



**INTERNAL RULES OF PROCEDURE OF THE BOARD OF DIRECTORS OF
XACBANK**

Ulaanbaatar, Mongolia

Version	2.0
Approved date	07 July 2023
Approved by	Board of Directors
Author	Office of Board of Directors
Related documents	<ul style="list-style-type: none"> • Law on Company • The Corporate Governance Code approved by Financial Regulatory Commission, Resolution No. 145 of 2022
Scope	Throughout XacBank
Additions, changes, revisions and ineffectiveness of this policy	Any additions, changes, revisions and ineffectiveness of this policy must be approved by the Board of Directors resolution.
Reference code	(English version)

Contents

1. ARTICLE ONE. GENERAL PROVISIONS	3
2. ARTICLE TWO. ROLES, FUNCTIONS AND AUTHORITIES OF THE BOARD	3
3. ARTICLE THREE. STRUCTURE AND COMPOSITION OF THE BOARD.....	5
4. ARTICLE FOUR. SELECTION OF BOARD MEMBERS	5
5. ARTICLE FIVE. CHAIRMAN OF THE BOARD	7
6. ARTICLE SIX. ETHICS, RESPONSIBILITIES AND RIGHTS OF BOARD DIRECTORS	8
7. ARTICLE SEVEN. THE BOARD MEETINGS	11
8. ARTICLE EIGHT. WRITTEN RESOLUTIONS OF DIRECTORS	15
9. ARTICLE NINE. REPORTING	16
10. ARTICLE TEN. COMMITTEES OF THE BOARD	16
11. ARTICLE ELEVEN. EVALUATING BOARD AND COMMITTEE PERFORMANCE	20
12. ARTICLE TWELVE. MANAGEMENT AND OUTSIDE ADVICE	20
13. ARTICLE THIRTEEN. CORPORATE SECRETARY	21
14. ARTICLE FOURTEEN. MISCELLANEOUS.....	22

ARTICLE ONE. GENERAL PROVISIONS

- 1.1. These Internal Rules of Procedure (the "**Procedure**") shall govern the operations and proceedings of the Board of Directors (the "**Board**") of XacBank (the "**Bank**"). The Procedure will also address issues arising from the fulfillment of fiduciary responsibilities by each individual serving as a Director on the Board (individually referred to as the "**Director**", collectively the "**Directors**"), in accordance with the Charter of the Bank (the "**Charter**").
- 1.2. The Bank's business is managed with the strategic guidance and oversight of the Board while the Board delegates the responsibility for conducting day-to-day business to the Bank's Chief Executive Officer (the "**CEO**"). The CEO, in turn, delegates to the rest of the executive management team (together, the "**Management**"). The following guidelines have been adopted by the Board to provide a framework within which Directors, the CEO and the rest of the Management can effectively pursue the Bank's Vision, Mission and strategic objectives for the benefit of the shareholders and stakeholders of the Bank.
- 1.3. The functioning and proceedings of any committee of the Board shall be governed by the provisions contained in this Procedure so far as the same are applicable.
- 1.4. This Procedure shall be supplemental to the Charter and any subject related to the Board and a committee of the Board that is not covered by this Procedure shall be governed and regulated by the Charter and any other applicable regulations.

ARTICLE TWO. ROLES, FUNCTIONS AND AUTHORITIES OF THE BOARD

- 2.1. The Board directs the Bank towards achievement of its Vision, Mission, and strategic objectives by providing effective governance over the Bank's affairs for the benefit of the shareholders and stakeholders. The Board is the decision making body of the Bank except with respect to matters reserved for the shareholders and the CEO. The Board works to maximize the financial return on capital for the shareholders while safeguarding the Vision and Mission of the Bank.
- 2.2. The Board oversees that the Bank's operations are conducted in conformity with the Charter, policies and related legislation as well as approved plans and budgets.
- 2.3. The Board should regularly revisit the adequacy of the strategic objectives in light of the changes in the external environment and market conditions and, if necessary, make a recommendation to the shareholders meeting to make necessary amendments.
- 2.4. The Board serve as the elected representatives of the shareholders, act as advisers and counselors to the CEO and oversee the CEO's performance on behalf of the shareholders. In performing its oversight function, the Board and its Directors will maintain frequent, active and open communication and discussions with the Executive of the Bank.
- 2.5. The Board functions are:
 - 2.5.1. decide and maintain strategies for the Bank;
 - 2.5.2. approve plans (including the Business Plan), budgets, targets and goals for the Bank;

- 2.5.3. review, analyze, and discuss reports regularly submitted to the Board by management with respect to the Bank's performance as well as significant events, issues and risks that may affect the Bank's business or financial performance;
- 2.5.4. review and analyze the reports from the internal and external auditors;
- 2.5.5. recruit, supervise, dismiss and regularly evaluate the performance of, and approve compensation for, the CEO;
- 2.5.6. decide on means to attract additional funding for the realization of the Business Plan goals;
- 2.5.7. per the CEO's request, assist and direct the CEO in developing operational policies;
- 2.5.8. review and assess the management's approach to addressing significant risks and challenges facing the Bank;
- 2.5.9. elect interim Board directors to fill the vacancy between the meetings of shareholders;
- 2.5.10. appoint members of the Board's standing committees;
- 2.5.11. appoint the individuals who will represent the Bank in the board of directors of legal entities in which the Bank made investments;
- 2.5.12. provide high-level advice and assistance to the management, as requested by the CEO, for the execution of the Bank's strategy;
- 2.5.13. oversee management development and succession planning programs applicable to the CEO and other key executive positions;
- 2.5.14. oversee compliance with applicable laws and regulations;
- 2.5.15. define succession planning for the CEO, the Chairman of the Board, and the Board member;
- 2.5.16. review corporate governance policies and procedures;
- 2.5.17. review state of the Bank's relationships with relevant regulators;
- 2.5.18. set the framework for communication with key shareholders;
- 2.5.19. appoint and dismiss the Corporate Secretary; and
- 2.5.20. Any other functions provided by the Company Law.
- 2.6. The Board performs an annual evaluation of its own work performance.
- 2.7. The Board approves the Bank's Business Plan, annual operational plans and budgets and authorizes the CEO to enter into large transactions as defined in the Company Law.
- 2.8. The Board conducts a performance evaluation of the CEO:

- 2.8.1. The Board conducts an annual appraisal of the CEO's performance, and determines compensation. The appraisal is communicated to the CEO by the Chairman.
- 2.8.2. Based on the recommendation of the Governance and Compensation Committee of the Board regarding the CEO's performance, the performance of the Bank, and the terms of his/her Employment contract, the Board may make a decision on provision of a bonus, payable in cash, the Bank stock or some combination of each, to the CEO, on contract renewal/extension or, if necessary, dismissal. 'The decision to dismiss the CEO may be conducted by a secret vote if a super majority or 2/3 (two thirds) of the Board members determine that such a vote is appropriate and the decision to dismiss the CEO shall be taken by an ultra-majority or 75 percent vote of the Board members.
/This clause was amended by Board Resolution No. R-2025-21 dated 30 April 2025/

ARTICLE THREE. STRUCTURE AND COMPOSITION OF THE BOARD

- 3.1. The size and composition of the Board is to be determined from time to time by the shareholders in an effort to balance the following goals:
- 3.1.1. The size of the Board should facilitate substantive discussions by the whole Board in which each director can participate meaningfully.
- 3.1.2. In order to provide oversight to the management, given the Bank's complex business, the composition of the Board should encompass a broad range of skills, expertise, industry knowledge and diversity of opinion.
- 3.2. The Board should be comprised of, at minimum, a super majority, or 2/3 (two-thirds) of its members as non-executive members. Similarly, it should also be comprised of 1/3 (one-thirds) of its members as independent members.
- 3.3. The Bank would also regularly review the Board composition and identify any needs for changes in this regard.

ARTICLE FOUR. SELECTION OF BOARD MEMBERS

- 4.1. The Nomination Committee of the Board is responsible for recommending a slate of directors to the Board for election at the annual meeting of shareholders, and for recommending candidate(s), including candidates for independent directors, to the Board for interim directorship to fill vacancies occurring between annual meetings of shareholders for election at the Board meeting.
/This clause was amended by Board Resolution No. R-2025-21 dated 30 April 2025/
- 4.2. *Nominations.* The Nomination Committee will select nominees for the position of director (except for shareholder nominee directors submitted in accordance with Article 66 of the Company Law) considering the criteria for board directorship specified in the appropriate procedure for selection and nomination of a board director, including the specific criteria set forth in the relevant procedures of the Bank of Mongolia and in the relevant laws and regulations governing the banking sector and open joint stock company of Mongolia.
/This clause was amended by Board Resolution No. R-2025-21 dated 30 April 2025/

/This clause was amended by Board Resolution No. R-2025-22 dated 30 April 2025/

4.3. *Shareholder nominations.*

4.3.1. Unless there is a clear violation of the requirements set forth in the applicable laws, the Committee shall register candidates submitted in accordance with Article 66 of the Company Law by shareholders holding 5% or more of the total and outstanding shares of the Bank and forward such nominations directly to the Bank of Mongolia for approval and to the Board for inclusion in the shareholders' meeting agenda, in accordance with Article 66.5 of the Company Law. Shareholder-nominated candidates shall be automatically included in the final slate of nominees for the shareholders' meeting.

/This clause was amended by Board Resolution No. R-2025-21 dated 30 April 2025/

/This clause was amended by Board Resolution No. R-2025-22 dated 30 April 2025/

4.3.2. */This clause was annulled by Board Resolution No. R-2025-22 dated 30 April 2025/*

4.3.3. */This clause was annulled by Board Resolution No. R-2025-22 dated 30 April 2025/*

4.4. *Evaluation of nominees.* The Nomination Committee will discuss and evaluate potential candidates (except candidates submitted by the shareholders in accordance with Article 66 of the Company Law) in detail prior to recommending them to the Shareholders' meeting, or in case of interim appointment, to the Board.

/This clause was amended by Board Resolution No. R-2025-21 dated 30 April 2025/

/This clause was amended by Board Resolution No. R-2025-22 dated 30 April 2025/

4.5. *Election.* A nominee shall be elected as Board director at the annual meeting of shareholders.

4.6. *Interim appointment.* In case of director's death, appointment to government position, political election, legal and/or ethical violation which makes service on the Board impossible, or voluntary resignation, an interim member will be appointed by the Board until the next shareholders meeting.

4.7. *Term.* Board member holds office for two (2) years until a successor is elected and qualified at the annual meeting of shareholders or the Board meeting or until his/her earlier resignation or removal. The Board directors may be re-elected at the annual meeting of shareholders.

4.8. *Approval by the Regulator.* All candidates nominated for board positions shall be submitted to the Bank of Mongolia for approval and registration.

4.9. *Director retirement.* No individual shall stand for election or re-election as a director after reaching the age of 75 (seventy five). The Board, however, upon the recommendation of the Nomination Committee, may waive this limitation for any director for a period of one year if it is deemed to be in the best interests of the Bank.

/This clause was amended by Board Resolution No. R-2025-21 dated 30 April 2025/

4.10. *Change in status.* If (other than as a result of retirement) a director's principal occupation changes from that at the time such director was last nominated for election, then such director shall inform the chairperson of the Nomination Committee of the change.

/This clause was amended by Board Resolution No. R-2025-21 dated 30 April 2025/

ARTICLE FIVE. CHAIRMAN OF THE BOARD

- 5.1. *Selection of the Chairman.* The Chairman of the Board shall be selected from among the board directors in the manner considered to be in the best interests of the Bank at any given point in time.
- 5.2. The role of the Chairman shall be separate from that of the CEO and the Chairman of the Board and the CEO shall be two different individuals.
- 5.3. *Duties of the Chairman.* The Chairman will have the duties and responsibilities assigned by the Board. It is the Board's current policy that the Chairman's duties include:
 - 5.3.1. Chairing meetings of the Board and presiding over shareholders' meetings;
 - 5.3.2. Setting agendas for meetings of the Board;
 - 5.3.3. Ensuring effective functioning of the Board, including but not limited to scheduling of board meetings, ensuring adequate notice prior to meetings, and overseeing timely distribution of appropriate materials in advance of any meeting to ensure active informed decisions by directors;
 - 5.3.4. facilitating an environment that allows members to effectively carry out their responsibilities.
 - 5.3.5. Leading the Board in the process of periodic reviews of the performance of the CEO, as well as in discussions regarding the CEO's reports on senior management performance and management succession issues and plans;
 - 5.3.6. foster and enhance professional relationships founded on mutual respect and trust between the executive management team and the board of directors.
 - 5.3.7. Overseeing the processes of the annual board, committee and directors' self-evaluations;
 - 5.3.8. Ensure that appropriate orientation for new Board members is organized;
 - 5.3.9. Encourage an appropriate level of deliberation of all issues;
 - 5.3.10. Seek input from individual Board members;
 - 5.3.11. Be informed by the CEO of all important developments;
 - 5.3.12. Be available to the CEO for consultation on an as needed basis;
 - 5.3.13. Supervise the work of Board committees and liaise regularly with their chairpersons without interfering in their responsibilities; and
 - 5.3.14. Be available to shareholders where and when appropriate, e.g., the annual general meetings of shareholders, or between board meetings.
- 5.4. The Chairman of the Board may designate his or her appointee to chair a board meeting.

- 5.5. The Chairman will conduct the meetings of the Board in an efficient and productive manner. The Chairman will encourage equal participation of Directors in affairs of the Board, facilitate constructive criticism and welcome diverse opinions. The Chairman shall ensure compliance of board resolutions with the Bank's Vision and Mission.
- 5.6. In the event of a tie on any issue voted upon by the Board, the vote cast by the Chairman will be decisive.
- 5.7. The Chairman will notify the Corporate Secretary confirming his/her attendance at any upcoming board meetings at least 5 (five) calendar days in advance. If the Chairman is unable to attend any meeting of the Board, or a board director authorized by the Chairman shall perform the duties of the Chairman.
- 5.8. If Section 4.6 of this Procedure applies to the Chairman, another Chairman will be elected in accordance with this Procedure and the Bank Charter.

ARTICLE SIX. ETHICS, RESPONSIBILITIES AND RIGHTS OF BOARD DIRECTORS

- 6.1. The Directors shall govern the Bank with the aim of protecting all of its shareholders' and stakeholders' interests and increasing their value while adhering to the Bank's Vision and Mission.
- 6.2. The Directors shall strictly adhere to the Bank's regulations on confidentiality, conduct and ethics, conflict of interests, related party transactions, insider trading and other relevant rules and regulations.
- 6.3. *Duties of Directors.* The following are the three primary duties of board directors:
 - 6.3.1. *Duty of care:* Each board director shall fully participate in the Board's decision-making process which requires each director to be fully prepared for the Board meetings and other Board activities, to regularly attend the board meetings and committee meetings and to make sufficient time to participate in the Bank-related public affairs. Each director shall have full access to information on the Bank's operations and with full authority to obtain any information needed with respect to issues affecting the Bank.
 - 6.3.2. *Duty of obedience:* Each director agrees to abide by the decisions of the Board to maintain independence and objectivity in decision-making, and strictly adhere to all ethical norms and standards, and to reveal in advance any conflict of interest which may arise in the course of any director's term on the Board. An individual Board director must abstain from voting if the individual Board director were to have a potential conflict of interest.
 - 6.3.3. *Duty of loyalty:* Each director shall be loyal to the Bank's Vision and Mission. The duty of loyalty shall also include (i) no bribery taking, (ii) non-competition, (iii) no abuse of Bank assets, (iv) no self-dealing, (v) non-disclosure of confidentiality, (vi) no usurpation of corporate opportunities, (vii) no use of the Bank's property or information or the position for personal gain, and (viii) no use or disclosure of non-public information for insider trading purposes.

- 6.4. Board Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the shareholders.
- 6.5. *Mandatory Disclosure:* Upon first appointment to the Board of Directors, the Director is required to provide a full disclosure of any and all personal and professional information, including, but not limited to, educational qualifications, past experience, past Board assignments and any administrative penalties issued by Central Banks in other countries, as may be required by applicable laws and regulations and the rules of the Bank from time to time. After the initial disclosure, the Director is required to continually disclose any changes in the information previously provided or any new information that would be required to be disclosed. This disclosure should be made as soon as possible but no later than within 2 weeks of the occurrence of such changes or events necessitating disclosure. The Director is also required to provide a semi-annual confirmation that the information previously provided remains accurate and complete, and that there are no undisclosed conflicts of interest or other matters that should be disclosed.
- 6.6. *Induction and orientation.* Every new Director will receive an appointment package detailing his/her remuneration, liability insurance, independence protocols, company information handling procedures, and confidentiality obligations. This package will also include vital documents such as the charter of the Bank, financial statements, annual reports, information on regulatory filings. New directors will participate in an orientation program that includes briefings by existing Directors and members of Management. They will also receive a package detailing applicable laws and regulations, as well as policies of the Bank. These policies will encompass, but are not limited to, the Code of Conduct, insider trading rules, and other regulations governing the operation of the Board and activities of the Directors. The Bank may also provide the directors with periodic training opportunities, including training in corporate governance. All directors are encouraged to participate in these training opportunities. Directors are expected to stay updated on relevant legal and regulatory issues, with guidance on how to do so provided.
- 6.7. *Commitment and attendance.* All directors should make every effort to attend every meeting of the Board and every meeting of committees of which they are members. A director may attend meetings (without having a vote or affecting the presence or absence of a quorum) of any committee of which the director is not a member, with the consent of the committee chairperson. Any director who, for two consecutive calendar years, attended fewer than 75% of the regular meetings of the Board and the meetings of all committees of which such director is a voting member will not be nominated for re-election as director.
- 6.8. *Participation in meetings.* Each director should be sufficiently familiar with the business of the Bank, including the financial statements and capital structure, and the risks and the competition faced by the Bank, to facilitate active and effective participation in the deliberations of the Board and of each committee on which he or she serves. Upon request, the CEO will make appropriate personnel available to answer any question a director may have about any aspect of the Bank's business.
- 6.9. *Other directorships.* For a period commencing from the date when the Director is hired and ending on the date specified in his/her agreement entered into with the Bank, Director shall, without first obtaining the written consent of the Board, and such consent not to be unreasonably withheld, (i) not engage in any activity and (ii) not assume any new directorship or any other roles, positions, and capacity (including but not limited to, as an employee, consultant, advisor or director) directly or indirectly in any other bank in Mongolia that either (a)

creates an actual or perceived conflict of interest with Bank or its subsidiaries, regardless of whether such activity is prohibited by Bank's applicable conflict of interest guidelines or his/her agreement, (b) competes directly or indirectly with the Bank or its subsidiaries, or (c) is detrimental to the interest of the Bank, each of which are reasonably determined by a majority of Bank's Board members with no conflict of interest at their sole discretion.

- 6.10. *Contact with management.* The Board shall supervise the activities of the CEO. No member of the Board may inspect the activities of the CEO or assign any tasks and duties to the CEO without a Board resolution. However, all directors are invited to contact the CEO at any time, on a mutually convenient basis, to discuss any aspect of the Bank's business. Furthermore, each director is invited to organize his/her communication with the executive management through the CEO as much as reasonably possible on a mutually convenient basis. Directors also have complete access to the Corporate Secretary, on a mutually convenient basis. The Board expects that there will be frequent opportunities for directors to meet with the CEO and other members of management in Board and committee meetings, or in other formal and informal settings. Further, the Board encourages the CEO, from time to time, to invite the Management into Board meetings who (a) can provide additional insight into the items being discussed because of personal involvement or substantial knowledge in those areas and/or (b) are managers with future potential who the senior management believes should be given exposure to the Board.
- 6.11. *Board interaction with institutional investors and the press.* It is important that the Bank speaks to employees and outside constituencies with a single voice and that management serves as the primary spokesperson. If a situation does arise in which it seems appropriate for a non-executive director to act as a spokesman on behalf of the Bank, the director will first consult with the CEO.
- 6.12. *Confidentiality.* The proceedings and deliberations of the Board and its committees are confidential. Each director will maintain the confidentiality of all information received, including inside information, in connection with his or her service as a director, during as well as after his/her Directorship. Notwithstanding the foregoing, this confidentiality obligation shall not apply to any information that (a) becomes publicly available through no fault of the director, or (b) is required to be disclosed by law, court order, or any governmental or regulatory authority. Any director intending to disclose information on the grounds of these exceptions should, where feasible, notify the Board in advance of such disclosure.
- 6.13. *No material benefits.* The Board members may not receive any other material benefits from the Bank other than those explicitly approved by the Board as appropriate remuneration or reimbursement for the board and/or committee service.
- 6.14. The Board members should have the right to:
- 6.14.1. receive timely agendas and information so as to prepare for the board and committee meetings;
 - 6.14.2. access information about the Bank in a timely fashion. This includes, but is not limited to, corporate records, financial statements, strategic plans, operational data and any other data deemed necessary for the fulfillment of their duties, subject to any applicable laws and regulations pertaining to confidentiality and privacy;
 - 6.14.3. place items on the agenda;

- 6.14.4. disagree, in writing, with any Board action or decision and require that any dissenting vote shall be recorded;
 - 6.14.5. Organize his/her communication with the executive management through the CEO as much as reasonably possible on a mutually convenient basis;
 - 6.14.6. access in-house advice on all duties through the facilitation of the Chairman and access independent outside advice in accordance with the rules outlined in this Procedure; and
 - 6.14.7. receive transparent and adequate remuneration.
- 6.15. The independent members of the Board shall have the exclusive opportunity to convene and consult amongst themselves without the participation of ordinary members and executive management. These dedicated meetings provide a platform for independent members to openly discuss matters of strategic importance, corporate governance, and any other pertinent issues to freely exchange perspectives, insights, and recommendations. The Corporate Secretary shall ensure the logistical arrangements for these meetings and provide necessary support as required. The Board budget shall include a specific allocation to cover the reasonable expenses associated with facilitating these independent board member meetings, at minimum once a year, ensuring adequate resources for their effective functioning.
 - 6.16. Without prejudice to the responsibilities of a board director to serve as an elected representative of a shareholder and represent the interests of that shareholder, a board director is required to act in the best interests of the Bank and all its shareholders, with consideration, among others, the standards of the triple bottom line mission.
 - 6.17. If a conflict of interest arises for a director, that director should immediately inform the Chairman and the Corporate Secretary and ensure necessary disclosures. If a significant conflict exists and cannot be resolved, a director should resign from the Board.
 - 6.18. At the request of the Chairman or a third of its directors, the Board may initiate an independent investigation into specific allegations of misconduct by the CEO or a Board Director.

ARTICLE SEVEN. THE BOARD MEETINGS

- 7.1. The Board shall transact its business in a board meeting by issuing its decisions in the form of resolutions.
- 7.2. A board meeting may be regular and extraordinary and may be held in a place and venue as may be determined by the Board.
- 7.3. A regular board meeting shall be held at least four times a year at approximately quarterly intervals in about one month after the end of the financial quarter.
- 7.4. Any board meeting, other than a regular meeting, shall be called an extraordinary board meeting. An extraordinary board meeting may be convened on request of the Board chairman, committee chairman or by any board director.

- 7.5. In addition to regular and extraordinary board meetings, the Board shall conduct a yearly Board session to meet key executive personnel and to discuss strategy.
- 7.6. The Corporate Secretary shall give a notice of a meeting of the Board to all directors.
- 7.7. In the absence of the Board chairman, a director appointed by the Board chairman, if such director was not appointed, a director elected at the meeting by the directors present at such meeting shall chair a board meeting in accordance with the Charter of the Bank.
- 7.8. A board meeting may be adjourned by the chairman of the meeting until the time to be determined by the Board.
- 7.9. A board meeting shall be considered adjourned if it is adjourned for less than 14 calendar days and the adjourned meeting shall have the same agenda.
- 7.10. The Corporate Secretary shall send to directors a notice of adjournment, specifying the venue, date and time for the adjourned meeting.
- 7.11. A board meeting shall be considered a new board meeting if the meeting is adjourned for more than 14 calendar days.
- 7.12. The discussion at a board meeting may be recorded and a file shall be kept with the Corporate Secretary together with the minutes of the board meeting. After the minutes have been accurately transcribed and approved, the recording will be retained for a period of six months, after which it will be permanently deleted.
- 7.13. All board and committee meetings are to be conducted in a manner that ensures open communication, objective and constructive participation and timely resolution of issues.

Notice of a board meeting

- 7.14. Notice of a board meeting shall contain the venue, date and time of the meeting, the particulars of the agenda to be considered at the meeting and the details such as the dial in information for attendance other than in person.
- 7.15. The notice convening an extraordinary board meeting shall specify the meeting as such.

Dispatch of notice, agenda and pre-reading board papers

- 7.16. Notice of a meeting of the Board, agenda and pre-reading board papers shall be dispatched by the Corporate Secretary to directors in writing via electronic mail.
- 7.17. Notice of a regular meeting of the Board shall be given by the Corporate Secretary to directors as early as 21 calendar days prior to the board meeting together with a tentative agenda in order to enable them to plan their schedules and to ensure that all directors are given an opportunity to include matters in the agenda.
- 7.18. A finalized notice and agenda of a regular meeting of the Board shall be dispatched by the Corporate Secretary to directors together with pre-reading board papers at least 7 calendar days or as early as practicable prior to the meeting.

Agenda for a board meeting

- 7.19. An agenda for each meeting of the Board shall be set by the Board chairman and, as applicable, in consultation with the chairpersons of the committees considering the matters proposed by the management of the Bank for consideration and approval at the board meeting.
- 7.20. A tentative agenda for a meeting of the Board shall contain an indication of the venue, date and time of the meeting and a list of the matters for consideration at the board meeting.
- 7.21. A finalized agenda shall contain additional matters proposed by directors to be included in the agenda.
- 7.22. Any matter not included in the finalized agenda for a meeting of the Board may be presented to the Board by the chairman or the director, proposing such matter, and may be acted upon by the Board at such meeting if a simple majority of other directors agree.
- 7.23. Any item of the agenda for a meeting, consideration of which has not been completed at that meeting, shall, unless the Board decides otherwise, be automatically included on the agenda for the next meeting.

Pre-reading board papers

- 7.24. The pre-reading board papers shall be supplied by the management or board committees, as appropriate, for each board meeting with appropriate information in such form and of such quality as to enable the board directors to make informed decisions and to discharge their duties and responsibilities as directors of the Bank.
- 7.25. The pre-reading board papers for a regular board meeting shall be supplied by the management to the Corporate Secretary in final form no less than 10 days prior to the meeting and shall be accompanied by an English translation.

Attendance at a board meeting

- 7.26. Directors may participate in a board meeting in person or by means of a conference telephone or other communication equipment, provided that all persons attending the meeting can communicate with each other simultaneously and instantaneously.
- 7.27. Participation in a board meeting by means of online conference facility or other communication equipment shall constitute presence at the meeting and shall be considered as participation in person for the purpose of forming a quorum and voting.
- 7.28. No proxy shall be used for participation in a board meeting.
- 7.29. Upon receiving a notice of the meeting of the Board together with a tentative agenda, a director shall send within 72 hours to the Corporate Secretary a written confirmation of his or her participation in the meeting specifying whether such participation will be in person or otherwise.
- 7.30. If a director has additional matters to include in the agenda, such written confirmation shall contain the matters to be included in the agenda.

- 7.31. All directors should have access to advice and services of the Corporate Secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

Declaration of interests

- 7.32. A director must declare the nature of his or her direct or indirect interests, if any, in the matters considered by the Board at a board meeting by giving a notice to the Corporate Secretary prior to the board meeting disclosing such interest.

Attendance at a board meeting of non-board persons

- 7.33. The Corporate Secretary shall attend a board meeting.
- 7.34. Members of the senior management and other staff of the Bank who have a specific responsibility for a matter brought before the Board for consideration as well as professional advisors of the Bank may also be invited to attend a board meeting or discussions of a board meeting on a specific item on the agenda.

Quorum and voting

- 7.35. The quorum necessary for a board meeting to be duly constituted, valid and open shall be the presence of a super majority of directors.
- 7.36. If the quorum is not formed based on the tentative attendance sheet, prepared by the Corporate Secretary upon receiving written confirmations of directors of their participation in the board meeting, or within 15 minutes after the time set for holding the board meeting, the board meeting will be adjourned by the chairman of the meeting until the time to be determined by the Board.
- 7.37. Resolutions shall be adopted at a board meeting by a super majority of votes of directors participating in the meeting unless the Charter sets any higher percentage on a particular issue.
- 7.38. The Board chairman shall have an additional or casting vote in the case of any equality of votes.
- 7.39. Resolutions on the matters, where a director or a substantial shareholder has a conflict of interest, which is considered material, including related party and continuing related party transactions of the Bank, shall be adopted at a board meeting by a super majority of votes of voting directors participating in the meeting, including all independent non-executive directors present and voting at the meeting in person.
- 7.40. Directors who have direct or indirect interests in the matters considered by the Board at a board meeting shall be ineligible to vote and will not form a quorum in respect of such particular item.

Minutes

- 7.41. The minutes of a board meeting shall contain the venue, date and time of the meeting, the name of the chairman of the meeting and the names of participating directors with independent non-executive directors expressly identified as such, the particulars of the agenda considered at the meeting, in sufficient detail the matters considered by the board and the decisions

reached, including any concerns raised by directors or dissenting views expressed, and the resolutions adopted at the board meeting with an indication of the voting results.

- 7.42. Any Director may require that his views, particularly objections and dissenting views, be recorded in the minutes of the meeting.
- 7.43. The position of the Board chairman on issues on the agenda shall be recorded in the minutes of the meeting.
- 7.44. The draft version of the minutes shall be circulated by the Corporate Secretary to all Directors for their comments within 1 (one) week after the meeting. In case where it is required to submit the documents immediately to the regulators in accordance with applicable laws and regulations, upon notification to the all Directors, the Chairman may finalize the minutes without circulating the draft version for comments.
- 7.45. Directors shall provide comments in writing or via electronic mail within 1 (one) week after the circulation of the draft version of the minutes.
- 7.46. The Corporate Secretary shall incorporate the directors' comments and finalize the minutes within 1 (one) week or the deadline for comments as specified by the Corporate Secretary, after the expiration of the prescribed time for comments. In the absence of such comments within the prescribed time, the draft version of the minutes shall be considered approved by directors.
- 7.47. The final version of the minutes shall be signed by the Board chairman and a copy thereof shall be disclosed on the online platform designated for the Directors of the Board.
- 7.48. The minutes of a board meeting shall be kept by the Corporate Secretary.
- 7.49. The minutes of a board meeting shall be open for inspection at any reasonable time on reasonable notice by any director.

Board meeting resolutions

- 7.50. The resolutions of the Board meeting shall be prepared by the Corporate Secretary and signed by the Board chairman within 20 (twenty) days after the meeting.
- 7.51. The Board may record any non-substantive and/or procedural issues discussed or decided in its minutes of meetings.

ARTICLE EIGHT. WRITTEN RESOLUTIONS OF DIRECTORS

- 8.1. The Board may conduct its affairs and pass decisions through online voting via email, provided that such method has received the prior consent of the Chairman. The minimum approval threshold for such decisions shall be the relevant majority (Simple Majority or Super Majority, as required depending on the matter) to approve the subject matters. Any matter necessitating approval beyond a super majority threshold shall not be subject to decision-making via online voting. All Directors should make an effort to respond with their vote, including "Abstain", within the prescribed time frame. No response will be counted as Abstention.

- 8.2. The provisions of this Procedure shall apply to the written resolutions of directors so far as the same are applicable.
- 8.3. A request seeking approval of the Board by way of written resolutions shall be dispatched by the Corporate Secretary to directors via electronic mail and, where practicable, in person together with the accompanying papers, including a draft version of the written resolutions.
- 8.4. The quorum and voting rules specified in Sections 7.42-7.47 of this Procedure shall be applicable to written resolutions.
- 8.5. Notwithstanding the absence of formal minutes for online voting, the Corporate Secretary is mandated to prepare a summary of online voting. This summary shall include an account of the items brought before the Board for deliberation, the decisions that have been arrived at, any issues or objections expressed by directors via email, and the resolutions ratified per online voting, inclusive of voting outcomes. The summary must be supplemented with a record of the email votes cast, which shall be deemed satisfactory for the purpose of official record preservation. There shall be no requirement to procure the signatures of the directors on the summarized account of the online voting, however, the chairman shall sign the summary along with the Corporate Secretary.
- 8.6. Written resolutions signed by all directors shall be as valid and effectual as the resolutions passed at a meeting of the Board.

ARTICLE NINE. REPORTING

- 9.1. The Board shall publish a Corporate Governance Report as part of the Bank's annual and interim reports.
- 9.2. The Corporate Governance Report shall include the following information:
 - 9.2.1 Board composition and identities of the Board chairman and Directors;
 - 9.2.2 Board committees, committee compositions and committee reports;
 - 9.2.3 Meeting attendance records;
 - 9.2.4 Board performance evaluation;
 - 9.2.5 Board proceedings; and
 - 9.2.6 Other information as may be required by laws and regulations of Mongolia.

ARTICLE TEN. COMMITTEES OF THE BOARD

Committees

- 10.1. The Board may at its discretion or as required by the law appoint board committees which will be entrusted specific tasks and functions. Those committees can be standing/permanent and/or task specific/temporary.
- 10.2. The Board shall have the following standing committees but not limited to: Nomination, Governance and Compensation, Audit, and Risk Management.

/This clause was amended by Board Resolution No. R-2025-21 dated 30 April 2025/

- 10.3. The Committees shall have charters specifying their objectives, rights and responsibilities. The Board shall approve the charter for each Committee. The duties of each Committee are annually reviewed by the Committee and by the Board, and any recommended changes shall be presented for consideration.
- 10.4. The Committees report to the Board and all significant findings and recommended actions of a Committee are presented to the Board. The Committees shall be empowered to act on behalf of the Board for those areas which the Committee has been given such authority and in accordance with the Bank's charter.

Composition of the committees

- 10.5. The Committees will consist of six (6) or more members, who shall at all times be the Board Directors. The Audit Committee shall be comprised entirely of non-executive Directors. In accordance with the Company Law, the composition of the Audit Committee, the Governance and Compensation Committee, and the Nomination Committee shall consist of at least two-thirds independent directors. The Board shall appoint the Committee members who in turn shall elect a chairperson. Qualifications required for the members of each committee will be set out in the respective committee's charter. A director may serve on more than one committee for which he or she qualifies. Membership of committees will be reviewed by the Nomination Committee, which will make recommendations to the Board regarding the composition of each of the committees of the Board. In that regard, the Board believes that the rotation of members and chairpersons of its committees is desirable. The Board does not believe, however, that fixed time periods for rotation are desirable. As a general rule, the Board believes that a director, as re-elected, should serve as chairperson of the same committee for not less than two (2) consecutive years.

/This clause was amended by Board Resolution No. R-2025-21 dated 30 April 2025/

- 10.6. The Board committees can take actions/decisions within powers provided by the Board.
- 10.7. The committees will have an access to both inside and outside experts and outside legal counsel in accordance with this Procedure.

Appointment and Removal of Committee Members

- 10.8. The members of the Committee shall be appointed by the Board and shall serve for a term of two (2) years or until their resignation or removal as members of the Board. The members or any individual member of the Committee also may be removed by a simple majority vote of the Board. Failure to attend regularly 50% or more of the scheduled meetings of the Committee in a 12-month period by any member shall also be grounds for removal from the Committee.
- 10.9. At the conclusion of a current term, the Committee members may be reappointed. Any member voluntarily resigning from the Committee or the Board, or due to inability to serve for any reason, including appointment to a job or position within the governmental authorities in Mongolia, shall be replaced by the Board not later than the next Board meeting, following the member's resignation.

Chairperson of the Committee

- 10.10. The members of the Committee shall designate a chairperson (the “**Chairperson**”) by a simple majority vote. The Chairperson of the Committee shall be entitled to cast a vote to resolve any ties. Chairperson of the Committee will chair all sessions of the Committee and set the agendas for Committee meetings.
- 10.11. The Chairperson of the Committee shall ensure the effective functioning of the Committee including, but not limited to, scheduling the committee meetings, ensuring adequate notice prior to the meetings and overseeing timely distribution of appropriate materials prior in advance of any meeting to ensure informed decisions and recommendations by the committee members.
- 10.12. The Chairperson shall be responsible for the finalization and accuracy of the minutes of the committee meetings.
- 10.13. The Chairperson of the Committee shall serve for no less than two (2) consecutive years and the term of office may be renewable.
- 10.14. The Chairman of the Board may not serve as a chairperson of the Committee.
- 10.15. In the absence of the Chairperson, a Committee member appointed by the Chairperson shall chair the meetings of the Committee. If this arrangement is not possible, then the most senior member shall chair the meetings of the Committee during the temporary absence of the Chairperson.

Secretary of the Committee:

- 10.16. The Bank's senior management officer, designated by the Board of Directors, shall act as a secretary (the “**Secretary**”) of the Committee. The Secretary shall attend all meetings of the Committee. The Secretary of the Committee shall assist the Chairperson in setting the agendas as well as in scheduling the regular and/or special ad hoc meetings of the Committee.
- 10.17. Meeting agendas will be prepared and provided to the Committee members at least 7 calendar days prior to the meeting along with other appropriate support materials.
- 10.18. Minutes will be taken by the Committee Secretary. The rules applicable to the finalization of the board meeting minutes shall be applicable to the committee meeting minutes. The minutes of the Committee shall be signed by the Chairperson and stamped with the stamp of the Bank.

Meeting Frequency

- 10.19. The Committee shall meet on a quarterly basis, but not less than two (2) times a year, and at other times as circumstances require. The Committee's proceedings may be conducted, if necessary, through an electronic mail or online conference facilities.
- 10.20. No less than three (3) of the Committee members in attendance shall be a quorum for the meeting and the conducting of its business.
- 10.21. The Committee shall report to the Board its recommendations on any substantive issues and decisions undertaken as well as make the minutes of the Committee meetings available to all members of the Board.

- 10.22. The Committee may invite to its meetings any member of the Board, executive management of the Bank and such other staff of the Bank as it deems appropriate in order to carry out its responsibilities. Approval of such observers shall be by a simple majority vote among the members present and voting.

Committee Resolutions

- 10.23. The Committee shall issue recommendations to the Board and the Board will make final decisions.
- 10.24. The Committee shall make decisions and record them in its minutes on any substantive issues only if such authority is specifically delegated to it by the Board.
- 10.25. The minutes of the Committee on any substantive issues resolved will be prepared by the Committee Secretary and signed by the Chairperson of the meeting within 20 (twenty) days after the meeting.
- 10.26. The Committee may record any non-substantive and/or procedural issues discussed or decided in its minutes of meetings.

Committee Reports and Recommendations

- 10.27. The Committee will report to the full Board on a quarterly basis or as often as circumstances require at least two (2) times in a year on any substantive and all matters which are relevant to the Committee and the Board's activities.
- 10.28. The Committee shall provide recommendations to the Board as it deems appropriate. The report and/or recommendations to the Board may take the form of a verbal report by the Committee Chairperson or any other member of the Committee.
- 10.29. The Committee shall maintain minutes or other records of its meetings and activities.
- 10.30. The Committee shall report, through the Chairperson or any other designated member of the Committee, to the Board following each meeting on the significant discussions of any substantive issues and recommendations made by the Committee. In this respect, the minutes of the Committee shall be made available and distributed to the other members of the Board.
- 10.31. The Committee shall review its authority and responsibilities annually and recommend changes to the Board as appropriate. The Committee shall ensure that the necessary processes are in place to annually evaluate the performance of the Committee.

Quorum and voting

- 10.32. The recommendations and resolutions of the committee shall be adopted at a committee meeting by a super majority of votes of committee members participating in the meeting. In cases where the committee has final decision-making authority and the issue does not require board approval, resolutions shall require an ultra-majority vote for adoption.
- 10.33. The Chairperson shall have an additional or casting vote in the case of any equality of votes.

- 10.34. Committee members who have direct or indirect interests in the matters considered at a committee meeting shall abstain from voting and forming a quorum in respect of the recommendations and resolutions on such matters

Committee Limitations

- 10.35. The Committee has no responsibility for matters set out in the charters of other committees, although the chair of the committees must liaise with the chairs of other committees and the Chairman of the Board on an ongoing basis to ensure that no material matter is overlooked by the bodies.

ARTICLE ELEVEN. EVALUATING BOARD AND COMMITTEE PERFORMANCE

- 11.1. Under the general oversight of the Chairman:

- 11.1.1. the Board, acting through the Nomination Committee, shall conduct an annual self-evaluation and evaluation of each director of the Board; and
/This clause was amended by Board Resolution No. R-2025-21 dated 30 April 2025/
- 11.1.2. Each standing committee will conduct an annual self-evaluation, in the manner and to the extent specified in the committee's charter.

ARTICLE TWELVE. MANAGEMENT AND OUTSIDE ADVICE

- 12.1. The Board will have access to complete and open communication with senior management and may obtain advice and assistance from internal legal, accounting and other advisors to assist it. In performing its functions, the Board is entitled to rely on the advice, reports and opinions of management as well as external legal, accounting and other advisors retained by the Bank.
- 12.2. The following guidelines outline the procedures and circumstances under which Board Directors and the Committees may utilize external professional assistance, with the cost covered by the Bank's funds:
- 12.2.1. *Identifying the Need.* The Board should clearly identify and document the specific need for external professional assistance. This could be a specialized knowledge gap, technical requirements, or a need for independent advice on a particular issue that cannot be adequately addressed internally.
- 12.2.2. *Prior Approval.* Any Committee or Director who wishes to engage external professional assistance must obtain prior approval from the Board. The request for prior approval should clearly state the purpose, estimated duration, and projected cost of the assistance.
- 12.2.3. *Selection Process.* The selection process should strictly adhere to the Bank's existing procurement procedures when selecting an external professional.

12.2.4. *Transparency.* All instances of Directors engaging external professional assistance must be reported in the Bank's annual report or another suitable platform. The information disclosed should include the reason for engaging the assistance, the selection process, the total cost, and a summary of the outcomes.

12.2.5. *Review.* The use of external professional assistance by Directors should be reviewed regularly, at least annually, to ensure effectiveness and proper use of Bank funds.

ARTICLE THIRTEEN. CORPORATE SECRETARY

13.1. The Corporate Secretary, as a full-time senior officer, shall be accountable to the Board Chairman and the Board. He/she will serve as the focal point for coordinating relationships and functions between the shareholders, the Board, and the management of the Bank.

13.2. The Corporate Secretary's responsibilities shall encompass:

13.2.1. *Advisory Role:* The Corporate Secretary is charged with advising the Board of Directors on their legal and corporate governance responsibilities, offering guidance to ensure adherence to both legal obligations and best practice governance standards;

13.2.2. *Meeting Management:* The Corporate Secretary is responsible for organizing board meetings, preparing agendas, and recording meeting minutes, thereby ensuring orderly and efficient board proceedings;

13.2.3. *Induction and Support:* The Corporate Secretary oversees the induction process for new directors, and provides ongoing assistance to directors as needed, thereby ensuring the board's effective functioning;

13.2.4. *Record Keeping:* The Corporate Secretary maintains essential corporate records, including minutes of board meetings, governance-related policies of the Bank, and shareholder records, ensuring accessibility and transparency;

13.2.5. *Communication/Investor Relations:* The Corporate Secretary serves as a crucial conduit between the organization, its Board, shareholders, and regulatory authorities, managing vital communications among these groups;

13.2.6. *Shareholder Meetings:* The Corporate Secretary is tasked with organizing and facilitating shareholder meetings, including the Annual General Meeting (AGM). This includes the preparation and distribution of notices of meetings and other relevant documents; and

13.2.7. *Regulatory Reporting:* The Corporate Secretary prepares and files necessary reports and documents with regulatory bodies as required by law, such as annual reports, contributing to the organization's legal compliance.

13.3. For the effective execution of his/ her duties, the Corporate Secretary shall have the right to access all corporate information and records. Additionally, he/she shall have the entitlement to communicate directly with board members, management team members, and other key stakeholders, thereby ensuring he/she can competently fulfill his/her responsibilities. The

Corporate Secretary shall operate independently, free from undue influence by any individual board director, ensuring impartiality and integrity in his/her role.

- 13.4. The Corporate Secretary shall attend a board meeting in person or by means of a conference telephone call or other communications equipment through which he/she can communicate with the board chairman and directors and hear the discussion at the board meeting for taking notes for the board meeting minutes.

ARTICLE FOURTEEN. MISCELLANEOUS

- 14.1. The Board will annually review and, where necessary, update this Procedure. Amendments to the Procedure may be put forth by a board director or the CEO for approval by the Board.
- 14.2. This Procedure may be amended by a super majority or 2/3 (two thirds) of Directors, provided, however, that any amendment to this provision shall require approval by an ultra-majority or 75 percent vote of Directors.
- 14.3. This Procedure is made in English and translated into Mongolian. In the event of any discrepancies, the English version shall prevail.

[end]