

INDEPENDENT DIRECTOR REPORT OF XACBANK

Ulaanbaatar, B

Quarter I, 2024



STATEMENT

I, Ulambayar. B the Independent Non-Executive Director at the Board of Directors of XacBank, have prepared this Independent Director's Report (the "**Report**") pursuant to: (i) the Company Law and the Banking Law; (ii) banking regulations issued by the Bank of Mongolia ("**BoM**") – Procedures on Good Governance Review of Banks (the "**Good Governance Review**"), and Regulation on Nomination, Appointment, and Resignation of Independent Directors of Banks (the "**INED Regulation**"); (iii) XacBank's Charter and other governance policies applicable.

The Report covers the period of Quarter I 2024 (the "**Applicable Period**").

1. ATTENDANCE REPORT

(INED Regulation Clauses 5.2.1 and 5.2.2)

The following meetings as shown in Schedule 1 have been convened and held in the Applicable Period.

Board meetings in the Applicable Period

Schedule 1

Meetings	Attendance	Date
Board meetings	As an independent director	<ul style="list-style-type: none"> 02-05 February, 2024 19 February, 2024 06-07 March, 2024 12-15 March, 2024
Board Audit Committee meeting (" BAC ")	As a Chair	<ul style="list-style-type: none"> 06 March, 2024
Board Risk Management Committee meeting (" BRMC ")	As a member	<ul style="list-style-type: none"> 06 March, 2024
Board Governance, Nomination and Compensation Committee (" GNCC ")	As a member	<ul style="list-style-type: none"> 06 March, 2024

1.1 BOARD MEETING[S]

1.1.1 The **BOARD REGULAR MEETING** was held on **06-07 March, 2024** and the agenda items were as follows:

- Update on previous board decisions and recommendations;
- Reports of the Board Committees /Board approval items only/:
 - Governance, Nomination and Compensation Committee ("**GNCC**")
 - Audit Committee ("**BAC**")
 - Risk Committee ("**BRMC**")
- 2023 Annual Financial and Operating Results;
- Inclusion of certain items per request of TFG in the agenda of the XacBank AGM;
- TFG merger with XacBank, merger agreement and related approvals;
- Announce XacBank AGM for 29 April 2024;
- Strategy document;

8. Management update: Jan 2024
 - Economic and Banking update
 - Business-line performance
 - Financial Results
9. Amendment to insider trading policy;
10. FRC Policy Change: Recommendation to amend the XacBank Charter;
11. FRC Policy Change: Recommendation to amend the XacBank Dividend Policy; and
12. Other.

- Item (5) I received clarifications regarding the specific terms of the agreement to merge XacBank with TFG.
- Items (2), (3), (4), (5), (7), (9), (10), and (11) were unanimously approved by the Board members.
 - On my part, I voted in favor of the above decisions made during the meeting and did not have any disagreement with them.

1.1.2 BOARD EXTRAORDINARY MEETING[S]

- At the **Board extraordinary meeting** held on **19 Februray 2024**, the following agenda items were discussed:
 1. Recommendation of Dividend Distribution; and
 2. XacBank 2024 interim dividend (in case if we announce interim dividend, BoM requires a decision withiin 50 days after year-end close)
- On my part, I voted in favor of the above decisions made during the meeting and did not have any disagreement with them.
- I have attended the following Board online voting meetings as shown in Schedule 2.

Board online voting meetings in the applicable period

Schedule2

Meetings	Voting item	Date
Board online voting meeting	1. Acceptance of the results of the EGM organized via Ballot voting.	02-05 Februaray, 2024
Board online voting meeting	1. Announcement of the 2024 Annual General Meeting ("AGM") of Shareholders of the Bank.	12-15 March, 2024

- On my part, I voted in favor of the above decisions made during the meeting and did not have any disagreement with them.

1.2 BOARD AUDIT COMMITTEE MEETING[S] ("BAC")

I have attended the following **BAC meetings** as shown in Schedule 3.

BAC meeting in the applicable period

Schedule3

Date	Agenda
06 March, 2024	<ol style="list-style-type: none"> 1. XacBank 2023 year-end audited financial statements; 2. Approval of Related Party and Conflict of Interest Transactions (removed from the agenda); 3. Audit reports: <ol style="list-style-type: none"> 3.1. Monitoring rules for treasury operation 3.2. 2024 audit sprints - cycle 1 4. Related parties' quarterly reporting (BoM Guidelines).

- I chaired the meeting of the Audit Committee of the Board in my capacity as the Chairman of the Audit Committee.
 - Before the meeting, a discussion was held with the Chief Auditor regarding certain issues.
- Issue (1) was unanimously approved by the Committee members and subsequently forwarded to the Board meeting for approval.
 - On my part, I voted in favor of the above decisions made during the meeting and did not have any disagreement with them.

1.3 BOARD RISK MANAGEMENT COMMITTEE MEETING[S] ("BRMC")

I have attended the following **BRMC meetings** as shown in Schedule 4.

BRMC meeting in the applicable period

Schedule4

Date	Agenda
06 March, 2024	<ol style="list-style-type: none"> 1. XacBank Risk Report as of January 2024; 2. Compliance Update as of January 2024; 3. Liquidity Stress Test and Scenario Analysis; 4. Employee Loan; 5. Credit control and loans monitoring; and 6. Paris Agreement Implementation Roadmap.

- On item (3), I have received clarification regarding the breakdown of external sources.
- Items (4) and (6) were unanimously approved by the Committee members and subsequently transferred to the Board meeting for approval.
 - On my part, I voted in favor of the above decisions made during the meeting and did not have any disagreement with them.

1.4 BOARD GOVERNANCE, NOMINATION AND COMPENSATION COMMITTEE MEETING[S] ("GNCC")

I have attended the following **GNCC meetings** as shown in Schedule 5.

GNCC meeting in the applicable period

Schedule5

Date	Agenda
06 March, 2024	<ol style="list-style-type: none"> 1. Performance based bonus pool for 2023 performance; 2. CEO 2023 evaluation and bonus; 3. Chairman 2023 evaluation and bonus; 4. Long term incentive plan Policy (LTIP); 5. LTIP award for 2023 performance;

	6. Update on the BoM approval on Board Directors/INEDs; 7. Board Budget 2024; 8. Other.
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- On item (1) above, I have received clarification on the conditions for awarding the final portion of the bonus split.
- Item (4) above, regarding the number of months used to calculate long-term incentives, I suggested changes to the number and discussed them.
- Item (7), I have received clarification on certain numerical aspects.
- Items (1), (2), (3), (4), (5), and (7) were unanimously approved by the Committee members and subsequently transferred to the Board meeting for approval.
 - On my part, I voted in favor of the above decisions made during the meeting and did not have any disagreement with them.

2. CONFLICT OF INTEREST TRANSACTION AND SIGNIFICANT AMOUNT TRANSACTION REPORT

(Banking law Clause 33.5 and INED Regulation Clause 5.2.3)

Pursuant to Clause 33.5 of the Banking Law, independent directors must vote on the conflict of interest transactions.

During the applicable period, **there were no** conflict of interest transactions that required approval by the Board.

I note that, in cases where any of the directors had conflict of interest, such director revealed their conflict of interest at the beginning of the meeting and did not vote on the matter.

3. GOVERNANCE REPORT

(Company Law Clause 79.3, INED Regulation Clause 5.2.4, and Good Governance review Clause 3.5)

The above-mentioned clauses of respective laws and regulations provide for independent directors the authority in the oversight over the Board and the executive management if their acts and decisions are in the best interest of the bank and in line with the regulatory requirements for the benefit of the Bank's stakeholders, including but not limit to, shareholders, customers, depositors and employees.

My observation towards the Bank's governance is;

Actions taken under the Company Law Clause 79.3 and Good Governance Review Clause 3.5	
Company Law Clause 79.3.1 and Good Governance Review Clause 3.5.5 (BANK'S COMPLIANCE WITH LAWS AND REGULATIONS)	<p>In accordance with this provision, I took care to monitor and prevent violations, participating in all meetings and contributing to decision-making. Throughout the applicable period, the actions of the Board of Directors and the executive management, as well as the policy decisions made, did not have any negative impact that could be defined within the scope of this provision.</p> <p>In this regard, it is noted in the report, specifying details of each attended meeting as needed.</p>

Company Law Clause 79.3.2 (BANK'S TRANSPARENCY)	Within the scope of this provision, the executive management continues to ensure transparency and openness, and there is no situation to act as a special assignee.
Company Law Clause 79.3.3 (PROVISION OF INFORMATION TO THE SHAREHOLDERS)	<ul style="list-style-type: none"> • EGM (The ballot voting of Shareholders held between 20 December 2023 and 02 February 2024).
Good Governance Review Clause 3.5.1 (ENSURING THE DECISIONS MADE BY THE BOARD AND THE MANAGEMENT IS IN THE BEST INTEREST OF THE BANK)	Bank governance is functioning normally, and no serious actions or decisions affecting the Bank's interests were observed by the Board of directors and the management team.
Good Governance Review Clause 3.5.2 (THE BOARD AND THE MANAGEMENT COMPLIANCE WITH LAWS)	Concerning the reporting process, transparency, and decision-making among Shareholders, the Board of directors, and the management team, they are operating in accordance with the Company Law of Mongolia, the Banking Law, and the relevant regulations of the Bank of Mongolia.
Good Governance Review Clause 3.5.3 (PROTECTION OF CUSTOMERS AND DEPOSITORS)	No serious actions or decisions were observed on the part of the Board of directors and the management team that would have a negative impact on the interests of the Bank's customers.
Good Governance Review Clause 3.5.6 (REPORTING OF VIOLATIONS TO BOM)	There were no noteworthy occurrences.

4. OTHER

- On January 18, 2024, I participated in the online presentation of XacBank's financial report for the 4th quarter of 2023.

- On January 29, 2024, I personally met with a representative from the foreign investment company *** which is seeking financing with the bank.
- On February 13, 2024, As part of the GNCC's responsibilities, I participated in an electronic meeting regarding the preliminary report of a foreign consulting company working on the long term incentive plan's policy.
- On March 11, 2024, I consulted with the independent members regarding the report to be presented at the AGM.
- In March 2024, I prepared the report of the Independent Members to be presented at the AGM.

Date: 12 April, 2024

Signature: /Ulambayar. B/
Independent Non-Executive Director