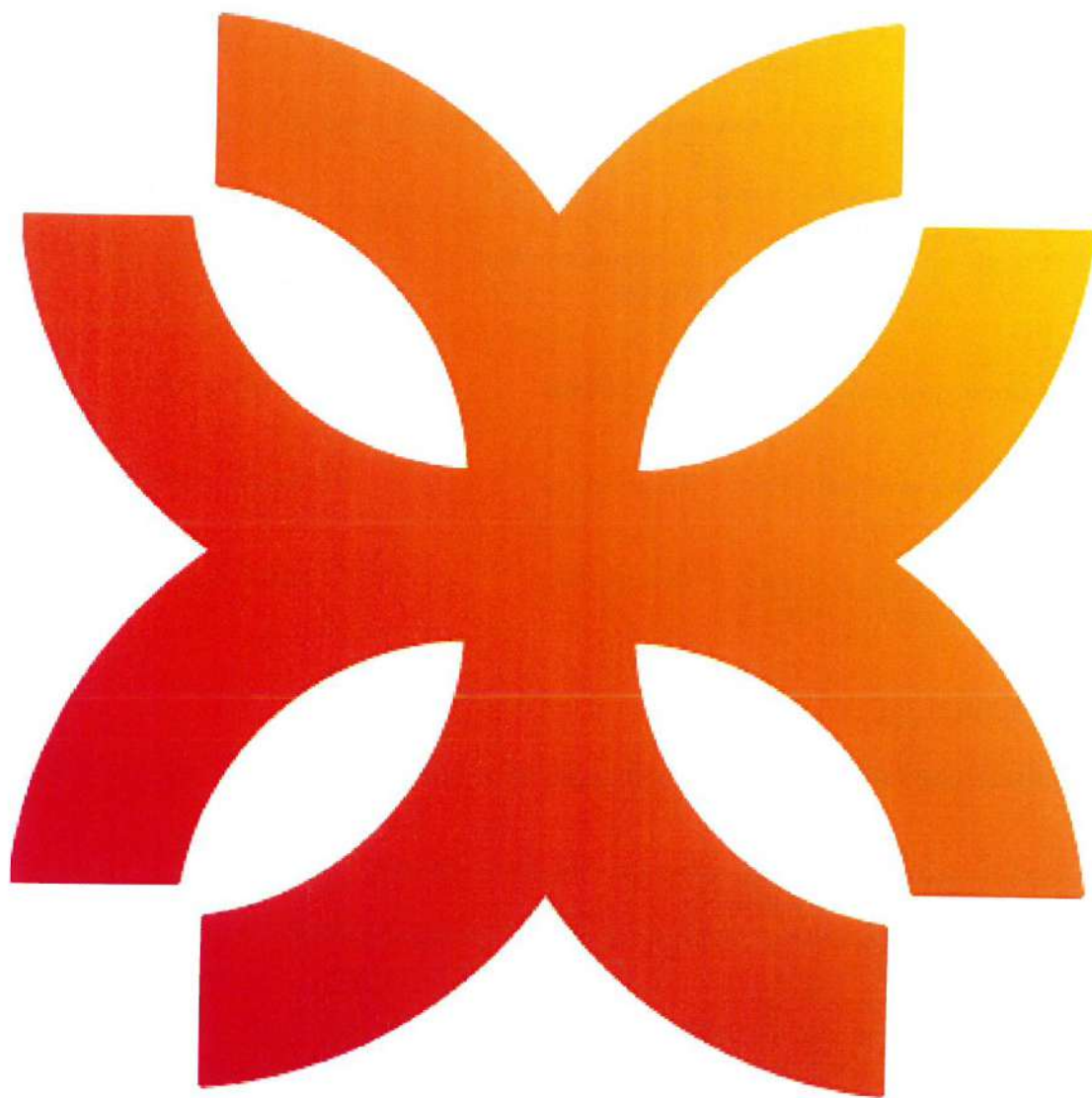


# INDEPENDENT DIRECTOR REPORT OF XACBANK

Niraj Vedwa  
Quarter IV, 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 IV 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[s]	As an independent director	<ul style="list-style-type: none"> <li>01-06 November, 2023</li> <li>30 November, 2023</li> <li>11-13 December, 2023</li> </ul>
Board Audit Committee meeting (" <b>BAC</b> ")	As a member	<ul style="list-style-type: none"> <li>29 November, 2023</li> </ul>
Board Risk Management Committee meeting (" <b>BRMC</b> ")	As a member	<ul style="list-style-type: none"> <li>29 November, 2023</li> </ul>
Board Governance, Nomination and Compensation Committee (" <b>GNCC</b> ")	As a member	<ul style="list-style-type: none"> <li>29 November, 2023</li> </ul>

#### 1.1 BOARD MEETING[S]

- The **BOARD REGULAR MEETING** was held on [30 November, 2023] and the agenda items were as follows:
  - Update on previous board decisions and recommendations
  - Reports of the Board Committees:
    - Governance, Nomination and Compensation Committee (**GNCC**)
    - Audit Committee (**BAC**)
    - Risk Committee (**BRMC**)
  - Management update: October 2023
    - Economic and banking update
    - Business-line performance
    - Financial Results
  - Budget 2024 and Funding plan 2024
  - CEO 2024 KPIs
  -

7. [REDACTED]
8. [REDACTED]
9. [REDACTED]
10. [REDACTED]
11. XacBank Board announcement XacBank EGM on Jan 12, 2024 (interim dividends etc)
12. [REDACTED]

Attended all meetings in person in UB and reviews / discussed all the agenda items as above. Had interviewed INED candidates during the quarter and had given my recommendations along with other GNCC members. Had detailed discussions on the Budget 2024 and Funding Plan 2024.

[REDACTED] aligned with the Board members view to have a detailed review and a discussion in next Board meeting.

I had no disagreement on any of the agenda points and discussions / decisions.

#### • BOARD EXTRAORDINARY MEETING[S]

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	1. Recommendation for the declaration and distribution of XacBank's Interim Dividend; 2. Recommendation for the amendment and restatement of the XacBank Dividend Policy.	01-06 November, 2023
Board online voting meeting	1. Announcement of the Extraordinary General Meeting (the "EGM") through ballot voting on the amendment and restatement of the dividend policy and the interim dividend distribution.	11-13 December, 2023

Participated in the online meetings and approved the Voting items. I had no disagreement on any of the agenda points and discussions / decisions.

#### 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
29 November, 2023 (regular meeting)	1. Kick off meeting for year end review; 2. BoM onsite preliminary report; 3. 2024 audit plan and budget; 4. Approval of Related Party and Conflict of Interest Transactions; 5. Audit reports: 5.1 Credit control; 5.2 Continuous auditing;



	6. Related parties' quarterly reporting (BoM Guidelines); 7. Report on whistleblower cases 2023; 8. Update on audit recommendation follow up.
--	---

Attended all meetings in person in UB and reviews / discussed all the agenda items as above. Approved the related party & conflict of Interest transactions after reviewing them.

I had no disagreement on any of the agenda points and discussions / decisions.

### 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
29 November, 2023 (regular meeting)	1. XB Risk Report as of October 2023, including: Report on Bank of Mongolia-classified corporate exposures; NPL Strategy Internal Assessment for 2023; 2. XB Stress Test – 2024; 3. RAS (risk appetite statement) metrics annual review; 4. Compliance Update as of October 2023; 5. Write-off proposal; 6. Ratification of any related party/conflict of interest transactions during Q4'2023; 7. Overview of the Bank's CMC credit approvals between 1 January 2023 and 31 October 2023.

Attended all meetings in person in UB and reviews / discussed all the agenda items as above. Approved the write-off proposals; reviewed Risk report, NPL Strategy, Compliance update and other items as above.

I had no disagreement on any of the agenda points and discussions / decisions.

### 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

*Schedule5*

Date	Agenda
29 November, 2023 (regular meeting)	1. Board Board Directors re-election of all Board Directors, Election of Dominic + [new INEDs] (Prior approval from BoM required for all Directors before the AGM 2024 meeting); 2. Update on selection process for one vacant positions for Independent Directors of XacBank;

	<ol style="list-style-type: none"> <li>3. Working Group update on total comp analysis including PSP and LTIP;</li> <li>4. Policy on Direct Communication with Shareholders;</li> <li>5. Succession Plan;</li> <li>6. Other.</li> </ol>
--	--

During the quarter, had interviewed candidates for the open INED position and had sent to GNCC 3 candidates for discussions. Subsequently GNCC discussed and approved 3 candidates for recommendation to BOM for approval. Also participated in the Working group Compensation as a member of the team. Had discussions in succession plan and provided my inputs.

I had no disagreement on any of the agenda points and discussions / decisions.

## 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, on 30 November 2023, the Board approved **3 (three)** conflict of interest transactions. I cast my votes on all of them.

I approved all the 3 conflict of interest transactions after discussions with Board members.

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	
Company Law Clause 79.3.1 and Good Governance Review Clause 3.5.5	<p>XB continues to have the highest standards of governance. XB is fully compliant to Company Law Clause 79.3.1 and Good Governance Clause 3.5.5</p> <p>I have not observed any non-compliance to these Clauses.</p>



(BANK'S COMPLIANCE WITH LAWS AND REGULATIONS)	
Company Law Clause 79.3.2  (BANK'S TRANSPARENCY)	XB continues to have the highest standards of governance & transparency. XB is fully compliant to Company Law Clause 79.3.2  I have not observed any non-compliance to this Clause.
Company Law Clause 79.3.3  (PROVISION OF INFORMATION TO THE SHAREHOLDERS)	During the applicable period, Shareholders' meeting was not conducted.  XB has been transparent in providing information to shareholders.
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)	XB continues to have the highest standards of governance. XB is fully compliant to Good Governance Clause 3.5.1. All decisions taken by the Board and Management are in the best interest of bank.  I have not observed any non-compliance.
Good Governance Review Clause 3.5.2  (THE BOARD AND THE MANAGEMENT COMPLIANCE WITH LAWS)	XB continues to have the highest standards of governance. XB is fully compliant to Good Governance Clause 3.5.2. Board and Management is compliant with laws.  I have not observed any non-compliance to this clause.
Good Governance Review Clause 3.5.3  (PROTECTION OF CUSTOMERS AND DEPOSITORS)	XB continues to have the highest standards of governance. XB is fully compliant to Good Governance Clause 3.5.3 and follows prudent policies to protect the interest of customers & depositors.  I have not observed any non-compliance to this Clause.
Good Governance Review Clause 3.5.6  (REPORTING OF VIOLATIONS TO BOM)	[XB continues to have the highest standards of governance. XB is fully compliant to Good Governance Clause 3.5.6 in terms of reporting. Violations to BOM.  I have not observed any non-compliance to this Clause.

**4. OTHER**

I am privileged to be a Member of a very illustrious and professional Board. Along with Board guidance and impeccable strategy execution by the CEO and Management team, XB has been delivering consistent growth, YOY. In this Digital age, XB is Digitizing its IT and Ops infrastructure to increase customer experience and automate processes.

Date: 8<sup>th</sup> Jan 2024

Signature:



