

INDEPENDENT DIRECTOR REPORT OF XACBANK

Stewart Donald Hall

Quarter II, 2024



STATEMENT

I, Stewart Donald Hall, 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

Schedule 1

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

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.

There was no disagreement on the decision for each matter.

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 on the decision for each matter.

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

Board online voting meetings in the applicable period

Schedule 2

Meetings	Voting item	Date
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
Board online voting meeting	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	17-21 June 2024

Board online voting meeting	1. Approval of the extension of credit card involving 3 related parties ("RP & COI Transactions")	21-27 June 2024
-----------------------------	---------------------------------------------------------------------------------------------------	-----------------

There was no disagreement on the decision for each matter.

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 on the decision for each matter.

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
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]; 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 on the decision for each matter.

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 on the decision for each matter.

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
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	Introduced by General Counsel/Corporate Secretary. • 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. The Dividend Policy was approved by Shareholders.
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	Introduced by General Counsel/Corporate Secretary. The item was resolved by cumulative voting and each Director was elected.
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 on the decision for each matter.

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	
Company Law Clause 79.3.1 and Good Governance Review Clause 3.5.5 (BANK'S COMPLIANCE WITH LAWS AND REGULATIONS)	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 I have not observed any non-compliance to these Clauses.
Company Law Clause 79.3.2 (BANK'S TRANSPARENCY)	XB continues to have the highest standards of governance. XB is fully compliant to Company Law Clause 79.3.2 I have not observed any non-compliance to these Clauses.
Company Law Clause 79.3.3 (PROVISION OF INFORMATION TO THE SHAREHOLDERS)	<ul style="list-style-type: none"> Shareholders' meeting held on 29 April, 2024 (AGM) XB has been fully 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 only recently joined the XB Board as an Independent Non Executive Director. Based on my previous Bank executive and Bank Board experience I have been very impressed by the professionalism of both the XB Board and the XB Executive Management team. This gives me significant comfort moving forward around the overall management and performance of XB. I look forward to being part of the XB Board.

As part of my induction I visited three branches where I could familiarize myself with the Banks operations.

Date: July 4, 2024

Signature:  _____