

INDEPENDENT DIRECTOR REPORT OF XACBANK

[Ulaanbaatar B]

Quarter II, 2024



STATEMENT

I, Ulambayar B., 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"> • 09-15 April, 2024 • 29 April, 2024 • 02 May, 2024 • 21-27 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.

For Item #4 I raised a query about the redemption payment processing period in the policy, leading to a decision to amend the payment processing period.

For Item #7, Regarding IT projects, I inquired about the 3rd project and the reasons for its delay, as well as the involvement of other organizations. Additionally, I asked about the total budget of the projects and their current statuses.

All Board directors approved Item #4.

I did not have any disagreement with any of the decisions.

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.

All Board directors approved Item #1.

I was elected as the Chairperson of the BAC. I did not have any disagreement with the decision.

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

Board online voting meetings in the applicable period

Schedule2

Meetings	Voting item	Date
Board online voting meeting	1. Approval of the Bank's Recovery Plan 2024.	09-15 April, 2024



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

Board directors approved the items.
I did not have any disagreement with each item.

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).

On 02 May, 2024 As the Chairperson of BAC, I chaired the BAC meeting.

On 02 May, 2024, Item #1.2, I inquired and received clarification on specific projects. I clarified the process of procurement audit in the context of software production.

I did not have any disagreement with any of the decisions.

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
09-15 April	1. Approval of the Bank's Recovery Plan 2024.
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")

I approved and did not have any disagreement with any of the 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 meeting in the applicable period

Schedule 5

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;

I approved and did not have any disagreement with any of the decisions.

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.

Schedule 6

№	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. <ul style="list-style-type: none"> 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. <p>The item was resolved by cumulative voting and each Director was elected.</p>



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.

- I attended in person the Annual General Meeting (AGM) of Shareholders.
- This was the first AGM of Shareholders post the IPO. The draft resolutions to the Agenda Items were presented and approved by shareholders.
- I presented Independent Directors' Report at AGM on behalf of other Independent Directors.
- I did not have any disagreement with any of the 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, the Board approved a 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 had a conflict of interest in the transaction on May 29, 2024, and therefore did not participate and vote in that particular transaction. I cast my votes on the other 5 transactions.

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)	In accordance with this clause, my emphasis was on monitoring and preventing violations, participating in all meetings, and contributing to decision-making. Throughout the applicable period, the actions of the Board of Directors and the executive management, as well as the policy decisions made, did not have any negative impact that could be defined within the scope of this clause. In this regard, it is noted in the report, specifying details of each attended meeting as needed.
Company Law Clause 79.3.2	Within the purview of this provision, the executive management continues to ensure transparency and openness, and there is no situation to act as a special assignee.

(BANK'S TRANSPARENCY)	
Company Law Clause 79.3.3 (PROVISION OF INFORMATION TO THE SHAREHOLDERS)	<ul style="list-style-type: none"> • AGM of the Shareholders' meeting held on 29 April, 2024. • I attended in person. The draft resolutions to the Agenda Items were presented and approved by shareholders. • I presented Independent Directors' Report at AGM on behalf of other Independent Directors and was ready to answer questions and provide clarifications to the 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)	Bank governance is functioning normally, and no serious actions or decisions affecting the Bank's interests were observed from the Board of directors and the management team.
Good Governance Review Clause 3.5.2 (THE BOARD AND THE MANAGEMENT COMPLIANCE WITH LAWS)	Regarding the reporting process, transparency, and decision-making among Shareholders, the Board of directors, and the management team, they are operating in accordance with Company Law of Mongolia, Banking Law, and the relevant regulations of the Bank of Mongolia.
Good Governance Review Clause 3.5.3 (PROTECTION OF CUSTOMERS AND DEPOSITORS)	No serious actions or decisions that would have a negative impact on the interests of the Bank's customers were observed from the Board of Directors and the management team.
Good Governance Review Clause 3.5.6 (REPORTING OF VIOLATIONS TO BOM)	There were no noteworthy occurrences.

4. OTHER

- On April 08, I participated in the Bank's quarterly financial results presentation, which was conducted online.
- On April 28, I had a discussion with other Independent Directors about the Independent Directors' Report that will be presented at AGM.
- On June 10, I provided the Bank with updated information regarding related persons on a semi-annual basis.



- On June 03 and 12, as Chairperson of the BAC, I discussed BAC operations with the chief auditor.

Date: 03 July 2024

Signature: Ulambayar.B
Independent Non-Executive Director