
Foreign exchange gains	73858,1
Foreign exchange translation gains	311723,9
Others	320643,6
Operating expense	770868,5
Probable loss provision	415537,1
Securities trading	5017,4
Foreign exchange loss	16972,3
Foreign exchange translation loss	333341,7
OPERATING PROFIT	1842302,3
Administration expense	1519527,7
Salaries and wages	286803,4
Benefits & subsidies	19075,2
Social & health insurance	83305,7
Assignments	53166,9
Training expense	2804,4
Depreciation of fixed assets	65379,5
Others	1008992,6
NET OPERATING PROFIT	322774,6
TAX	174438,2
NET PROFIT	148336,4

BANK LOCATION AND ADDRESSES



20

Headquarters:

Commerce Street 18
Ulaanbaatar 211238
Mongolia
phone: (976)-11-315315
fax: (976)-11-313070, 313179
E-mail: anod@magicnet.mn
http: www.anod.mn

Settlement Center No.1

Peace Avenue
Byanzurh District
Ulaanbaatar
Phone: 976-11-460947

Settlement Center No.2

Ayush Street
Bayangol District
Ulaanbaatar
Phone: 976-11-367223

Settlement Center No.3

Chinggis Avenue
Khan-Uul District
Ulaanbaatar
Phone: 976-11-343231

Settlement Center No.4

Hovd Aimag, Jargalant Somon
Phone: 976-01-43222551

Settlement Center No.5

Commerce Street
Chingeltei District
Ulaanbaatar
Phone: 976-11-312245

Settlement Center No.7

Chinggis Avenue 1,
Sukhebaatar District
Ulaanbaatar
Phone: 976-11-318549

Settlement Center No.8

Selenge Aimag
Sukhebaatar Somon
Phone: 976-01-36223147

Settlement Center No. 9

Dornogobi Aimag,
Saishand Somon
Phone: 976-01-52222762

Settlement Cashier

Selenge Aimag
Altanbulag Somon

Settlement Center No. 11

Bayangol District
Secong Quarter
Ulaanbaatar
Phone: 976-11-362612

Current accounts at corresponding foreign banks:

USD	DRESDNER BANK AG FFM, GERMANY	499 / 0810452900 / 400	DRESDEFF
	HONG KONG SHANGHAI BANKING CORPORATION HEAD OFFICE, HONG KONG, CHINA	500830369230	HSBCHKHHHKH
	UNION BANK OF CALIFORNIA INTERNATIONAL, NY NY USA	912774831121	BOFCUS33NYK
	HSBC BANK USA, NY NY USA	000-129887	MRMDUS33
EUR	DRESDNER BANK AG FFM, GERMANY	499 / 0810452900 / 888	DRESDEFF
MULTI	RAIFFEISEN CENTRO BANK AG, VIENNA, AUSTRIA	6108169000	CENBATWW