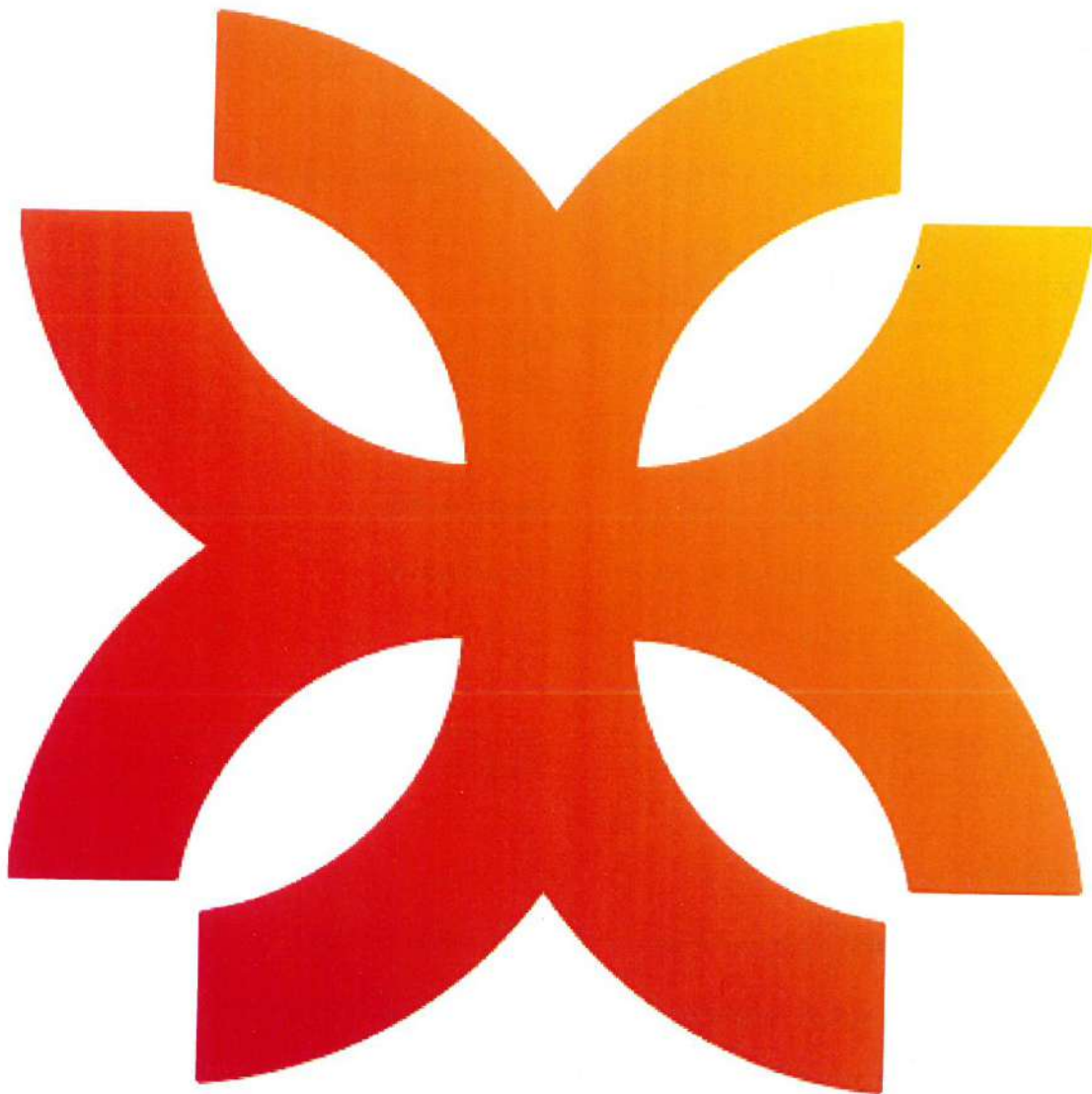


INDEPENDENT DIRECTOR REPORT OF XACBANK

By: Niraj Vedwa
Quarter II, 2023



STATEMENT

I, Niraj Vedwa, the Independent 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 2023] (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 meeting	As an independent director	04-12 May 2023 22 May 2023 02-07 June 2023 09-16 June 2023
Board Audit Committee meeting	As a member	none
Board Risk Management Committee meeting	As a member	02-07 June 2023 09 June 2023 09-16 June 2023 23 June 2023
Shareholders' meeting	As an independent director/Observer	05 April 2023 27 April 2023 (AGM) 12 June 2023

Board meeting[s]

- The **board regular meeting** was not held in the applicable period.
- On the **board extraordinary meeting** held on [22 May 2023], the following agenda items were discussed:
 1. Resignation of INED, Erik Versavel; and
 2. Announcement of the EGM (Extraordinary General Meeting) on June 12, 2023.

Attended all Board Meeting and Shareholders meeting in person in UB and all other meetings Online. Jointly worked with other INED on the Yearly Independent Director's Report presented at Shareholders meeting in UB.

Initially, I had differences of opinion on the INED report for Shareholders meeting and after multiple iterations and discussions with other INED's, came to a common report.

- Furthermore, I have attended the following online voting meetings as shown in Schedule 2.

Online Voting meetings in the Applicable Period

Schedule2

Meetings	Voting item	Date
Board online voting meeting	Approval of funding plan through senior debt facility	04-12 May 2023
	Approval of the revised Recovery plan 2023.	02-07 June 2023
	Approval of the credit line to [REDACTED] (conflict of interest transaction).	09-16 June 2023
Board Audit Committee online voting meeting	None	
Board Risk Management Committee online voting meeting	Recommendation of the revised recovery plan 2023.	02-07 June 2023
	Business loan.	09 June 2023
	Recommendation of the credit line to [REDACTED] (conflict of interest transaction).	09-16 June 2023
	Business loan.	23 June 2023

After reading and studying the information deck sent by XB management team, I approved above via Online voting. I had no disagreement on any agenda item and all items were discussed and approved.

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.

In the Applicable Period, there have been 1 conflict of interest transactions approved by the Board.

Post reading the information deck sent by Management team, and after discussing in the Board meeting, I voted in favor for the Credit Line approval request to [REDACTED].

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 is that XB continues to provide highest standards of Corporate Governance and I have observed no non-compliance.

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)	Xacbank has the highest standards of Corporate Governance and I did not observe any non-compliance to Laws & Regulations.
Company Law Clause 79.3.2 (BANK'S TRANSPARENCY)	Xacbank has the highest standards of Corporate Governance and there is very clear transparency demonstrated.
Company Law Clause 79.3.3 (PROVISION OF INFORMATION TO THE SHAREHOLDERS)	<p>I have attended the Shareholders' meeting held on 05 April, 2023 (EGM) and made myself available to any questions from the shareholders at the meeting. There were question and clarifications on our INED report by CEO and shareholder, which were answered and subsequently updated in the Final report submitted.</p> <p>I have attended the Shareholders' meeting held on 27 April, 2023 (AGM) and made myself available to any questions from the shareholders at the meeting.</p>

	I have attended the Shareholders' meeting held on 12 June, 2023 (EGM) and made myself available to any questions from the shareholders at the meeting.
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)	During all meetings, I did not find any deviations or non-compliance to Good Governance. Decisions were taken in the best interest of bank.
Good Governance Review Clause 3.5.2 (THE BOARD AND THE MANAGEMENT COMPLIANCE WITH LAWS)	During all meetings, I did not find any deviations to Good Governance with respect to compliance to Laws.
Good Governance Review Clause 3.5.3 (PROTECTION OF CUSTOMERS AND DEPOSITORS)	During all meetings, I did not find any deviations to Good Governance with respect to protection of customers and depositors.
Good Governance Review Clause 3.5.6 (REPORTING OF VIOLATIONS TO BOM)	During all meetings, I did not find any deviations to Good Governance with respect to reporting non-compliance to BOM. There were no issues to report to BOM

4. OTHER

During the Shareholders meeting, I met and interacted with all shareholders as this meeting was held in person in UB after many years of Covid disruption. It was good exchange of thoughts and ideas. I also met many management team members including IT and exchanged ideas. XB has had the best performance in 2022 and continues to show growth on all parameters and KPI's.

Date: 1st July 2023

Signature:

