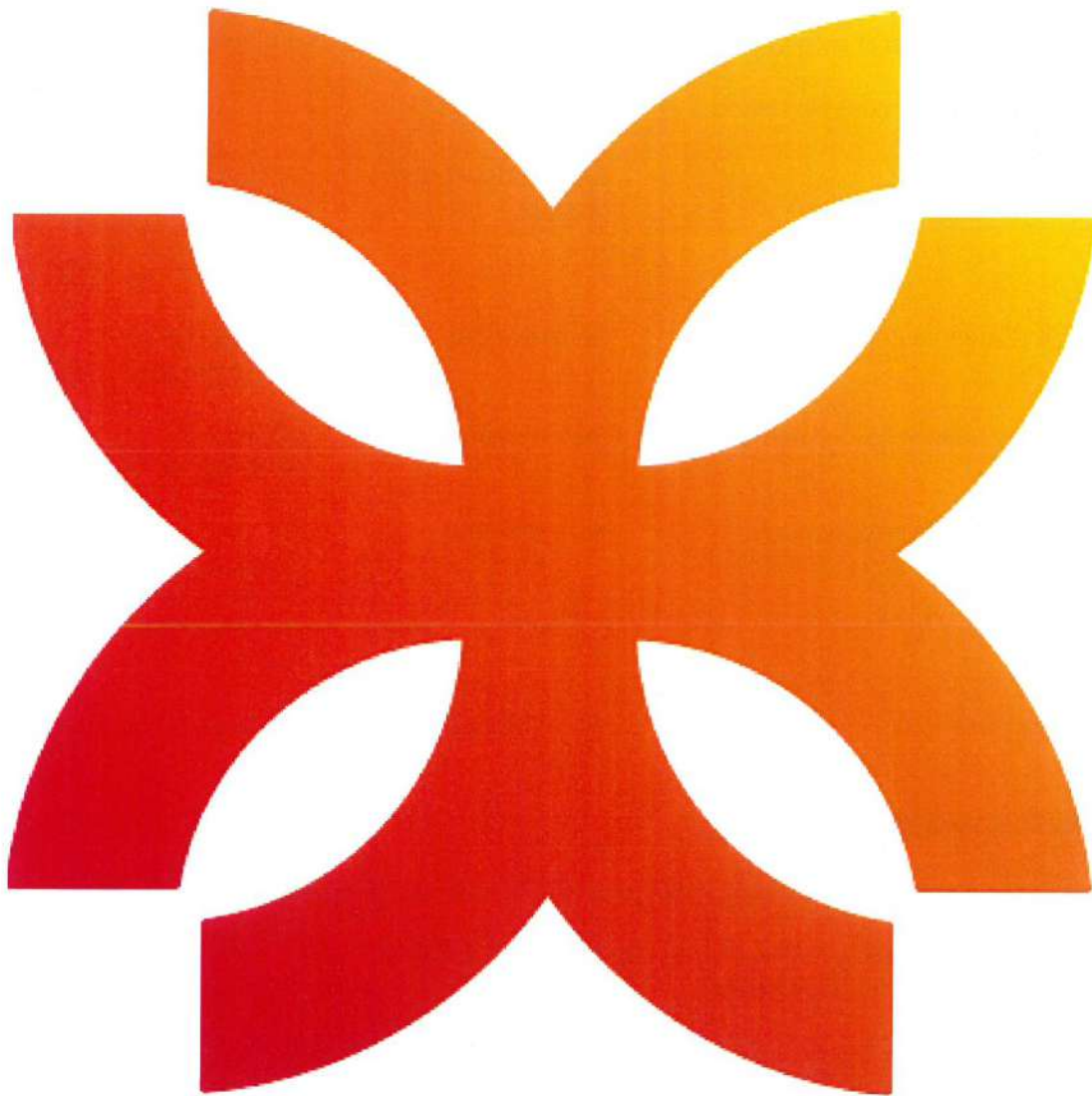


INDEPENDENT DIRECTOR REPORT OF XACBANK

By: Niraj Vedwa
Quarter III, 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 III 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	07 July, 2023 20 July-04 Aug, 2023 02 August, 2023 28 September, 2023
Board Audit Committee meeting (" BAC ")	As a member	06 July, 2023 28 September, 2023
Board Risk Management Committee meeting (" BRMC ")	As a member	06 July, 2023 28 September, 2023
Board Governance, Nomination and Compensation Committee (" GNCC ")	As a member	06 July, 2023 02 August, 2023 18 August, 2023 04 September, 2023 28 September, 2023
Shareholders' meeting	As an independent director	15 September, 2023 (EGM)

1.1 BOARD MEETING[S]

- The **board regular meeting** was held on [07 July, 2023] and the agenda items were as follows:
 - 1 Update on previous board decisions and recommendations
 - 2 Reports of the Board Committees:
 - 2.1 GNCC
 - 2.2 BAC
 - 2.3 BRMC
 - 3 Update on XacBank IPO
 - 4 Information Disclosure Policy

- 5 Code of Conduct and Conflict of Interest Policy (amendment)
- 6 Whistleblowing Policy Update (new)
- 7 Anti-Bribery and Anti-Corruption Policy (new)
- 8 Insider Trading Policy (new)
- 9 Related Party Transaction and Conflict of Interest Policy (amendment)
- 10 D&O insurance update
- 11 IPO Proceeds: to reflect in XacBank JSC Charter (Share capital only)
- 12

- 13 Management update: May 2023
Economic and Banking Sector update
Business-line performance
Financial Results & NIM
- 14 IT & Digital Banking update
- 15

I attended Board Committee Meetings (BAC / BRMC / GNCC) and participated in discussions around bank performance, related party transactions, TFG merger, XB JSC Charter, Digital Technology implementation and the amended policies (Item no 4-8 as above).

Agenda #12 was not discussed as it is still under preparation.

- The **board regular meeting** was held on [28 September, 2023] and the agenda items were as follows:

- 1 Update on previous board decisions and recommendations
- 2 Reports of the Board Committees:
 - 2.1 GNCC
 - 2.2 BAC
 - 2.3 BRMC
- 3 Management update: Aug 2023
Economic and banking update
Business-line performance
Financial Results
- 4
- 5
- 6
- 7

I attended Board Committee Meetings (BAC / BRMC / GNCC) and participated in discussions around bank performance,

During the **board extraordinary meeting** held on [02 August 2023], the following agenda items were discussed:

1. Update on the TFG EGM decisions held on July 31, 2023; and
2. Announcement of XacBank JSC EGM on September 15, 2023.

Participated and Voted for announcement of the EGM.

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

Board online voting meetings in the applicable period
Schedule2

Meetings	Voting item	Date
Board online voting meeting	Renewed schedule for Board meetings for the second half of 2023 and 2024.	20 July-04 Aug, 2023

1.2 BOARD AUDIT COMMITTEE MEETING[S] ("BAC")

I have attended the following **BAC meetings** as shown in Schedule 3.

BAC meetings in the applicable period
Schedule3

Date	Agenda
06 July, 2023	<ol style="list-style-type: none"> 1. Audit reports <ol style="list-style-type: none"> 1.1 Leasing Operations 1.2 Corporate Governance 1.3 IT change management 2. Update on audit recommendation follow up 3. Amendments to the Charter and internal audit documents 4. Related parties' semi-annual reporting (BoM Guidelines)
28 September, 2023	<ol style="list-style-type: none"> 1. Election of the Committee Chair 2. EY half-year review 3. Audit reports <ol style="list-style-type: none"> 3.1 Rural branch 3.2 IT asset management 3.3 Continuous audit 3.4 AML/CTF report 3.5 Special assets 4. Related parties' quarterly reporting (BoM Guidelines)

Attended & Participated in BAC meetings and reviewed the Audit reports & Related party transactions. Voted for the Chair of BAC. Also reviewed EY half year presentation.

1.3 BOARD RISK MANAGEMENT COMMITTEE MEETING[S] ("BRMC")

I have attended the following **BRMC meetings** as shown in Schedule 4.

BRMC meetings in the applicable period
Schedule4

Date	Agenda
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06 July, 2023	<ol style="list-style-type: none"> 1. Risk Report as of May 2023 2. Request to Board to Increase XacBank management Credit Approval Authority 3. AML Procedures (new) 4. KYC Procedures (new) 5. Compliance Update as of May 2023 6. Ratification of any related party/conflict of interest transactions during Q2'2023
28 September, 2023	<ol style="list-style-type: none"> 1. Election of the Committee Chair 2. Risk Report as of August 2023 3. Update Anti-bribery and anti-corruption policy 4. Compliance Update as of August 2023 5. Ratification of any related party / conflict of interest transactions during Q3'2023

I attended BRMC meeting and participated in discussions around Risk report, AML & KYC amended procedures, Related party Transactions, Voted for the Chair of the newly elected BRMC members.

1.4 BOARD GOVERNANCE, NOMINATION AND COMPENSATION COMMITTEE MEETING[S] ("GNCC")

I have attended the following **GNCC meetings** as shown in Schedule 5.

GNCC meetings in the applicable period

Schedule 5

Date	Agenda
06 July, 2023	<ol style="list-style-type: none"> 1. Follow-up from the previous GNCC meeting, From the directors evaluation feedback: 3 follow-up questions (verbal update) 2. Update on selection process for one vacant positions for Independent Directors of XacBank (verbal update) 3. Nomination of Directors to the Board of XacBank JSC 4. Board Committee composition to comply with Company Law and Banking Law 5. Approval of Board comp and travel policy (amendment) 6. Staff Loan policy (amendment) 7. Annual review of the employee loans terms and conditions 8. Corporate Governance Code (amendment) 9. Governance Roadmap 2023-2025 per FRC Codex 10. Board Internal Rules of Procedure (amendment) 11. Amendment and Restatement of the GNCC Charter 12. Amendment and Restatement of the Board Director Selection and Nomination Policy 13. XacBank Shareholder Meeting Organisation Policy (new) 14. Directors' Agreement template 15. Amendment and Restatement of the Board Director Selection and Nomination Policy 16. Long term incentive plan (LTIP)
02 August, 2023 (extraordinary)	<ol style="list-style-type: none"> 1. Update on selection process for one vacant positions for Independent Directors of XacBank

18 August, 2023 (extraordinary)	1. Update on selection process for one vacant positions for Independent Directors of XacBank
04 September, 2023 (extraordinary)	1. Update on selection process for one vacant positions for Independent Directors of XacBank
28 September, 2023	1. Election of the Committee Chair 2. BoM Corporate Governance Assessment Annual Report 3. Update on selection process for one vacant positions for Independent Directors of XacBank 4. Working Group update on total comp analysis including PSP and LTIP 5. BRMC membership

I attended GNCC meetings and participated in discussions on items (1-16) in the July Meetings and Voted for the Chair of the newly constituted GNCC. Also updated GNCC on my feedback on the 5 INED candidates that I interviewed. Since there was a PEP / Conflict with most of the candidates. Requested GNCC chair to open up the positions to non-Mongolian candidates.

Agenda #5 was not discussed.

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, on 07 July 2023, the Board approved 12 conflict of interest transactions, and on 28 September 2023, the Board approved 3 more. In total, during the applicable period, the Board approved **15** conflict of interest transactions, and I cast my votes on all of these transactions.

After reviewing the related party transactions, I voted to approve all the 15 transactions.

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 that there is highest conformance to Laws. Bank has highest standards of Governance.

Actions taken under the Company Law Clause 79.3 and Good Governance Review Clause 3.5

<p>Company Law Clause 79.3.1 and Good Governance Review Clause 3.5.5</p> <p>(BANK'S COMPLIANCE WITH LAWS AND REGULATIONS)</p>	<p>Xacbank continues to follow highest standards of Governance and conforms to Company law & regulations. I have seen no deviation or anomaly.</p>
<p>Company Law Clause 79.3.2</p> <p>(BANK'S TRANSPARENCY)</p>	<p>Xacbank continues to follow highest standards of Governance and conforms to Company law & regulations. I have seen no deviation or anomaly and bank is fully transparent to stakeholders.</p>
<p>Company Law Clause 79.3.3</p> <p>(PROVISION OF INFORMATION TO THE SHAREHOLDERS)</p>	<p>I have attended in person in UB, the Shareholders' meeting held on 15 September, 2023 (EGM) and made myself available to any questions from the shareholders at the meeting.</p>
<p>Good Governance Review Clause 3.5.1</p> <p>(ENSURING THE DECISIONS MADE BY THE BOARD AND THE MANAGEMENT IS IN THE BEST INTEREST OF THE BANK)</p>	<p>Xacbank continues to follow highest standards of Governance and conforms to Company law & regulations. I have seen no deviation or anomaly. Decisions made by Board and management are in the best interest of bank.</p>
<p>Good Governance Review Clause 3.5.2</p> <p>(THE BOARD AND THE MANAGEMENT COMPLIANCE WITH LAWS)</p>	<p>Xacbank continues to follow highest standards of Governance and conforms to Company law & regulations. I have seen no deviation or anomaly. Board and management is compliant with laws.</p>
<p>Good Governance Review Clause 3.5.3</p> <p>(PROTECTION OF CUSTOMERS AND DEPOSITORS)</p>	<p>Xacbank continues to follow highest standards of Governance and conforms to Company law & regulations. I have seen no deviation or anomaly. Bank has well defined processes to ensure protection of customers and depositors.</p>
<p>Good Governance Review Clause 3.5.6</p>	<p>Xacbank continues to follow highest standards of Governance. Bank reports any violation to BOM</p>

(REPORTING OF VIOLATIONS TO BOM)	
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4. OTHER

Besides the Committee meetings and Board meetings of July and September, I have interviewed 5 candidates for INED. This is a very important position which we need to close at the earliest.

Bank has shown excellent performance for the quarter, has followed the highest standard of Governance, Embarked on a well defined Digital Strategy. Management team has delivered profitable good quality growth.

Date: 10th October 2023

Signature: _____

