



ZOOBANK

Annual report 2003

ABOUT COINS

ANCIENT COINS

CHINGGIS KHAAN (1206-1227). Chinggis khaan was born in 1162 as an eldest son of Esukhei Baatar. In 1206 he was proclaimed the Great Khagan of Mongolia and died in 1227. His main great deed is the establishment of unified Mongolian state through joining the separate Mongolian tribes and countries. Researchers and scholars of various countries proclaimed him as a Genius of the Millenium, acknowledging that he was a great organizer, diplomat, politician and warrior (military startegist) who set up the legal system of Mongolia and played a decisive role in development of foreign relations, economy and the art of war. During the period of Chinggis Khagans rule the Mongolians not only been conquering various countries and destroying them, but soon after the conquest they started reconstruction of those countries and paid considerable attention to the revival of the local cities and civilization, to the development of trade and economy at much more higher level whenever before. Another positive role of Mongolian conquerors is their contribution to the social development of the mankind through connecting first time the east and west in terms of the political, economic, trade, cultural and religious relations.

COINS OF CHINGGIS KHAAN



AV DINAR

- ◆ This golden dinar with name of Chinggis Khaan was found in 1996 from Pakistan. From four various type of golden coins of Chinggis Khan which were discovered till the date, one contains the name of the Chinggis Khan. Front side has Arabian inscription "Khagan, The Great Just Chinggis Khan" and the reverse side has the inscription of world Kalima from the Koran.



THE SILVER DIRNAM

- ◆ Was minted 1220 in Ghazna. Front side has Arabian inscription ' His Highesty Great Chinggis Khagan' and the reverse side has the inscription ' the Commander of the Faithfuls'



THE COPPER JITAL

- ◆ Was minted in 1220 in Ghazna city after the conquest of Khwarezm by Chinggis Khagan. The peculiarity of this coin is that Mongolian word Khaan was written by Arabian letter as Khagaan. The front side of the coin has Arabian inscription 'the Great Emperor Khagaan' and the reverse side ' Nasir is the Leader of the Faithfuls.
- ◆ Was minted 1221 in Kurzuwan city of Afganistan. On the front side of the coin, within small circle, in the middle was written 'Al Malik' what means 'The King'. In that time nobody else except Cinggis Khagan has such a title. Other side of the coin contains following words from Koran: ' There is no god, but Allah. Muhammad is the messenger of Allah'.

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Zoos bank Awards - 2003



The Leader Bank of 2003



National Top Company



Top marketer - 2003



Lady entrepreneur - 2003
 Top business woman



Д. Батбаяр

CHAIRMAN OF THE
REPRESENTATIVE GOVERNING BOARD

D.BATBAYAR

ABOUT ZOOS BANK ...

Zoos Bank, a private commercial bank, offers traditional banking products and services such as demand and time deposits, loans, payment instruments, foreign exchange and financial consulting on investment to its clients.

Zoos Bank was established in May 18, 1999. Today the head office has 8 divisions and departments. The Zoos Bank network consists of 8 branches, 5 settlement units, and 3 cash units in Ulaanbaatar city and rural provinces. We are present in Tuv, Darkhan-Uul, Orkhon, Selenge, Uvs, Uvurkhangai, Huvsgul and Arkhangai provinces.

We, at Zoos Bank, are working hard to contribute to the Mongolian economic growth by supporting critical industries such as oil, mining, construction, agriculture, trade and services. We are also introducing the latest technological know-how and banking products in order to serve our customers better.

We, at Zoos Bank, are successfully implementing programs funded by the World Bank, Asian Development Bank and other international financial organizations. For instance, we were selected to implement the Housing Finance Project Loan, Private Sector Development Project, Micro-Finance Project Loan, Employment Generation Project Loan, and effectively contributing to the National Poverty Reduction Program.

In 2002, Zoos Bank became an affiliate member of the MasterCard International. Starting from March 2003, Zoos Bank is issuing debit and credit Zoos Bank MasterCard. Today Zoos bank is one of the few banks that issue internationally recognized plastic cards bringing modern non-cash payment solution to the Mongolian market.

We officially joined the Western Union in 2002, bringing to our customers the fastest money transfer service worldwide.

The new head office building of Zoos Bank has been awarded with the Golden Medal of the Association of the Mongolian Architectures and nominated as one of the Top-10 Constructions of 2003.

In 2003, we were honored with the high title of the "Leading Bank of Mongolia" by the Central Bank of Mongolia. In addition to that, Zoos Bank was ranked in 2002-2003 among the TOP-100 Companies announced by the Mongolian National Chamber of Commerce and Industry in recognition of our contribution to the Mongolian economy.

We, at Zoos Bank, are successfully building on our past accomplishments and further enhancing our cooperation with all domestic and foreign partners.

MESSAGE FROM CEO



Ladies and Gentlemen,

It is my pleasure to present to you the 2003 Annual Report of activities and financial performance of the ZoosBank of Mongolia.

In the reporting period, we introduced new products and services meeting our customer needs, we further strengthened our good working relations with foreign and international banks and financial institutions, and we had been successfully implementing lending programs of the IDA, World Bank, ADB and GTZ. We, at ZoosBank, are building on our past accomplishments and enhancing our cooperation with all domestic and foreign partners.

With the purpose of designing a new bank risk management structure and improving the credit risk assessment capacity, ZoosBank is implementing the Commercial Bank Risk Management Component of the Mongolian Financial Capacity Development Project financed by the International Development Association.

The Bank's lending activities are supporting the priority manufacturing sectors of the Government. At the same time, our loan policy aims to successfully implement the loan programs funded by international and foreign financial institutions, and to assist small and medium business owners throughout the country via our branches and sub-branches in the provinces.

According to the 2002 balance sheet, we had a total asset 58 percent growth with a net profit of over MNT 1104,6 million, paying to the state budget MNT 431 million. Also the loan portfolio increased by 41 percent and the number of customers by 95 percent.

We are very pleased with the high honors of the Leading Bank of 2003 Award by the Central Bank of Mongolia and the ranking among TOP-100 Companies for the 2001 and 2002. These awards that elevated the bank's business image have inspired us to further succeed and contribute to the development of the country.

Finally, I would like to express my deepest gratitude to all our customers, domestic and foreign partner organizations, shareholders, management and staff of the Bank for their cooperation, confidence, support and dedication.

Sincerely Yours,

Sh. Chudanjii
CEO
Zoos Bank of Mongolia

A handwritten signature in black ink, appearing to read 'Sh. Chudanjii', written over a faint circular watermark.

HIGHLIGHTS OF THE YEAR 2003

2003

- January** ♦ Introduced Western Union, the worldwide money transfer service.
- February** ♦ The consortium of Zoos Bank and Oi Mod Co.Ltd won the privatization bid of Tushig Daatgal, the insurance company.
- March** ♦ Introduced Zoos Bank brand MasterCard cards to the Mongolian market.
- April** ♦ First-ever commercial bank annual report published on mini-CDROMs in Mongolian and English.
- May** ♦ The Settlement center No.109 was opened in the Zuunmod.
♦ The women's team of Zoos Bank won the 3rd place at the Annual Basketball Championship of the Commercial Banks.
♦ Signed the subsidiary loan agreement to implement the Housing Loan.
- June** ♦ Signed the subsidiary loan agreement to implement the World Bank Micro-finance project lending.
- July** ♦ The Settlement centers No. 110, 111 and 212 in Ulaanbaatar city, Huvsgul and Arkhangai provinces were newly opened.
♦ Introduced the Escrow account, new banking product.
- October** ♦ Organized the "Investment into Domestic Production" exhibition on the occasion of the 80th Anniversary of the Banking System in Mongolia and the 5th Anniversary of Zoos Bank.
- November** ♦ The men's team of Zoos Bank won the 2nd place at the Annual Volleyball Championship of the Commercial Banks.
- December** ♦ The Mongolian National Chamber of Commerce and Industry decorated the ZoosBank with the TOP-100 Company of the Year Award.
♦ Received "The Leading Bank 2003", the Central Bank of Mongolia Honor, for successes in implementing the state monetary policy as well as for the solid record of fulfilling the Central Bank's criteria to evaluate the performance of commercial banks.

BOARD OF DIRECTORS



MANAGING VICE
PRESIDENT
B. KHATANTULKHUUR

Director of Finance and
Accounting Division
B. BAZARGUREV

Director of the
Internal Audit
B. YERENCHULUUN

Director of Retail
banking Division
Sh. ALTANTSETSEG



Director of the Administration
and Management Division
L. IDERTSOGT

Director of the
Loans Division
T. OYUNCHIMEG

Director of the
IT Division
G. KHADBOLD

Director of the International
Settlement Department
Ts. UYANGA

BASIC ACTIVITY OF FINANCE

BASIC ACTIVITY OF BALANCE SHEET

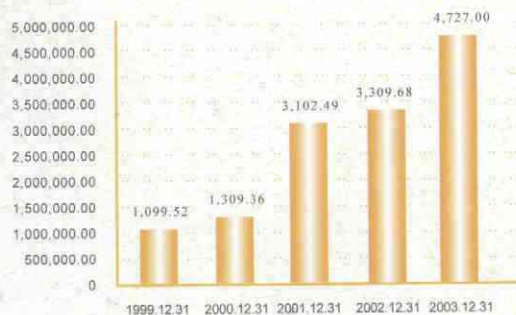
	2002	2003
Total assets	24,527,199.2	48,628,271.0
Total assets & liabilities	18,898,072.5	36,880,788.6
Credit	18,169,660.8	25,784,839.6
EQUITY CAPITAL	3,309,685.1	4,727,610.0
Net profit	502,504.9	673,568.9

BANK OF MONGOLIA (BOM) PRUDENTIAL RATIOS

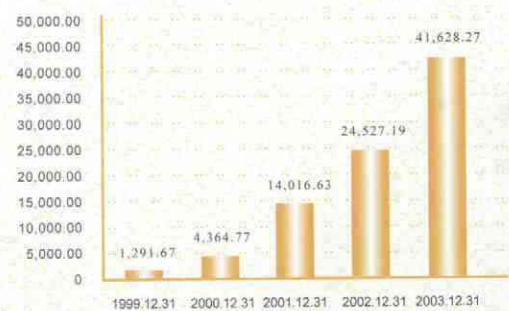
	2002 OH	2003 OH
Capital Adequacy Ratio $\geq 10\%$	16.28%	14.26%
Liquidity Ratio $\geq 18\%$	21.41%	28.89%
Foreign Currency Exposure $<+,- 20\%$	-2.50%	30.01%
Loan/equity $\leq 20\%$	17.00%	15.86%

BASIC ACTIVITY OF FINANCE

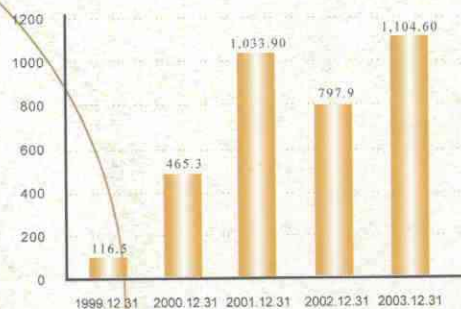
EQUITY CAPITAL



TOTAL ASSETS



PROFIT BEFORE TAX



*Your wish is
our goal*

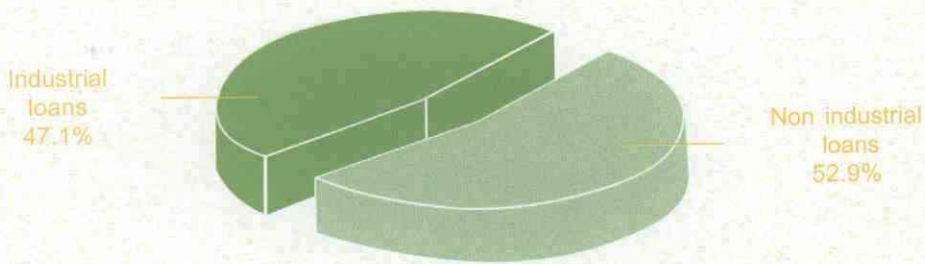


LENDING

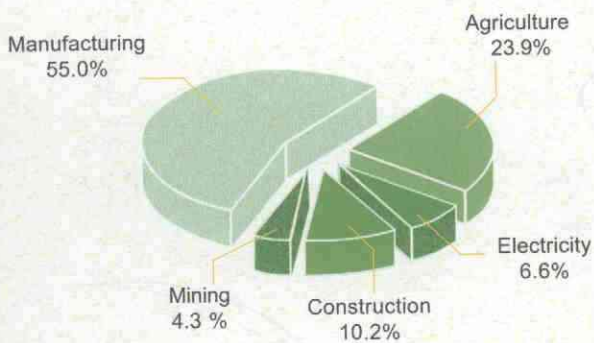
In 2003, Zoos Bank implemented the lending policy aimed at supporting domestic production and promoting real economic growth through investments into medium and large sized enterprises, and creative and effective market-oriented businesses.

47.1 percent of the total loan was granted to the industrial sectors that were specified in the "Main Guideline for Economic and Social Development in Mongolia for 2003."

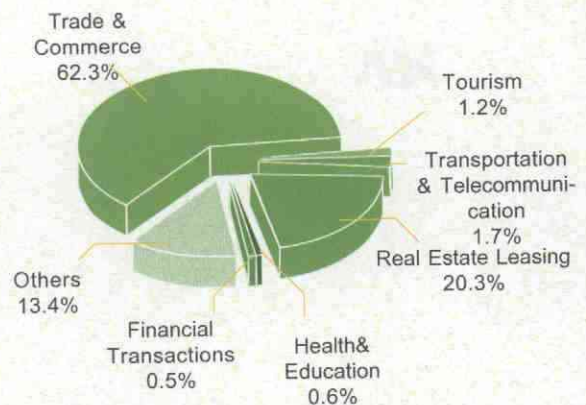
LOAN STRUCTURE



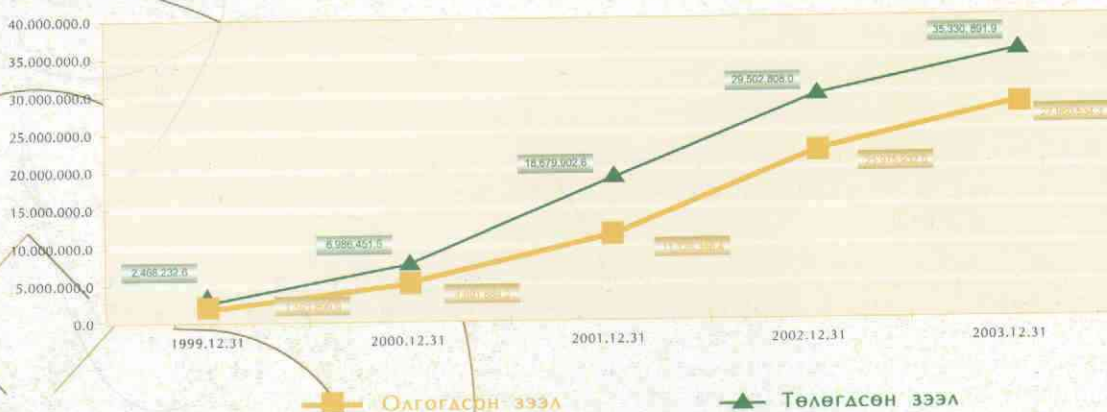
LOANS GRANTED FOR INDUSTRIAL SECTOR



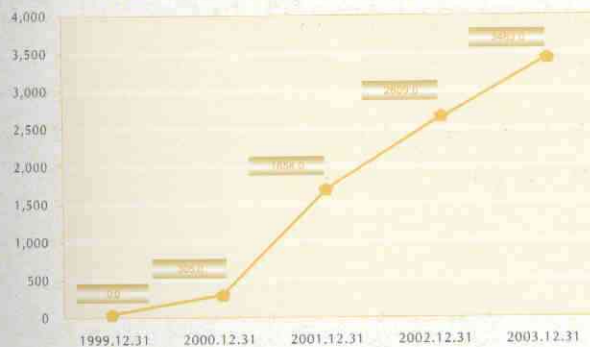
LOANS GRANTED FOR NON-INDUSTRIAL SECTOR



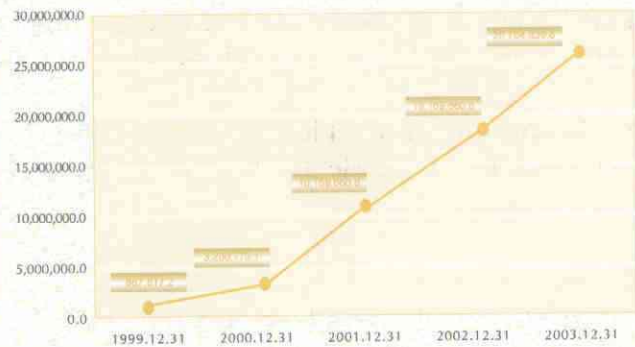
In the reporting year, loans with total amount of 35.3 billion togrogs were granted, loan of 27.9 billion togrogs has been repaid, and total amount of outstanding loan reached to 25.8 billion togrogs. Comparison of the above statistics with those of the previous year reveals that the amount of issued loan increased by 20 percent, repaid loan by 27.2 percent, and the amount of outstanding loan by 41.9 percent respectively.



THE NUMBER OF BORROWERS



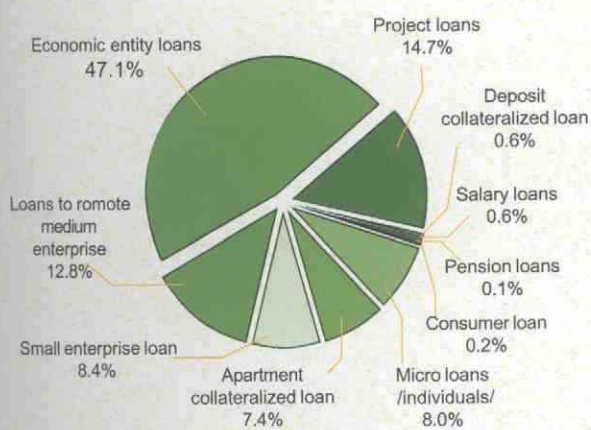
TOTAL AMOUNT OF OUTSTANDING LOANS



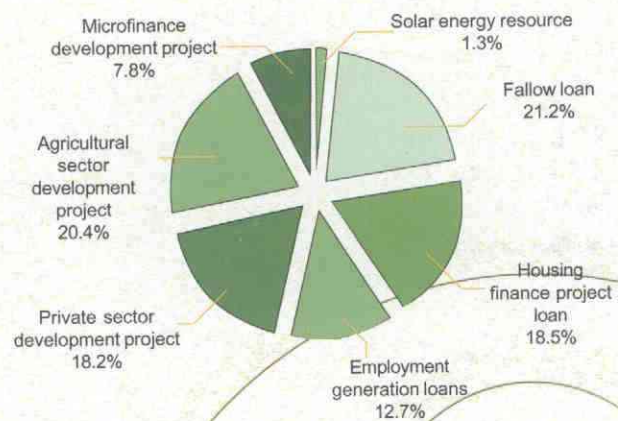
16 types of loans were granted with the objective to strengthen the bank's position at the banking and financial market and to deliver high quality, practical services to customers.

Item	Outstanding loans	Percentage share
1 Solar energy resource	48,308.8	0.19%
2 Fallow credits	800,860.7	3.11%
3 Housing finance project loan	700,909.7	2.72%
4 Employment generation project loan	481,522.2	1.87%
5 Private sector development project loan	687,585.2	2.67%
6 Agricultural sector development project loan	770,945.8	2.99%
7 Microfinance development project loan	295,761.0	1.15%
8 Salary loan	164,988.2	0.64%
9 Deposit collateralized loan	162,500.9	0.63%
10 Pension loan	24,754.3	0.10%
11 Consumer loan	49,528.4	0.19%
12 Micro credit /individuals/	2,068,630.9	8.02%
13 Apartment collateralized loan /Household loans/	1,907,048.5	7.40%
14 Small enterprise loan	2,174,355.0	8.43%
15 Loan to promote medium enterprises	3,309,896.9	12.84%
16 Economic entity loan	12,137,243.1	47.07%
Total amount of loan	25,784,839.6	100.00%

LOAN STRUCTURE



PROJECT LOAN STRUCTURE



New instruments such as credit lines to regular and reliable customers, credit card services, and vehicle and housing loan, which is complied with financial ability of the customers and with domestic and social demand have been introduced.

Our bank has been successfully implementing projects and programs such as "Private Sector Development Project", "Micro-Finance Development Project", that are co-implemented by the Ministry of Finance and Economics and the World Bank; "Employment Generation Project", "Agricultural Sector Development Project", and "Housing Finance Project" implemented by the Asian Development Bank; and "Fallow 2002 Program of the Ministry of Agriculture; and therefore, we proudly perform our obligations as a financial intermediary.

INTERNATIONAL RELATIONS

Since 2000, the bank has actively introduced international transactions and settlements such as documentary letters of credit, collection of payments, open account and foreign currency conversion.

In 2003, the amount of foreign transaction settlements through SWIFT has increased by over 70 percent and this growth is mainly due to the fact that foreign transaction related fees were differentiated and reduced; thus, offering the payment method with the lowest fees to our customers.

In 2003, the bank employed the policy aimed at expanding foreign relations, strengthening the current relations, and improving the bank's reputation among foreign banks and financial institutions.

By the end of the reporting year, the bank established correspondent banking relations with 6 banks of 5 countries and opened the following 8 nostro accounts:

1. **COMMERZBANK A.G.** Frankfurt am Main, Germany USD Account /400886713700 USD/
2. **Hypovereins Bank** Germany Munich, Germany EUR Account /69105963 EUR/
3. **Union Bank of California** San-Francisco, USA /91-282988-1121 USD/
4. **Union Bank of California** Tokyo, Japan JPY Account /016-282988-1121 JPY/
5. **Hong Kong Shanghai Banking Corporation (HSBC)**, New York, USA USD Account /000-134899 USD/
6. **Hong Kong Shanghai Banking Corporation (HSBC)** HSBC Hong Kong USD Account /502-005390-230 USD/
7. **NICOIL Bank** Moscow, Russia
USD Account /30112840021000000067 USD/
RUR Account /30122810001000000067 RUR/

Moreover, in the reporting year, exchanging of information with and receiving transaction from Chase Manhattan Bank and Deutsche Bank through SWIFT became available, direct transaction settlements in such foreign currency as JPY, USD, RUR became accessible as a result of opening nostro accounts with Russian NICOIL Bank (USD and RUR) and Tokyo, Japan branch of Union Bank of California (JPY); and all the above mentioned factors had positive impact on increasing transaction amount and expanding foreign currency exchange.

COMMEMORATIVE COINS



MARKETING

In the reporting year, Zoos Bank has emphasized on refining traditional financial products and services, introducing new ones, that are complied with customer needs and demand, and advertising special feature and superiority of products and services to the public. As a result, in 2003, the number of bank customers has increased by 95.5 percent and the number of deposit holders by 36 percent from the previous year; and demand and saving deposit increased by 63.3 percent to 29824.38 million togrogs.

In 2003, we have expanded our service scope by opening new branches in Tuv, Arkhangai and Khuvs gul provinces.

NEW PRODUCTS AND SERVICES

Based on the research on domestic transfer fees, work load and fees offered by the competitors, the bank has applied changes in its fees, and introduced fast domestic money transfer service, which would execute transfers to and from rural areas within **5 minutes**.

In order to coordinate financial relations in regard to transfer of property and ownership right between individuals and economic entities, new service of Escrow account, in which money is held to pay whenever the conditions are provided, was introduced and related contracts and regulations were drawn up. The introduction of this new service was well-timed and perfectly comply with customer needs and demand.

Beginning from September 1, the Zoos Bank has introduced new student deposit service called "**Education Fund**". This time deposit is a long-term deposit with a floating interest rate and money can be deposited until the student gets primary, junior or high school education; or in other words, in terms of age, the deposit can mature at age of 10 years old, 16 years old and 18 years old. As of December 31, total of 13405.3 thousand togrogs of 169 customers have been deposited.

Private banking service not only creates comfortable service environment for our customers, but also offers financial consulting on money and account management in greater length and customer-oriented services complied with their specific needs and demand. This service became one of the most appreciated services among customers.

In the reporting year, **SMS banking, SMS-545** services have been improved to provide customers with timely information about their account balance, transactions, and exchange rates; furthermore, with this service, our MasterCard holders can check their balance on unlimited base.

Since the introduction of **MasterCard** to the financial market in March, the number of cardholders reached almost 2000 and they possess 6 types of international and domestic cards.

PUBLIC RELATIONS

Zoos Bank has paid a special attention to its reputation at the market and the standing among public. Today our banking service covers 40 percent of Mongolia's territory.

One of the important aspects of the state monetary policy is to develop and strengthen non-cash payment system and instruments. Within this framework, Zoos Bank has become an affiliate member of the Master International in November 2002 and introduced its own brand MasterCard to the market in order to in one hand, concentrate cash in the banking system and invest to the real economy, and in the other hand, to bring the banking services closer to customers and offer more convenient services. Zoos bank is the third bank to introduce international card to Mongolian market and the second bank that joined the Master International as a member.



As for the reporting year, our successful implementation of projects financed by international financial institutions such as World Bank, Asian Development Bank is revealed by organizing of the "Investment into Domestic Production" exhibition, which to show productivity of loan and its contribution to the real economy.



Over 40 well-known domestic corporations, economic entities, and manufacturers participated and presented their products in the exhibition; and it could show contribution of investments into domestic production.

MARKETING



Within the framework of "Respect Customer Program", the Bank organized Customer Days under different topics: promoted the new Zoos Bank building in the 1st quarter; in the 2nd quarter, within the topic "Basic Needs - Risk Free Service", it operated mini bank, promoted card services among the institutions and organizations, offered financial consulting, and distributed promotion brochures to the public; in the 3rd quarter, the topic was "Customer - the King", and bank conducted

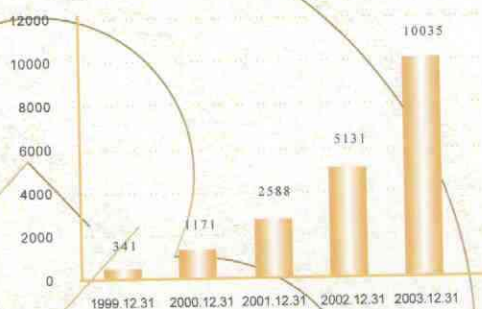
survey on whether products and services are complied with customer needs, gave advices to customers regarding new products and services; and in the 4th quarter, topic and activities were related to improving service quality and creating prompt and convenient services.

These measures have had positive impact on the increase in the number of customers.

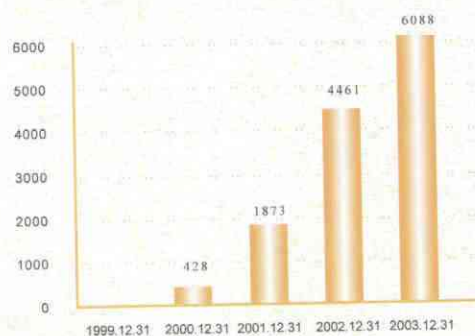


Zoos Bank organized a one-day promotion at the Institution of Finance and Economics and the Mongolian National University on the occasion of the International Student's Day.

NUMBER OF CUSTOMERS

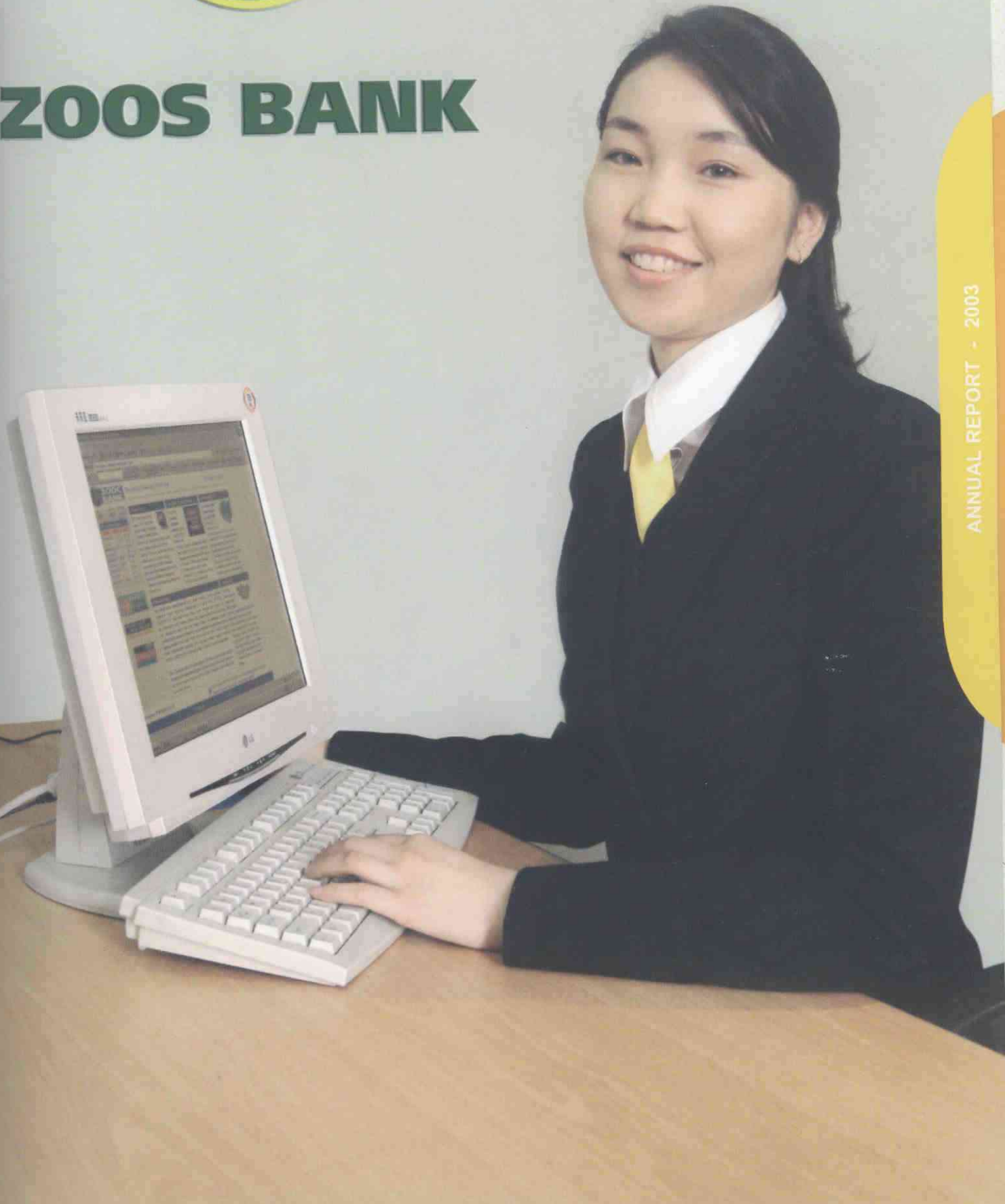


NUMBER OF DEPOSITORS





ZOOBANK



INFORMATION TECHNOLOGY

Since 2002, Zoos Bank in cooperation with Mobicom Corporation has introduced SMS 545, SMS technology of GSM system, enabling customers to receive account information, foreign currency news and other information. In 2003, we connected SMS with the Card Center of Golomt Bank. The Zoos Bank cardholders can check their transactions online through our website.

In the reporting period, Zoos Bank has connected all branches in the city and countryside with the online network. Thanks to this innovation, flow of financial information between the head office and branches became faster.

In 2003, we have closely cooperated with the relevant IT companies to prepare for the introduction of the teller system that comply with international accounting standards.



HUMAN RESOURCE POLICY

In 2003, the number of employee has increased to 217 and the increase is mainly due to expansion of the service scope, establishment of new branches and settlement units, and introduction of new financial products and services.

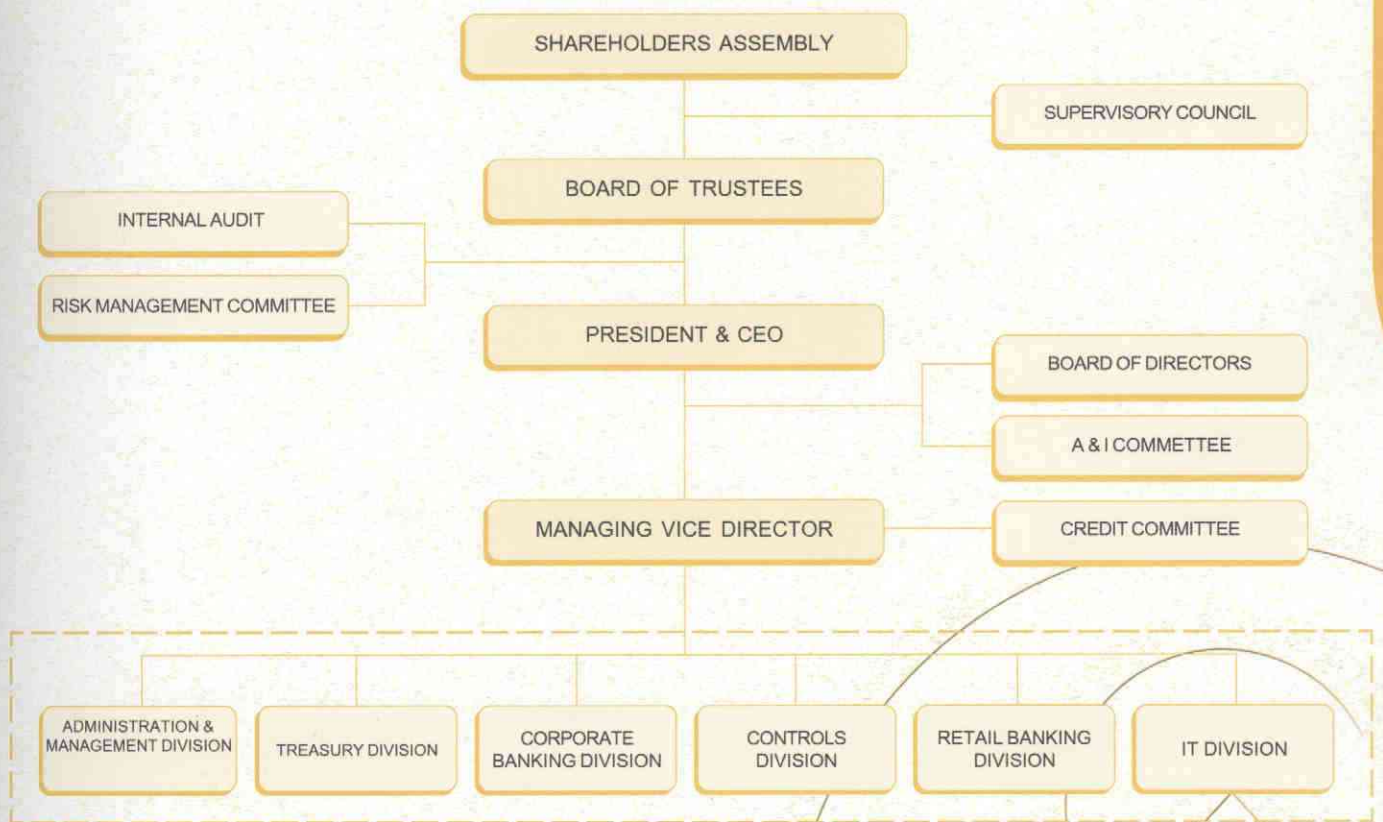
We developed the Human Resources Policy Paper and revised other related regulations and guidelines based on the researches. In addition, we have changed employee's job schedules and drawn up new job descriptions.

We have emphasized on improving professional skills and building creative and

sophisticated team with an ability to compete during this time of technology advancement. Furthermore, by establishing the Cooperation agreement with the School of Economic Studies of the NUM on November 2003, opportunities to employ new highly qualified and educated young stuff, reeducate our stuff, and to co-conduct survey and research works have been provided.

In 2003, 385 employees (by double counting) of our bank participated in the professional training and workshops domestically and internationally.

ORGANIZATIONAL STRUCTURE



INTERNAL AUDIT, BRANCHES

INTERNAL AUDIT ACTION

The Internal Audit Division, with the mandate of the Representative Governing Board, monitors the proper realization of the policies of the management, the implementation of the annual business plan and adherence to the internal rules and regulations as well as examines the accuracy of financial statements. The Internal Audit Division has an autonomous mission to protect the assets of the Bank and reports directly to the Representative Governing Board and the Executive Director.

The Internal Audit Division examines the legal framework of the activities of ZoosBank, assists the senior management of the Bank to effectively execute their duties, provides the analysis, review and recommendations concentrating on preventing from probable risks and losses through both on-site and distance monitoring of the activities of the bank and its branches.

BRANCHES

At the end of the reporting year, our bank executed its financial activities through total of 16 branches and units, which are 8 branches in addition to the head office, 5 settlement units and 3 cash units.

We have opened new settlement units in the Bayanzurkh district of Ulaanbaatar city, Tuv, Arkhangai and Khuvsgul provinces as part of our aim to extend our banking services, reach to every customer, attract new customers, and to expand service channels. The establishment of new units granted a favorable opportunity to increase the number of customers, thus, expand the market share, and to improve our bank's reputation.

As of December 31, 2003, consolidated balance of the branches reached to 15580.15 million togrogs, which is higher by 4725.51 million togrogs or increased by 43.53 percent compared to the previous year.





"INTER AUDIT" Co., Ltd

Ulaanbaatar, Mongolia
Chingeltei district, 2nd khoroo
Chambol's street - 6
room # 310
Tel: 315318
Fax: 976-11-316119

TO SHAREHOLDERS OF
ZOOS BANK

AUDITOR'S REPORT

We have conducted auditing of balancesheet, Income Statement, Cash Flow Statement and `Property Statement of Zoos Bank as of December 31, 2003. Board of Zoos Bank shall be responsible for establishing of internal audit mechanisms to ensure security of assets and prevention from abnormal operations, and can reflect financial activities of the Bank.

Executive Management shall be responsible for the Bank policy of adherence to Accounting Law of Mongolia, internationally acceptable accounting standards and practices, and development of appropriate and correct financial reports based on true evidenced information. Our duty is to produce independent aditor's report expressing professional recommendations regarding the above financial statements based on the findings of auditing process.

The auditing was conducted in accordance to the prepared plan and program that are in line with Audit Law of Mongolia and internationally accepted auditing standards. The accounting principles and methodology adhered by the management, basis of developing financial reports and internal auditing system were evaluated. Auditing team has examined management decisions, their executions, big accounts and transactions using audit random selection and other appropriate methods. We hope that auditing findings will be appropriate base for developing conclusions and recommendations regarding the Banks' financial statements.

Based on the findings we think that Balance sheet, Income Statement, Cash Flow Statement and `Property Statement of Zoos Bank as of December 31, 2003 have produced without material defaults in accordance to relevant laws and accounting standards of Mongolia, guidelines and methodology prescribed by Bank of Mongolia.



DIRECTOR

[Signature]
Ch. CHIMIDSUREN

2004.01.23

BALANCE SHEETS

/thousands of MNT/

	2002.12.31	2003.12.31
ASSETS		
Cash and short term funds	1,739,943.8	2,043,873.2
Deposits and placements with other financial institutions	2,802,936.4	6,731,073.2
Loans (net)	17,907,821.6	25,088,181.7
Stock(net)	-	2,371,607.7
Other assets (net)	430,275.5	570,784.1
Other real estate owned	-	480,744.0
Fixed assets (net)	1,646,221.9	4,342,007.1
Total assets	24,527,199.2	41,628,271.0
LIABILITIES AND EQUITY CAPITAL		
Current accounts	6,529,613.4	8,579,521.8
Deposits	12,368,459.1	21,263,774.8
Dues to other financial institutions	850,000.0	1,000,000.0
Other lends	597,285.0	4,545,652.3
Other liabilities	872,156.6	1,511,712.2
Total liabilities	21,217,514.1	36,900,661.0
EQUITY CAPITAL		
Capital stock	2,802,214.9	4,049,075.8
Reserve fund	4,965.3	4,965.3
Current years retained earnings	502,504.9	673,568.9
Total equity capital	3,309,685.1	4,727,610.0
Total liabilities and equity capital	24,527,199.2	41,628,271.0

PROFIT AND LOSS ACCOUNT

/thousands of MNT/

	Notes	2002.12.31	2003.12.31
Interest and similar income	3	5,442,495.2	7,044,005.3
Interest expenses and similar charges	4	1,819,280.2	3,093,594.8
Net interest income		3,623,215.0	3,950,410.6
Service charges, fees and commissions		79,790.6	156,377.3
foreign exchange and translation gains (net)		-1,193,006.7	58,994.0
Fixed assets rent sales income		-	4,797.7
Other income	5	241,698.2	230,146.1
Non -interest income		-871,517.9	450,315.1
Operating income		2,751,697.2	4,400,725.7
Operating expense	6	1,520,503.9	2,810,997.0
Operating profit (los)		1,231,193.2	1,589,728.6
Provisions for other probable losses	7	433,259.2	485,159.7
Profit before taxation		797,934.0	1,104,568.9
Tax		295,429.1	431,000.0
Net profit after taxation		502,504.9	673,568.9

STATEMENT OF CASH FLOW

/thousands of MNT/

	2002.12.31	2003.12.31
Net profit changes after taxation	-142,813.2	673,568.9
Adjustments	172,228.7	530,758.4
Provision for probable loan losses	116,771.3	434,818.6
Provision for probable claim losses	-384.2	15,910.9
Fixed assets disposals	55,841.6	80,028.8
Other		0.0
(Increase) decrease in assets	8,417,242.5	-8,362,696.4
Loans	7,388,104.1	-7,615,178.8
Other assets	1,029,138.4	-747,517.6
(Increase) decrease in liabilities	10,987,324.3	16,129,292.1
Current accounts	2,647,260.7	2,049,908.4
Deposits	6,735,009.9	8,895,315.7
Other liabilities	1,605,053.7	5,184,068.1
Cash flow from operating activities	-2,570,081.8	7,766,595.7
Net cash provided by (used in) operating activities	-2,540,666.3	8,970,923.0
CASH FLOW FROM INVESTING ACTIVITIES		
(Increase) decrease investment in securities	-	-1,881,238.8
Other real estate owned		-485,600.0
Changes in fixed assets	1,161,395.2	-2,775,814.0
Net cash provided by (used in) investing activities	1,161,395.2	-5,142,652.8
CASH FLOW FROM FINANCING ACTIVITIES		
Securities		-490,560.0
Inter - bank payable and repurchase agreement	50,000.0	150,000.0
Statutory fund contribution	350,000.0	1,246,860.9
Cash flow from financing activities		-502,504.9
Net cash provided by (used in) financing activities	400,000.0	403,796.0
Net change in cash and cash equivalents	1,838,102.0	4,232,066.2
Cash and cash equivalents, beginning balance	2,704,778.2	4,542,880.2
Cash and cash equivalents, ending balance	4,542,880.2	8,774,946.4

FINANCIAL INDICATORS

December 31, 2002

1. STATEMENT OF PURPOSE

The purpose of these financial statements is to present fairly the current state of the Zoos bank activities and to report publicly the bank's profits and losses, and cash flow in accordance with the International Accounting Standards (IAS).

These financial statements have also complied with the "General Accounting Principles" and "Commercial Bank General Accounting Rules" of the General Bank - Bank of Mongolia.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Interest income and expenses

Calculations of interest income and expenses were based on accrual accounting. The accrual of interest income on loan receivables more than 90 days past due is discontinued. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received.

b) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into MNT at the exchange rates ruling at the end of the day. Income and expenditure are translated into MNT at the exchange rates ruling at the date of transactions.

c) Provision of probable loan losses

Loans are classified by the time and quality indicators. We have set up the Provision of probable loan losses in accordance with the BOM rules.

d) Fixed assets

We calculated fixed assets minus accumulated depreciation. Accumulated depreciation of the fixed assets is calculated by straight-line method that considers the proposed length of lifetime.

e) Other assets

We include, here, receivables, accrued interest receivables on loans, inventory, etc.

FINANCIAL INDICATORS

3. INTEREST AND SIMILAR INCOME (thousands of MNT)	2002	2003
Interest on loans	5,389,211.9	6,940,023.7
Interest on inter-bank loans and resale agreements	138.9	7,976.8
Interest on securities	53,144.3	96,004.8
	5,442,495.2	7,044,005.3
4. INTEREST AND SIMILAR CHARGES (thousands of MNT)	2002	2003
Interest on current accounts	251,312.1	306,424.9
Interests on time and demand deposits	1,488,852.9	2,643,975.2
Interest on inter-bank loans and repurchase agreements	79,115.2	143,194.6
	1,819,280.2	3,093,594.8
Net interest income	3,623,215.01	3,950,410.58
5. NON - INTEREST INCOME (thousands of MNT)	2002	2003
Service charges, fees and commissions	79,790.60	156,377.30
Net foreign exchange gains	(1,193,006.69)	36,071.76
Other income	-	4,797.70
Net non-interest income	241,698.24	230,146.10
	(871,517.86)	427,392.86
6. OPERATING EXPENSES	2002	2003
Trade securities	-	500.00
Employee related administrative expenses	324,636.58	544,187.01
Advertising and public relations	45,815.92	107,650.59
Fixed assets depreciation and amortization	67,772.36	369,103.20
Communications	369,240.45	572,893.67
Transportation and fuel supply	26,932.48	43,986.63
Utilities	158,564.67	474,290.92
Others	527,541.44	675,462.72
	1,520,503.90	2,788,074.74
7. PROVISION OF PROBABLE LOSSES (thousands of MNT)	2002	2003
Provisions of probable losses on loans and advances	222,077.83	468,870.40
Provision of securities	-	191.07
Provisions of OREA	-	4,856.00
Receivables and other assets	211,181.38	11,242.32
	433,259.21	485,159.79
8. PLACEMENTS WITH OTHER BANKS AND FINANCIAL INSTITUTIONS	2002	2003
Balances with the Bank of Mongolia	2,703,629.46	4,366,510.68
Balances with domestic financial institutions	39,771.75	931,147.44
Balances with foreign financial institutions	59,535.23	1,397,826.07
	2,802,936.44	6,695,484.19

FINANCIAL INDICATORS

9. FIXED ASSETS (thousands of MNT)		2002	2003
Buildings		567,077.75	718,475.19
	Accumulated depreciation	(20,485.39)	-36,370.53
Furniture and fixtures		350,485.20	40,158.96
	Accumulated depreciation	(44,379.77)	80,811.68
Computer equipment		148,395.65	42,529.81
	Accumulated depreciation	(47,799.00)	75,510.81
Total fixed assets		1,065,958.60	801,163.96
	Total depreciation	(112,664.15)	192,693.02
Financing of fixed assets		692,927.50	2,733,536.15

Financing of fixed assets is spent on the construction work of the new bank headquarters building that started in 2002.

10. CURRENT ACCOUNTS OF CUSTOMERS (thousands of MNT)		2002	2003
MNT	Individual	739,493.09	389,844.13
	Organization	4,659,627.39	5,787,442.85
Foreign exchange	Individual	493,764.19	619,822.32
	Organization	636,728.73	1,782,412.47

In 2003, the total number of clients increased by 4904 with the current account balance increase of MNT 2.0 billion reaching total balance of MNT 8.6 billion.

11. DEPOSITS OF CUSTOMERS (thousands of MNT)		2002	2003
Demand	Individual	931,766.37	1,026,482.90
	Organization	27,822.29	78,671.29
Time	Individual	10,170,206.80	18,065,930.59
	Organization	1,238,663.67	2,092,689.98

In 2003 1627 savings account were newly opened with balance increase of MNT 8.9 billion reaching total balance of 21.3 billion.

12. PAYABLES TO OTHER FINANCIAL INSTITUTIONS (thousands of MNT)		2002	2003
Payable to the Bank of Mongolia		850,000.00	1,000,000.00
Payable to other banks		-	-
		850,000.00	1,000,000.00

In 2003 total payables reached MNT 1 million as a result of the ADB-s employment creation project fund of MNT 150.0 million.

13. EQUITY CAPITAL		2002	2003
Common stock		1,802,214.9	3,049,075.82
Preferred stock		1,000,000.0	1,000,000.00
Reserve fund		4,965.3	4,965.27
Current years retained earnings		502,504.9	673,568.90
Total equity capital		3,309,685.1	4,727,609.99

The equity capital of the bank reached MNT 4.7 billion, an increase to the capital stock by MNT 1,246.86 million.

ADDRESSES

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SWIFT BIC: ZOOSMNUB
URLs <http://www.zoosbank.mn>
E-Mail: secretary@zoosbank.mn



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BRANCH No.110

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