

INDEPENDENT DIRECTOR REPORT OF XACBANK

Stewart Donald Hall

Quarter III, 2024



STATEMENT

I, Stewart Donald Hall, the Independent Non-Executive Director at the Board of Directors of XacBank, have prepared this Independent Director's Report (the "**Report**") pursuant to: (i) the Company Law and the Banking Law; (ii) banking regulations issued by the Bank of Mongolia ("**BoM**") – Procedures on Good Governance Review of Banks (the "**Good Governance Review**"), and Regulation on Nomination, Appointment, and Resignation of Independent Directors of Banks (the "**INED Regulation**"); (iii) XacBank's Charter and other governance policies applicable.

The Report covers the period of Quarter 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

Schedule 1

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

1.1 BOARD MEETINGS

1.1.1 The **BOARD REGULAR MEETING** was held on **21 August, 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 Committee (GNCC)
 - Audit Committee (BAC)
 - Risk Committee (BRMC)
4. 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

There was no disagreement on the decision for each matter.

1.1.2 BOARD EXTRAORDINARY MEETINGS

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

There was no disagreement on the decision for each matter.

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

Board online voting meetings in the applicable period

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 (" SIMPLE Plan ")	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 (" EGM ") 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 " RP & COI Transaction ")	5-11 September, 2024

There was no disagreement on the decision for each matter.

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

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

BAC meeting in the applicable period

Schedule3

Date	Agenda
21 August 2024	<ol style="list-style-type: none"> 1. Approval of the Agenda 2. The Institute of Internal Auditors proposal on external quality services 3. Audit reports <ol style="list-style-type: none"> 3.1 Continuous audit report 2024 Q2 3.2 2024 audit sprints- cycle 3, 4 <ol style="list-style-type: none"> a. Loan origination audit (UB branch) b. IT- Manage continuity 3.3 Report of onsite audits 4. Update on audit recommendation follow up 5. Related parties' quarterly reporting (BoM Guidelines) 6. Others
30 September, 2024	<ol style="list-style-type: none"> 1. Approval of the Agenda 2. Ernst and Young Mongolia Audit LLC half-year review 3. Others

There was no disagreement on the decision for each matter.

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

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

BRMC meeting in the applicable period

Schedule4

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

There was no disagreement on the decision for each matter.

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

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

GNCC meeting in the applicable period

Schedule5

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

There was no disagreement on the decision for each matter.

1.5 EXTRAORDINARY GENERAL MEETING OF THE SHAREHOLDERS (the "EGM") 25 July- 04 September 2024, Online Ballot Voting

The EGM 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	
Company Law Clause 79.3.1 and Good Governance Review Clause 3.5.5 (BANK'S COMPLIANCE WITH LAWS AND REGULATIONS)	XB continues to have the highest standards of governance. XB is fully compliant to Company Law Clause 79.3.1 and Good Governance Clause 3.5.5 I have not observed any non-compliance to these Clauses.
Company Law Clause 79.3.2 (BANK'S TRANSPARENCY)	XB continues to have the highest standards of governance. XB is fully compliant to Company Law Clause 79.3.2 I have not observed any non-compliance to these Clauses.
Company Law Clause 79.3.3	

(PROVISION OF INFORMATION TO THE SHAREHOLDERS)	The EGM was organized between 25 July and 04 September 2024 through online ballot voting.
Good Governance Review Clause 3.5.1 (ENSURING THE DECISIONS MADE BY THE BOARD AND THE MANAGEMENT IS IN THE BEST INTEREST OF THE BANK)	XB continues to have the highest standards of governance. XB is fully compliant to Good Governance Clause 3.5.1. All decisions taken by the Board and Management are in the best interest of the bank. I have not observed any non-compliance.
Good Governance Review Clause 3.5.2 (THE BOARD AND THE MANAGEMENT COMPLIANCE WITH LAWS)	XB continues to have the highest standards of governance. XB is fully compliant to Good Governance Clause 3.5.2. Board and Management is compliant with laws. I have not observed any non-compliance to this clause.
Good Governance Review Clause 3.5.3 (PROTECTION OF CUSTOMERS AND DEPOSITORS)	XB continues to have the highest standards of governance. XB is fully compliant to Good Governance Clause 3.5.3 and follows prudent policies to protect the interest of customers & depositors. I have not observed any non-compliance to this clause.
Good Governance Review Clause 3.5.6 (REPORTING OF VIOLATIONS TO BOM)	XB continues to have the highest standards of governance. XB is fully compliant to Good Governance Clause 3.5.6 in terms of reporting. Violations to BOM. I have not observed any non-compliance to this Clause.

4. OTHER

As I spend more time in my role on the XB Board as an Independent Non Executive Director, I continue to be impressed by the professionalism of both the XB Board and the XB Executive Management team. I have no immediate concerns. On the recent visit I had the opportunity to interact with staff at the leasing office. I was very impressed by the calibre of staff.



Date: October 1, 2024

Signature: _____