XACBANK

Conflict of Interest and Related Party Transaction Policy

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1.3.4. "Conflict of Interest Transaction" as defined in Clause 89.1 of the Company Law of Mongolia, shall be a transaction with a Controlling Party together with affiliates with common interests who owns 20% and above of the ordinary shares the Bank.

2. Governance

2.1. This Policy is approved by the Bank's Board of Directors.

2.2. The Chief Executive Officer shall ensure the implementation of this Policy.

2.3. The Board of Directors shall oversee implementation of this Policy and the Related Party Transactions.

2.4. The Board Audit Committee shall provide the Board of Directors an independent assurance on the Related Party Transactions.

2.5. This Policy shall be reviewed pursuant to any revision of the Bank of Mongolia regulation and the respective laws, and the revisions shall be approved by the Board of Directors.

3. Identification of Related Party and Related Party Transactions

3.1. The Corporate Secretary shall maintain the database of all Related Parties of the Bank and Related Party Transactions in accordance with the template prescribed by the Bank of Mongolia Regulation on Measuring and Controlling Bank Limits.

3.2. The Corporate Secretary shall maintain and update the Related Parties Database with following General Information:

3.2.1. Related Party's name;

3.2.2. Related Party's category (legal entity/natural person);

3.2.3. Related Party's relationship to the Bank;

3.2.4. Related Party's description;

3.2.5. Related Party's registration numbers;

3.2.6. Related Party's activity;

3.2.7. Related Party's place of employment; and

3.2.8. Related Party's position/title.

3.3. Each governing person shall semiannually disclose to the Board, through the Corporate Secretary, the necessary details for the Related Parties Database, along with any other information mandated by laws and regulations applicable from time to time. The contents of such semiannual disclosure letter will be reviewed annually by the Corporate Secretary, with any changes requiring approval from the Board of Directors.

3.4. The Corporate Secretary shall update the General Information of the Related Parties semi-annually in Q2 and Q4 of each financial year.

3.5. The Corporate Secretary shall deliver the Related Parties information with the updated General Information semi-annually in Q2 and Q4 of each financial year to Chief Financial Officer, Chief Risk Officer, and the secretary of the Board Audit Committee.

3.6. The Chief Risk Officer shall maintain and update on-balance and off-balance credit exposures and claims held with a Related Party, including transaction(s), transaction nature, outstanding balance and related party exposure limits.

3.7. The Chief Financial Officer shall maintain and update any other transactions such as funding, liabilities, service contracts, asset purchases and sales, construction contracts, lease agreements, derivative transactions with a Related Party, including nature and outstanding amount.

4. Approval Procedure for Conflict of Interest or Related Party Credit Exposure

4.1. The following Conflict of Interest or Related Party Transactions shall be approved in the ordinary course of business of the Bank:

4.1.1. Any ordinary course business travel and expenses, advances and reimbursements and administrative costs;

4.1.2. Any products or services entered into in the ordinary course of business, at arm's length terms and conditions under the policies and product programs approved by the Bank;

4.1.3. Transactions other than credit exposures granted with preferential rates or waivers given to all employees of the Bank (including Senior Managers) as part of employee benefit program; and

4.1.4. Fully cash-backed credit exposures of related parties at arm's length terms and conditions under the policies and product programs approved by the Bank

4.2. Credit Exposures, the Bank's local credit approval authorities shall make decisions on any Conflict of Interest or Related Party credit exposure regardless of whether the transaction is entered into in the ordinary course of business, at arm's length terms and conditions under the policies and product programs approved by the Bank, as authorized below:

4.2.1. A loan proposal, excluding mortgage, up to MNT 300 million;

4.2.2. A mortgage proposal up to MNT 200 million; and

4.2.3. Total credit exposure to a Related Party that does not exceed MNT 300 million.

4.3. The Board and Board Risk Management Committee shall approve any Conflict of Interest or Related Party credit exposures in excess of the limits set in Article 4.2. and shall ratify the Conflict of Interest and Related Party Transactions endorsed by the Bank's local credit approval authorities as per Article 4.2. every quarter.

4.4. A write-off proposal of any Related Party credit exposure shall be approved by the Board of Directors.

4.5. All transactions other than credit exposures with a Related Party shall not require a Board of Directors approval, in case these are conducted on an arm's length basis and on terms not less favorable to the Bank than the terms available to and from an unrelated third party under the same or similar circumstances.

4.6. Any Board Director having a conflict of interest with the transactions to be approved according to this Policy shall abstain from voting and from using his or her personal influence on the matter.

5. Disclosure and Reporting

5.1. The Bank shall report to its shareholders in its annual report and accounts on all Conflict of Interest and Related Party Transactions to the extent required by applicable laws or regulations.

5.2. The Corporate Secretary shall deliver to Bank of Mongolia the Bank's Related Parties information, reviewed by the Board Audit Committee, and the report of the Board Audit Committee, reviewed by the Board of Directors, on a semi-annual basis within the timelines set by the Bank of Mongolia Regulation on Measuring and Controlling Bank Limits.