



Dividend Policy of XacBank

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DIVIDEND POLICY OF XACBANK

1. POLICY SCOPE

- 1.1 This policy regulates relations with respect to determination of dividend amounts attributable to shareholders of XacBank (the “Bank”), including decisions to pay dividends, informing shareholders, and payment and reporting procedures.
- 1.2 The Policy is prepared in accordance with applicable laws including the Company law, Banking law, Securities market law, and such other relevant regulations of Regulators, as well as the Bank Charter.
- 1.3 According to the Bank Charter, this Policy shall be effective after it is has been approved at a shareholders' meeting and subsequent amendment(s) are to be made by a resolution at a further shareholders' meeting following submission of proposed revisions to the Policy by the Board of Directors from time to time.

2. DEFINITION OF TERMS

- 2.1. The terms and definitions used in this Policy shall be interpreted and applied explicitly within the Bank with the following meanings:
 - 2.3.1 “**Dividend**” means a sum of assets in cash or in any other form that is to be allocated from the company’s net earnings after tax in accordance with a relevant approval, authorization and resolution;
 - 2.3.2 “**Regulators**” means the Bank of Mongolia or the Financial Regulatory Commission of Mongolia with respect to the authority assigned to them in applicable legislation;
 - 2.3.3 “**Declaration Date**” means the date on which the Board of Directors of the company approves and announces the payment of a dividend;

3. PRINCIPLES GOVERNING THE DIVIDEND DISTRIBUTION

- 3.1 The Bank will consider dividends on a semiannual and annual basis while taking into account various factors including, but not limited to, capital, liquidity and regulatory requirements, future profits and other resources available for distribution, the outlook of the Bank’s business including growth opportunities, general economic and financial conditions and need for returns to the shareholders.
- 3.2 According to the Company law, unless otherwise specified in Bank Charter, the Board of Directors shall convene and resolve whether to declare a dividend within 50 days following the end of a financial year. For declaring semi-annual dividends, the Board will decide within 120 days following the first half of the year. ~~Any decision to distribute and allocate dividends is subject to approval by the Shareholders’ meeting.~~ /amended by Shareholders’ Resolution SR-2024-06 dated 29 April 2024/
- 3.3 Shareholders shall be entitled to receive dividends as resolved by the Board of Directors ~~and approved by the Shareholders’ meeting.~~ /amended by Shareholders’ Resolution SR-2024-06 dated 29 April 2024/
- 3.4 The Bank may declare distribution of dividends from its retained earnings if the following requirements are satisfied:
 - 3.4.1 The Bank is solvent following the payment of dividends;
 - 3.4.2 The equity of the Bank is higher than the sum of its charter capital, unpaid dividend for preferred shares and liquidation related cost;
 - 3.4.3 The Bank has fulfilled any redemption obligation relating to its securities;
 - 3.4.4 The Bank is compliant with the prudential requirements set forth by the Regulator(s) following the payment of dividends;
 - 3.4.5 The Bank has obtained all necessary authorizations from Regulator(s) with respect to any proposed dividend payout;
 - 3.4.6 The Bank is not in breach of financial covenants set forth in loan facility agreements entered into with international banking institutions.
- 3.5 The Bank shall not distribute dividends to redeemed shares, and the allocation of dividends to preferred shares shall be settled in accordance with applicable laws and regulations.

- 3.6 The type of dividend and its distribution timeline shall be set for the benefit of shareholders' rights and interests and shall be compliant with the requirements set forth in applicable laws and regulations.

4. DETERMINATION OF DIVIDEND AMOUNT

- 4.1 The amount of dividend attributable per share shall be determined by the authorized body referred in Section 3.2 of the Policy ~~and subject to Shareholders' approval~~, based on the financial results of a given financial year, taking into account future targets and projections. */amended by Shareholders' Resolution SR-2024-06 dated 29 April 2024/*

5. DIVIDEND ALLOCATION AND PAYMENT

- 5.1 The Bank shall comply with the requirements set forth in Company law and Banking law before any proposed dividend payment shall be made after it has obtained authorizations from the Bank of Mongolia.
- 5.2 The Bank, as of record date after it has received the list of shareholders from the relevant entity authorized to conduct the centralized securities depository activities, shall determine those shareholders entitled to dividend payments and notify the shareholders of such payments.
- 5.3 The resolution for allocation of dividend shall include:
- 5.3.1 The amount of dividend attributable per share;
 - 5.3.2 The date of the start of distributing dividend payment;
 - 5.3.3 The type of dividend (cash, assets, stock etc.);
 - 5.3.4 The method of dividend distribution (settlement by the Bank, or authorized intermediary);
 - 5.3.5 The shareholders at the record date.
- 5.4 The declaration of a dividend payment shall be published on the Bank's corporate website and announced the same as providing a notice for shareholder meeting which shall include the following:
- 5.4.1 The amount of declared dividend to a specific share type, on a per share basis;
 - 5.4.2 Record date;
 - 5.4.3 The type of dividend payment;
 - 5.4.4 The date of start distributing dividend payment;
 - 5.4.5 The method of dividend distribution chosen, whether through settlement by the Bank itself or through an authorized intermediary;
 - 5.4.6 If dividend distribution will be made through an authorized intermediary, then such entity's legal name, address, operating hours and customer care contact for providing details of the dividend declared.
- 5.5 As per the Company law, the agenda of the shareholders' meeting shall not be amended in the event of it being postponed, nor can the record date be changed at the actual meeting.
- 5.6 Notwithstanding any changes in number of shares issued or in the shareholding profile of the Bank up prior to the dividend payment date, dividends shall only be distributed to those shareholders included in list received as of the record date.
- 5.7 The remaining post-tax net profit after distribution of dividends shall be retained in the retained earnings account to create sufficient capital to meet the Bank's future growth.
- 5.8 In order to process the dividend payment, for shareholders who hold current accounts with the Bank, the payment can be directly transferred to such accounts insofar as the Bank has received a digital or written request for such transfer from the account holders, whereas, for shareholders who do not have a current account with the Bank, the payment shall be transferred to the shareholders' respective bank accounts registered with the relevant entity authorized to conduct centralized securities depository activities.
- 5.9 The dividend payment date shall be no later than 15 days after the relevant consent is obtained from the Bank of Mongolia.

6. REPORTING

- 6.1 A dividend distribution report shall be prepared in accordance with Company Law Clause 46.14 and delivered to FRC within working 15 days after the distribution of dividends is completed.
- 6.2 Dividend records shall be accounted for in accordance with International Financial Reporting Standards and such other relevant regulations as part of the annual financial statements.

7. LIABILITY

- 7.1 The Bank shall be liable to pay delay damages in an amount 0.1 percentage per day of the value of the non-performed obligation. However, total amount accrued shall not exceed 50 percent of the value of such non-performed obligation in the event of a valid claim of a shareholder that is entitled to receive dividends but is not paid in a timely manner, due to a clear operational error of the Bank.