

# INDEPENDENT DIRECTOR REPORT OF XACBANK

Amy Choi

Quarter III, 2024



## STATEMENT

I, Amy Choi, 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 III 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

*Schedule1*

Meetings	Attendance	Date
Board meetings, online votes	As an independent director	<ul style="list-style-type: none"> <li>08-16 July, 2024</li> <li>21 August, 2024</li> <li>28 August- 9 September, 2024</li> <li>4-9 September, 2024</li> <li>5-11 September, 2024</li> <li>30 September, 2024</li> </ul>
Board Audit Committee meeting (" <b>BAC</b> ")	As a member	<ul style="list-style-type: none"> <li>21 August 2024</li> <li>30 September 2024</li> </ul>
Board Risk Management Committee meeting (" <b>BRMC</b> "), online votes	As a member	<ul style="list-style-type: none"> <li>21 August 2024</li> <li>5-11 September, 2024, online voting</li> </ul>
Board Governance, Nomination and Compensation Committee (" <b>GNCC</b> ")	As a member	<ul style="list-style-type: none"> <li>21 August, 2024</li> </ul>

### 1.1 BOARD MEETINGS

1.1.1 The **BOARD REGULAR MEETING** was held on **21 August, 2024** and the agenda items were as follows:

- Approval of the agenda
- 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: July 2024
  - Election and Political update

- Operational update
  - Economic and banking update
  - Business-line performance
  - Financial Results
5. Mongolian Capital Markets: current state, potential, and challenges and what it means for XacBank
  6. Sharebuy back program
  7. Update on the next steps on TFG XacBank merger
  8. Strategic Theme: [REDACTED]
  9. Update on Digitalization and IT
  10. Other

For Item #1 Approval of the agenda, I approved and there was no disagreement with the decision.

For Item #3 Governance, Nomination and Compensation Committee (GNCC), I approved the Succession Policy for Senior Management and there was no disagreement with the decision.

For Item#3 Audit Committee (BAC), I approved the IIA proposal on external quality services "The Gap Assessment" and there was no disagreement with the decision.

For Item #3 Risk Committee (BRMC), I approved the change of [REDACTED] ratio calculation for [REDACTED] from its [REDACTED] and I approved the 6 related parties' transactions during Q2' 2024. There was no disagreement with each decision.

For Item #6 Share buy back program, I approved the program after a lengthy Board discussion on objectives/mechanisms/parameters of the program. There was no disagreement with the decision.

For Item #8 Strategic Theme: [REDACTED], I noted Xacbank [REDACTED] and asked the [REDACTED] in Mongolia. CRBO replied there was no formal statistics but estimated to be [REDACTED]. I suggested [REDACTED]  
[REDACTED]  
[REDACTED]

For Item#9 Update on Digitalization and IT, I noted there were s [REDACTED]  
[REDACTED] I asked if Xacbank's IT [REDACTED]  
[REDACTED]. CIO replied we had [REDACTED]  
would not be an issue.

### 1.1.2 BOARD EXTRAORDINARY MEETINGS

- At the **Board extraordinary meeting** held on **30 September 2024**, and the following agenda items were discussed:
  1. Approval of the Agenda
  2. Approval of the Interim Financial Statement of XacBank for the half year ended 30 June 2024
  3. Others

For Item #1, I approved the agenda and there was no disagreement with the decision.

For Item #2, I approved the agenda and there was no 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. a. XacBank's Interim Dividend Proposal b. The announcement of an Extraordinary General Meeting of the Shareholders through Online Ballot Voting 2. Approval of Revision and Restatement of the Retirement Savings Plan as the Savings Incentive Match Plan for Employees (" <b>SIMPLE Plan</b> ")	08-16 July, 2024
Board online voting meeting	1. Approval of the XacBank Board Schedule 2025	28 August- 9 September, 2024
Board online voting meeting	1. Approval for the acknowledgment and acceptance of the results of the extraordinary general meeting (" <b>EGM</b> ") of the shareholders of the XacBank JSC	4-9 September, 2024
Board online voting meeting	1. Approval of the loan (extension of credit card), involving governing person of the XacBank (the " <b>RP &amp; COI Transaction</b> ")	5-11 September, 2024

I approved all the Board online voting items in Schedule 2 and there was no disagreement with the decision for each decision.

**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
21 August 2024	<ol style="list-style-type: none"> <li>Approval of the Agenda</li> <li>The Institute of Internal Auditors proposal on external quality services</li> <li>Audit reports <ol style="list-style-type: none"> <li>Continuous audit report 2024 Q2</li> <li>2024 audit sprints- cycle 3, 4 <ol style="list-style-type: none"> <li>Loan origination audit (UB branch)</li> <li>IT- Manage continuity</li> </ol> </li> <li>Report of onsite audits</li> </ol> </li> <li>Update on audit recommendation follow up</li> <li>Related parties' quarterly reporting (BoM Guidelines)</li> <li>Others</li> </ol>
30 September, 2024	<ol style="list-style-type: none"> <li>Approval of the Agenda</li> <li>Ernst and Young Mongolia Audit LLC half-year review</li> <li>Others</li> </ol>

For August 21 Meeting Item #1, I approved the agenda and there was no disagreement with the decision.

For August 21 Meeting Item #2, I approved the proposal on external quality services "The Gap Assessment" and there was no disagreement with the decision.

For August 21 Meeting Item #3.2a Loan Origination audit report, I asked [REDACTED]  
[REDACTED] CA replied [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

For September 30 Meeting Item #1, I approved the agenda and there was no disagreement with the decision.

For September 30 Meeting Item #2, I asked [REDACTED]  
[REDACTED]  
[REDACTED] CEO replied that [REDACTED]  
[REDACTED] I suggested mentioning the bank's effort in [REDACTED] to the best interest of shareholders in the disclosure of the Interim Financial Statement. The Board Audit Committee (BAC) proposed to approve this agenda with a revised disclosure to be submitted by EY and shared with the BAC members. I approved and there was no disagreement with the decision.

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

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

#### BRMC meeting in the applicable period

*Schedule 4*

Date	Agenda
21 August, 2024	<ol style="list-style-type: none"> <li>1. Approval of the Agenda</li> <li>2. XacBank Risk Report as of July 2024</li> <li>3. Cybersecurity Report as of July 2024</li> </ol>
	<ol style="list-style-type: none"> <li>4. Compliance Update as of July 2024</li> <li>5. Ratification of any related party/conflict of interest transactions during Q2'2024</li> <li>6. Miscellaneous</li> </ol>
5-11 September, 2024, online voting	<ol style="list-style-type: none"> <li>1. Approval of the loan (extension of credit card), involving governing person of the XacBank (the "RP &amp; COI Transaction")</li> </ol>

For August 21 BRMC Meeting Item #1, I approved the agenda and there was no disagreement with the decision.

For August 21 BRMC Meeting Item #2 Risk Report, I approved the change of [REDACTED]  
ratio calculation for [REDACTED] from its [REDACTED]  
[REDACTED] There was no disagreement with the decision.



For August 21 BRMC Meeting Item #3 Cybersecurity Report, I noted [REDACTED]  
[REDACTED] However, I commented [REDACTED]  
[REDACTED]. Moreover, I commented that [REDACTED].

For August 21 BRMC Meeting Item #5 Ratification of any related party/conflict of interest transactions during Q2' 2024, I approved the 6 related parties' transactions during Q2' 2024. There was no disagreement with the decision.

For BRMC online voting Item #1, I approved the loan involving governing person of the Xacbank. There was no disagreement with the decision.

#### 1.4 BOARD GOVERNANCE, NOMINATION AND COMPENSATION COMMITTEE MEETING ("GNCC")

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

##### GNCC meeting in the applicable period

*Schedule 5*

Date	Agenda
21 August, 2024	<ol style="list-style-type: none"> <li>1. Approval of the Agenda</li> <li>2. Succession Policy for Senior Management (per FRC Codex)</li> <li>3. BoM Annual Corporate Governance Assessment</li> <li>4. Other</li> </ol>

For Item #1, I approved the agenda and there was no disagreement with the decision.

For Item #2, I approved the Succession Policy for Senior Management and there was no disagreement with the decision.

For Item #3, I asked about the historical assessment scores of Xacbank and happy to learn that the Bank consistently scored in the high [REDACTED] which according to the Bank of Mongolia guidelines, places it in the top tier of the four-tier evaluation system, classified as "normal governance".

#### 1.5 EXTRAORDINARY GENERAL MEETING OF THE SHAREHOLDERS (the "EGM")

25 July- 04 September 2024, Online Ballot Voting

The EGM for the resolution on the Declaration and Distribution of Interim Dividend from 2024 First Half-Year Earnings, was organized through online ballot voting, thus there was no necessity for board member attendance.

## 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 September 11, 2024, the Board approved 1(one) conflict of interest transaction. I cast 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;

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

<b>Company Law Clause 79.3.1 and Good Governance Review Clause 3.5.5</b>  <b>(BANK'S COMPLIANCE WITH LAWS AND REGULATIONS)</b>	I observed that the Board & the management team made every effort to comply with laws & regulations with great attention to details.
<b>Company Law Clause 79.3.2</b>  <b>(BANK'S TRANSPARENCY)</b>	I observed that the Board & the management team carried out its duties with transparency in satisfactory manner. I didn't notice any issues worth attention.
<b>Company Law Clause 79.3.3</b>  <b>(PROVISION OF INFORMATION TO THE SHAREHOLDERS)</b>	The EGM was organized between 25 July and 04 September 2024 through online ballot voting.
<b>Good Governance Review Clause 3.5.1</b>  <b>(ENSURING THE DECISIONS MADE BY THE BOARD AND THE MANAGEMENT IS IN THE BEST INTEREST OF THE BANK)</b>	I observed the decisions made by the Board & the management team is in the best interest of the Bank.
<b>Good Governance</b>	I observed the Board & the management team have at all times endeavored to act in compliance with applicable laws & regulations.

<b>Review Clause 3.5.2</b> <b>(THE BOARD AND THE MANAGEMENT COMPLIANCE WITH LAWS)</b>	
<b>Good Governance Review Clause 3.5.3</b> <b>(PROTECTION OF CUSTOMERS AND DEPOSITORS)</b>	I didn't notice any action or decision made by the Board & the management team to negatively impact the interest of customers and depositors of the Bank.
<b>Good Governance Review Clause 3.5.6</b> <b>(REPORTING OF VIOLATIONS TO BOM)</b>	I didn't notice any issue to report.

#### 4. OTHER

The management team arranged a Leasing VIP Branch Visit for the Directors of the Board after the August Board Meetings. We met with the Branch Director & her team of the Leasing Branch. I was happy to see the positive attitude of staff towards the bank's great performance and the great team spirit across business segments & to provide one stop best financial services to customers.

Date:

October 8, 2024

Signature:

