

INDEPENDENT DIRECTOR REPORT OF XACBANK

Amy Choi
Quarter IV, 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 IV 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	As an independent director	<ul style="list-style-type: none"> 7 November 2024
Board Audit Committee meeting (" BAC ")	As a member	<ul style="list-style-type: none"> 7 November 2024
Board Risk Management Committee meeting (" BRMC "), online votes	As a member	<ul style="list-style-type: none"> 18-23 October 2024, online voting 7 November 2024 13-20 November 2024, online voting 27 November-4 December 2024, online voting
Board Governance, Nomination and Compensation Committee (" GNCC ")	As a member	<ul style="list-style-type: none"> 7 November 2024

1.1 BOARD MEETINGS

1.1.1 The **BOARD REGULAR MEETING** was held on **7 November, 2024** and the agenda items were as follows:

1. Approval of the agenda
2. Update on previous board decisions and recommendations
3. Reports of the Board Committees:
 - Governance, Nomination and Compensation (GNC) Committee
 - Audit Committee (BAC)
 - Risk Committee (BRMC)
4. Management update: September 2024
 - Operational update
 - Economic and banking update

- Business-line performance
- Financial Results
- 5. XacBank Budget 2025
 - Operating Environment Macro Outlook
 - XacBank Budget Assumptions and Objectives
 - Growth targets
 - Opex and Capex
 - Sensitivity Analysis
 - Stress Test for 2025 Budget
- 6. XacBank Funding Plan 2025
- 7. CEO KPIs for 2025
- 8. Share Repurchase Program: 9 months
- 9. Update on the next steps on TFG XacBank merger
- 10. Update on Digitalization-IT
- 10. [REDACTED]
- 11. [REDACTED]
- 12. Other

The agenda item, “Update on Digitalization and IT”, was removed from the agenda as it had been discussed the previous day as a part of the Strategy discussions.

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

For Item #3 Governance, Nomination and Compensation Committee (GNCC), I approved the Board Nomination Policy (amendment), There was no disagreement with the decision.

For Item #3 Audit Committee (BAC), I approved the BAC Charter amendment which is to align with the new Global Internal Audit Standards adopted by the Institute of Internal Auditors effective January 2025. There was no disagreement with the decision.

For Item #3 Risk Committee (BRMC), I approved to change the [REDACTED] [REDACTED] under review of Risk Appetite Statement (RAS). For Write-off proposal, I approved [REDACTED] [REDACTED] in compliance with the Bank of Mongolia requirement. There was no disagreement with the decision for each decision.

For Item #5 Xacbank Budget 2025, I suggested to [REDACTED] [REDACTED] I also commented we should focus more on [REDACTED] as discussed on Strategy Day held on Nov 6, [REDACTED] [REDACTED] I approved the Xacbank Budget 2025. There was no disagreement with the decision.

For Item #6 Xacbank Funding Plan 2025, I approved the Plan. There was no disagreement with the decision.

For Item #7 CEO KPIs for 2025, I requested KPI #6 Digitalization should be [REDACTED] [REDACTED]

██████████. I approved the CEO KPIs for 2025. There was no disagreement with the decision.

For Item #8 Share Repurchase Program, I approved the Program. There was no disagreement with the decision.

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

I have attended the following **BAC meetings** as shown in Schedule 2.

BAC meeting in the applicable period

Schedule 2

Date	Agenda
7 November 2024	<ol style="list-style-type: none"> Approval of the Agenda 2025 audit plan and budget BAC Charter amendment Progress update on GAP assessment agreement Audit reports <ol style="list-style-type: none"> 5.1 Continuous audit report 2024 Q3 5.2 2024 audit sprint- AML, Salary Loan, XacLeasing Report on whistle blow cases 2024 Related parties' quarterly reporting (BoM Guidelines) Others

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

For Item #2 2025 Audit Plan & Budget, I requested to include information ██████████. Several members shared the view. CA responded that she would circulate the Audit Plan with additional information requested after the meeting. I approved both the 2025 Audit Plan & Budget. There was no disagreement with the decision.

For Item #3, I approved the BAC Charter amendment which is to align with the new Global Internal Audit Standards adopted by the Institute of Internal Auditors effective January 2025. There was no disagreement with the decision.

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

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

BRMC meeting in the applicable period

Schedule 3

Date	Agenda
18-23 October 2024, online voting	<ol style="list-style-type: none"> Approval of the ██████████
7 November 2024	<ol style="list-style-type: none"> Approval of the Agenda Risk management report September 2024 RAS: annual review

	4. Write-off proposal (rolling agenda item) 5. Overview of the Bank's CMC credit approvals [REDACTED] [REDACTED] during 2024 6. Compliance Update as of September 2024 7. Ratification of any related party/conflict of interest transactions during September 2024 / <i>There were no related party/conflict of interest transactions to approve under the policy/</i> 8. Miscellaneous
13-20 November 2024, online voting	1. Approval of the employee housing loan
27 November-4 December 2024, online voting	1. Approval of the [REDACTED] [REDACTED]

I approved the 3 online voting for the credit for the [REDACTED], the employee housing loan and the [REDACTED] in Schedule 3. There was no disagreement with the decision for each decision.

The BRMC Meeting on November 7:

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

For Item #2 Risk Management Report September 2024, I clarified [REDACTED]
[REDACTED] CRO replied that [REDACTED]
[REDACTED]

For Item #3, I approved to change [REDACTED]
[REDACTED]. There was no disagreement with the decision.

For Item #4 Write-off proposal, I asked if there are any corporate loans in the write-off list. Moreover, I clarified whether there is any time limit under local laws for writing off loans and why some loans have excessive long days past due such as >8 years. CRO replied that currently, there are no corporate loans in the write-off list. Regarding some cases, the court process took excessively long time because the borrower provided fake documents as collateral. Under local law, there is only a minimum time limit but no upper time limit for writing off loans. I approved the write-off proposal [REDACTED]
[REDACTED] in compliance with the Bank of Mongolia requirement. There was no disagreement with the decision.

For Item #6 Compliance Update, I noted that there was a noticeable increase in new customers in September and inquired about the reason behind it. CEO responded, [REDACTED]
[REDACTED]

1.4 BOARD GOVERNANCE, NOMINATION AND COMPENSATION COMMITTEE MEETING (“GNCC”)

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

Schedule 4

[illegible]

(Banking law Clause 33.5 and INED Regulation Clause 5.2.3)

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.

(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)	I observed that the Board & the management team made every effort to comply with laws & regulations with great attention to details.
Company Law Clause 79.3.2 (BANK'S TRANSPARENCY)	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.
Company Law Clause 79.3.3 (PROVISION OF INFORMATION TO THE SHAREHOLDERS)	During the applicable period, there was no shareholder meeting conducted. I didn't notice any issues worth attention.
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)	I noted the Bank governance in good and satisfactory position. I also observed the decision made by the Board & the management team is in the best interest of the bank.
Good Governance Review Clause 3.5.2 (THE BOARD AND THE MANAGEMENT COMPLIANCE WITH LAWS)	I observed the Board & the management team have at all times endeavored to act in compliance with laws & regulations.

Good Governance Review Clause 3.5.3 (PROTECTION OF CUSTOMERS AND DEPOSITORS)	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.
Good Governance Review Clause 3.5.6 (REPORTING OF VIOLATIONS TO BOM)	I didn't notice any issue to report.

4. OTHER

- The Board training, titled "Local Perspective: Business, Risk Management and Independent Directors" was conducted in a hybrid format on 8 November and online on 16 December 2024.

I attended the training fully and appreciated the local perspective sharing from very experienced speakers. This is my first board training in Mongolia and happy to learn the common challenges (such as pursuing of international standards) as well as the local challenges (such as related party risk) between Mongolia & other bigger economies. The State Department Store Related Party Transaction case sharing was very insightfully and helpful to me as an Independent Director in the Board.

- The Strategy Day on 6 November 2024

I attended the Strategy Day and happy to learn that CEO & management team is now moving forward from performance turnaround stage to strategic change stage for the Bank. As [REDACTED] I commented that we should and could [REDACTED] I recommended [REDACTED].



Date: January 8 2025

Signature: _____