

INDEPENDENT DIRECTOR REPORT OF XACBANK

By: Amy Choi
Quarter II, 2023



STATEMENT

I, Amy Choi, 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	None
Shareholders' meeting	As an independent director/Observer	27 April 2023 (AGM) 12 June 2023 (EGM)

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.

For Agenda #1:

I commented that as a Director of the Board including Independent / Shareholder / Executive, one should declare his/her public exposures including but not limited to book writing / speech / interview which might induce reputational risk to the Bank before on-boarding. If the Director intends to take action that may lead to similar effect after on-boarding, notice should be given to the Board prior to the action.

Overall I did not have disagreements with the direction of discussions & approval of the agenda put forward for decision.

- 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	None	

For the funding plan through senior debt facility, I asked for impact on XacBank's NIM in 2023. CFO's response was timely & estimated that Xacbank would maintain NIM at around 7% in 2023. I supported the transaction.

For the revised Recovery Plan, I asked for rational for change of stress scenarios during economic downturn – Real GDP decrease from 6% to 7% & unemployment rate reaching 20% instead of 18%. BRMC Secretary replied that the macroeconomic indicators would become more worse with 7% GDP decrease & 20% unemployment rate as a hypothetical severe condition. I approved the revised Recovery Plan.

For the credit line to [REDACTED] (conflict of interest transaction), I asked for additional information on the 3-year sales projection with regard to electric vehicles (EV) share & potential impact if Tesla EV entering into Mongolia market. The BRMC Secretary provided a detailed market analysis on EV share & Tesla's slim chance of getting into Mongolia market in 3-year hence sales impact would be insignificant. I supported the transaction.

Overall I did not have disagreements with the direction of discussions and supported the 3 proposals put forward for 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 transaction.

In the Applicable Period, there have been 1 conflict of interest transaction approved by the Board and I casted my affirmative vote on the transaction.

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 that there is clear role & responsibility between Shareholders, the Board & the executive management team. All decisions during the Applicable Period were made in the best interest of the bank.

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)	I observed that the Board & the management team made every effort to comply with laws & regulations with great attention to details, in particular throughout the IPO process despite very tight schedule.
Company Law Clause 79.3.2 (BANK'S TRANSPARENCY)	Not Applicable / Not Observed
Company Law Clause 79.3.3 (PROVISION OF INFORMATION TO THE SHAREHOLDERS)	<p>I have attended the Shareholders' meeting held on 27 April, 2023 (AGM) as an observer and made myself available to any questions from the shareholders at the meeting.</p> <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.</p>
Good Governance Review Clause 3.5.1 (ENSURING THE DECISIONS MADE BY THE BOARD AND THE MANAGEMENT IS IN	I observed that the Board & the management team made every effort to comply with laws & regulations with great attention to details, in particular throughout the IPO process despite very tight schedule.

THE BEST INTEREST OF THE BANK)	
Good Governance Review Clause 3.5.2 (THE BOARD AND THE MANAGEMENT COMPLIANCE WITH LAWS)	I observed the Board & the management team have at all times endeavored to act in compliance with applicable laws and regulations.
Good Governance Review Clause 3.5.3 (PROTECTION OF CUSTOMERS AND DEPOSITORS)	Not Applicable / Not Observed
Good Governance Review Clause 3.5.6 (REPORTING OF VIOLATIONS TO BOM)	Not Applicable / Not Observed

4. OTHER

Not Applicable

Date: July 3, 2023

Signature: _____



