

# INDEPENDENT DIRECTOR REPORT OF XACBANK

Niraj Vedwa

Quarter I, 2024



## STATEMENT

I, Niraj Vedwa, an 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"> <li>02-05 February 2024</li> <li>19 February 2024</li> <li>06-07 March 2024</li> <li>12-15 March 2024</li> </ul>
Board Audit Committee meeting (" <b>BAC</b> ")	As a member	<ul style="list-style-type: none"> <li>06 March, 2024</li> </ul>
Board Risk Management Committee meeting (" <b>BRMC</b> ")	As a member	<ul style="list-style-type: none"> <li>06 March 2024</li> </ul>
Board Governance, Nomination and Compensation Committee (" <b>GNCC</b> ")	As a member	<ul style="list-style-type: none"> <li>06 March 2024</li> </ul>

### 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.
- 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

Participated via Online calls, the Board and Committee meetings held between 6<sup>th</sup> to 7<sup>th</sup> March. Above agenda items were discussed amongst all the Board members, and I voted in favor of the resolutions (where applicable).

There was no disagreement with the decision for each decision.

### 1.1.2 BOARD EXTRAORDINARY MEETING[S]

- At the **Board extraordinary meeting** held on **19 February 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 within 50 days after year-end close)

Participated via Online call and approved the recommendation on Dividend Distribution.

There was no disagreement with the decision for each decision.

- 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 February 2024
Board online voting meeting	1. Announcement of the 2024 Annual General Meeting ("AGM") of Shareholders of the Bank.	12-15 March 2024

There was no disagreement with the decision for each decision.

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

Reviewed XB 2023 Audited Financial statements and congratulated Management for an excellent performance.

There was no disagreement with the decision for each decision.

**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"> <li>1. XacBank Risk Report as of January 2024.</li> <li>2. Compliance Update as of January 2024.</li> <li>3. Liquidity Stress Test and Scenario Analysis.</li> <li>4. Employee Loan.</li> <li>5. Credit control and loans monitoring.</li> <li>6. Paris Agreement Implementation Roadmap.</li> </ol>

Participated and Reviewed XB Risk report / Compliance Update / Liquidity Stress Test & Scenario Analysis / Employee Loans / Credit Control and Paris Agreement Implementation roadmap.

There was no disagreement with the decision for each decision

**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"> <li>1. Performance based bonus pool for 2023 performance.</li> <li>2. CEO 2023 evaluation and bonus.</li> <li>3. Chairman 2023 evaluation and bonus.</li> <li>4. Long term incentive plan Policy (LTIP).</li> <li>5. LTIP award for 2023 performance.</li> <li>6. Update on the BoM approval on Board Directors/INEDs.</li> <li>7. Board Budget 2024.</li> <li>8. Other.</li> </ol>

Participated, Reviewed, Discussed GNCC Agenda points on Performance based pool for 2023, Chairman & CEO Bonus, LTIP policy and award for 2023, Board budget.

There was no disagreement with the decision for each decision.

## 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.

## 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	
<b>Company Law Clause 79.3.1 and Good Governance Review Clause 3.5.5</b>  <b>(BANK'S COMPLIANCE WITH LAWS AND REGULATIONS)</b>	Xacbank follows Highest Standards of Governance and bank is fully compliant with Laws & Regulations.  I have not observed any non-compliance.
<b>Company Law Clause 79.3.2</b>  <b>(BANK'S TRANSPARENCY)</b>	Xacbank follows Highest Standards of Governance and bank is fully transparent in all reporting.  I have not observed any non-compliance.
<b>Company Law Clause 79.3.3</b>  <b>(PROVISION OF INFORMATION TO THE SHAREHOLDERS)</b>	<ul style="list-style-type: none"> <li>EGM (The ballot voting of Shareholders held between 20 December 2023 and 02 February 2024).</li> </ul>

<b>Good Governance Review Clause 3.5.1</b>  <b>(ENSURING THE DECISIONS MADE BY THE BOARD AND THE MANAGEMENT IS IN THE BEST INTEREST OF THE BANK)</b>	Xacbank follows Highest Standards of Governance & Decisions made by Board & Management are in best interest of bank.  I have not observed any non-compliance.
<b>Good Governance Review Clause 3.5.2</b>  <b>(THE BOARD AND THE MANAGEMENT COMPLIANCE WITH LAWS)</b>	Xacbank follows Highest Standards of Governance. Board & Management are complying to Laws & Regulations.  I have not observed any non-compliance.
<b>Good Governance Review Clause 3.5.3</b>  <b>(PROTECTION OF CUSTOMERS AND DEPOSITORS)</b>	Xacbank follows Highest Standards of Governance. Board & Management Ensure protection to Customers & Depositors.  I have not observed any non-compliance.
<b>Good Governance Review Clause 3.5.6</b>  <b>(REPORTING OF VIOLATIONS TO BOM)</b>	Xacbank follows Highest Standards of Governance. Any Violations to the Laws & Regulations are reported to BOM.  I have not observed any non-compliance.

Overall, Xacbank follows Highest standards of Governance and compliance to Laws & Regulations.

#### 4. OTHER

Xacbank delivered an excellent 2023 performance guided by improvement in all Key Metrics & Ratios. This is the 4<sup>th</sup> Year of consistent High Growth Numbers. A, well-defined Strategy & Business Plan / Professional & Stable Management team / Digitization of Apps, Products and Transactions / Leveraging New Technology are some of the levers for this performance.

I am confident that under the able guidance of Chairman, Sanjay Gupta and meticulous execution of CEO TJ and management team, Xacbank will continue to deliver good performance.

Date. 10<sup>th</sup> April 2024

Signature

