

# INDEPENDENT DIRECTOR REPORT OF XACBANK

Niraj Vedwa

Quarter II, 2024



## STATEMENT

I, Niraj Vedwa 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 II 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

*Schedule1*

Meetings	Attendance	Date
Board meetings, online votes	As an independent director	<ul style="list-style-type: none"> <li>● 09-15 April, 2024</li> <li>● 29 April, 2024</li> <li>● 02 May, 2024</li> <li>● 21-27 May, 2024</li> <li>● 24-29 May, 2024</li> <li>● 27-31 May, 2024</li> <li>● 17-21 June, 2024</li> <li>● 21-27 June, 2024</li> </ul>
Shareholders' meeting (AGM)	As an independent director	<ul style="list-style-type: none"> <li>● 29 April, 2024</li> </ul>
Board Audit Committee meeting (“ <b>BAC</b> ”)	As a member	<ul style="list-style-type: none"> <li>● 29 April, 2024</li> <li>● 02 May, 2024</li> </ul>
Board Risk Management Committee meeting (“ <b>BRMC</b> ”), online votes	As a member	<ul style="list-style-type: none"> <li>● 09-15 April, 2024</li> <li>● 29 April, 2024</li> <li>● 02 May, 2024</li> <li>● 21-27 May, 2024</li> <li>● 24-29 May, 2024</li> <li>● 27-31 May, 2024</li> <li>● 21-27 June, 2024</li> </ul>
Board Governance, Nomination and Compensation Committee (“ <b>GNCC</b> ”)	As a member	<ul style="list-style-type: none"> <li>● 29 April, 2024</li> <li>● 02 May, 2024</li> <li>● 17-21 June, 2024</li> </ul>

### 1.1 BOARD MEETINGS

1.1.1 The **BOARD REGULAR MEETING** was held on **02 May, 2024** and the agenda items were as follows:

1. Update on previous board decisions and recommendations;
2. Reports of the Board Committees /Board approval items only/:
  - 2.1 Governance, Nomination and Compensation Committee ("GNCC"): Director's Agreement template
  - 2.2 Audit Committee ("BAC")
  - 2.3 Risk Committee ("BRMC")
3. Management update: 1Q 2024;
4. Share redemption process policy for retail investors of XacBank (a legal requirement to have this Policy and redemption price);
5. Update on the next steps on TFG XacBank merger;
6. Strategic Theme: Scaling up fee income & CASA;
7. Update on Digitalization and IT;
8. Other.

Participated in Board Meetings and Committee Meetings.

THERE WAS NO DISAGREEMENT WITH THE DECISION FOR EACH DECISION.]

#### 1.1.2 BOARD EXTRAORDINARY MEETINGS

- At the **Board extraordinary meeting** was held on **29 April 2024**, and the following agenda items were discussed:

1. Approval of the composition of the standing committees of the Board.

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. Approval of the Bank's Recovery Plan 2024.	09-15 April, 2024
Board online voting meeting	1. Approval of the loan (extension of credit card), involving governing person of the Bank (the "RP & COI Transaction").	21-27 May, 2024
Board online voting meeting	1. Approval of the housing loan ("RP & COI Transaction").	24-29 May, 2024
Board online voting meeting	1. Approval of the extension of the credit package and increase of the credit line limit to [REDACTED] ("RP & COI Transactions").	27-31 May, 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
29 April, 2024`	1. Election of BAC Chair
02 May, 2024	1. Audit reports: 1.1 Continuous audit report 2024 Q1 1.2 2024 audit sprints – cycle 2 2. Related parties' quarterly reporting (BoM Guidelines).

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
09-15 April	1. Approval of the Bank's Recovery Plan 2024.
29 April	1. Election of BRMC Chair
02 May, 2024	1. XacBank Risk Report 1Q 2024; 2. Compliance Update as of 1Q 2024; 3. [REDACTED] : [REDACTED]

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	4. Ratification of any related party/conflict of interest transactions during 1Q2024;
21-27 May, 2024, online voting	1. Approval of the loan (extension of credit card), involving governing person of the Bank (the "RP & COI Transaction").
24-29 May, 2024, online voting	1. Approval of the housing loan ("RP & COI Transaction").
27-31 May, 2024, online voting	1. Approval of the extension of the credit package and increase of the credit line limit to [REDACTED] ("RP & COI Transactions").
21-27 June, 2024, online voting	1. Approval of the extension of credit card involving 3 related parties ("RP & COI Transactions")

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
29 April, 2024	1. Election of GNCC Chair;
02 May, 2024	1. Directors' Agreement Template Update.
17-21 June, 2024	1. Report of the Board Evaluation Findings; 2. Approval of the amendment and restatement of the Board Evaluation Policy (2019); 3. Approval of the Board Action Plan 2024; 4. Approval of the Directors' Training Program; 5. Approval of the Stakeholder Engagement Policy;

THERE WAS NO DISAGREEMENT WITH THE DECISION FOR EACH DECISION.

#### 1.5 THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS (AGM) ON 29 APRIL, 2024

I have attended the following **AGM** as shown in Schedule 6.

*Schedule6*

No	Agenda	Action
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1.	Announcement of the AGM quorum	The quorum has been validly constituted.
2.	Report on the XacBank's Annual Operational Report for 2023	The report was introduced by CEO. This was discussion item only.
3.	Report on the XacBank's Audited Financial Statements for 2023	The report was introduced by CFO. This was discussion item only.
4.	The Board Review of the XacBank's Annual Operational Report and Audited Financial Statements for 2023	The report was introduced by Board Chairman and approved by Shareholders.
5.	Independent Directors' Report	The report was introduced. This was discussion item only.
6.	Decision on the Distribution of Final Dividend from the 2023 Year-End Bank Earnings;	Introduced by CEO and approved by Shareholders.
7.	Decision on the Amendment to the Charter of XacBank and Dividend Policy in Relation to Dividend Distribution Authority	<p>Introduced by General Counsel/Corporate Secretary.</p> <ul style="list-style-type: none"> <li>The Amendment to the Charter of XacBank was not approved by eligible shareholders with voting rights who participated in the AGM with 98.94 percent objection.</li> </ul> <p>The Dividend Policy was approved by Shareholders.</p>
8.	Decision on the Framework Agreement	Introduced by General Counsel/Corporate Secretary and approved by Shareholders.
9.	Decision on the Policy Agreement	Introduced by General Counsel/Corporate Secretary and approved by Shareholders.
10.	Decision on the Reorganization of XacBank through Merger	Introduced by CEO and approved by Shareholders.
11.	Election of the Board for tenure until 2026 AGM	<p>Introduced by General Counsel/Corporate Secretary.</p> <p>The item was resolved by cumulative voting and each Director was elected.</p>

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12.	Decision on the Board Director Remuneration Update	Introduced by General Counsel/Corporate Secretary and approved by Shareholders.
13.	Decision on Board Budget for 2024	Introduced by General Counsel/Corporate Secretary and approved by Shareholders.

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, the Board approved number of conflict of interest transactions: one on May 27, 2024, one on May 29, 2024, one on May 31, 2024, and three on June 27, 2024. I cast my votes on all of them.

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

<b>Company Law Clause 79.3.1 and Good Governance Review Clause 3.5.5</b>	Xacbank is compliant with Company Clause 79.3.1 and Good Governance Review Clause 3.5.5 and I have not observed any non-compliance.
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(BANK'S COMPLIANCE WITH



<b>LAWS AND REGULATIONS)</b>	
<b>Company Law Clause 79.3.2</b>  <b>(BANK'S TRANSPARENCY)</b>	Xacbank is compliant with Company Clause 79.3.2 and I have not observed any non-compliance.
<b>Company Law Clause 79.3.3</b>  <b>(PROVISION OF INFORMATION TO THE SHAREHOLDERS)</b>	Shareholders' meeting held on 29 April, 2024 (AGM)..There was transparent sharing of information to shareholders and a Q&A Session was taken by Management with Shareholders
<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 and decisions taken by Board and Management are in the best interest of the bank.
<b>Good Governance Review Clause 3.5.2</b>  <b>(THE BOARD AND THE MANAGEMENT COMPLIANCE WITH LAWS)</b>	Board and Management is fully compliant with Laws. I have not observed any non-compliance.
<b>Good Governance Review Clause 3.5.3</b>  <b>(PROTECTION OF CUSTOMERS AND DEPOSITORS)</b>	Xacbank policies ensure protection of customers and 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 under the Good Governance Clause 3.5.6 complies with the regulations and reports any violation to BOM.

<b>4. OTHER</b>	

Xacbank follows highest standards of Governance and compliance to laws & regulations. Bank continues to deliver high quality growth and Q2 results is a testimony to the performance. With new Strategic & Digitization initiatives, a stable and professional management team and the growth in Lending book, we do look forward to good quarters ahead.

4th July 2024  
Date: \_\_\_\_\_



Signature: \_\_\_\_\_