

INDEPENDENT DIRECTOR REPORT OF XACBANK

Stewart Donald Hall

Quarter IV, 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 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:

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

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 2.

BAC meeting in the applicable period

Schedule 2

Date	Agenda
7 November 2024	<ol style="list-style-type: none"> 1. Approval of the Agenda 2. 2025 audit plan and budget 3. BAC Charter amendment 4. Progress update on GAP assessment agreement 5. Audit reports <ol style="list-style-type: none"> 5.1 Continuous audit report 2024 Q3 5.2 2024 audit sprint- AML, Salary Loan, XacLeasing 6. Report on whistle blow cases 2024 7. Related parties' quarterly reporting (BoM Guidelines) 8. 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 3.

BRMC meeting in the applicable period

Schedule 3

Date	Agenda
18-23 October 2024, online voting	<ol style="list-style-type: none"> 1. Approval of [REDACTED]
7 November 2024	<ol style="list-style-type: none"> 1. Approval of the Agenda 2. Risk management report September 2024 3. RAS: annual review 4. Write-off proposal (rolling agenda item) 5. Overview of the Bank's CMC credit approvals between MNT [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]

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 4.

GNCC meeting in the applicable period

Schedule 4

Date	Agenda
7 November 2024	1. Approval of the Agenda 2. Succession Plan for Senior Management (rolling annual agenda) 3. Board Nomination Policy (amendment) 4. [REDACTED] 5. FRC's Corporate Governance Codex Assessment 6. [REDACTED] 7. Other

There was no disagreement on the decision for each matter.

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, **there were no** conflict of interest transactions that required approval by the Board.

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)	XB continues to have the highest standards of governance. XB is fully compliant to Company Law Clause 79.3.3 I have not observed any non-compliance to these Clauses.
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	XB continues to have the highest standards of governance. XB is fully compliant to Good Governance Clause 3.5.3 and follows prudent policies

(PROTECTION OF CUSTOMERS AND DEPOSITORS)	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.

I continue to be impressed by the professionalism of the XB Board and the XB Executive Management team. I have no immediate concerns.

4. OTHER

- I physically did not travel to Mongolia in Q4. All my meetings were online so no staff or external meetings were conducted.
- 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.
- Strategy Day was held 6 November with management team.



Date: January 2, 2025

Signature: _____