

# INDEPENDENT DIRECTOR REPORT OF XACBANK

Ulaanbaatar B.

Quarter III, 2024



## STATEMENT

I, Ulambayar B., 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"> <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:

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

- For Item #4 Election and Political update, I participated in the discussion by expressing my opinions and sharing information.
- For Item #4 Economic and banking update, [REDACTED] were discussed.
- For Item #8 Strategic Theme: [REDACTED] I inquired about the planned locations for the VIP branches. During the leasing channel discussion, I inquired about how we provide services [REDACTED].
- For Item #9 Update on Digitalization and IT, [REDACTED] I asked whether we need to consider the [REDACTED]. [REDACTED], I inquired into the potential of [REDACTED] discussed it. I clarified [REDACTED] goes through the [REDACTED].
- Item #6 was approved by the board of directors. I voted in favor of the decision made during the meeting and did not have any disagreements with it.

### 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
- The board of directors approved. I voted in favor of the decision made during the meeting and did not have any disagreements with it.
- I have attended the following Board online voting meetings as shown in Schedule 2.

#### Board online voting meetings in the applicable period

*Schedule 2*

Meetings	Voting item	Date
Board online voting meeting	1. a. XacBank's Interim Dividend Proposal	08-16 July, 2024



	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> ”)	
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

- The board of directors approved the items. I voted in favor of the decisions made during the meetings and did not have any disagreements with them.
- I had a conflict of interest in the transaction (extension of personal credit card) on 11 September, 2024, and therefore did not participate or vote in that particular transaction.

## 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

*Schedule 3*

Date	Agenda
21 August 2024	1. Approval of the Agenda 2. The Institute of Internal Auditors proposal on external quality services 3. Audit reports 3.1 Continuous audit report 2024 Q2 3.2 2024 audit sprints- cycle 3, 4 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	1. Approval of the Agenda 2. Ernst and Young Mongolia Audit LLC half-year review 3. Others

21 August 2024:

- As the Chairperson of BAC, I chaired the BAC meeting.
- For Item 3.2. a. Loan origination audit, I requested clarification on the monetary amounts associated with the identified violations.



Item #2 was approved unanimously by the committee members. I voted in favor of the above decisions made during the meeting and did not have any disagreement with them.

30 September, 2024

- As the Chairperson of BAC, I chaired the BAC meeting.
- Items were approved unanimously by the committee members. I voted in favor of the above decisions made during the meeting and did not have any disagreements with them.

### 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

*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> <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>

21 August 2024:

- For item #3, I inquired [REDACTED]  
[REDACTED] There was no disagreement with the decision on each matter.

I had a conflict of interest in the transaction (extension of personal credit card) on 11 September, 2024, and therefore did not participate or vote in that particular transaction.

### 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

*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>

Item #2 was approved unanimously by the committee members. I voted in favor of the decision made during the meeting and did not have any disagreements with them.

### 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 had a conflict of interest and therefore did not participate or vote in that particular transaction (extension of personal credit card).

## 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>	<p>In accordance with this clause, my emphasis was on monitoring and preventing violations, participating in all meetings, and contributing to decision-making. Throughout the applicable period, the actions of the board of directors and the executive management, as well as the policy decisions made, did not have any negative impact that could be defined within the scope of this clause.</p> <p>In this regard, it is noted in the report, specifying details of each attended meeting as needed.</p>
<b>Company Law Clause 79.3.2</b>  <b>(BANK'S TRANSPARENCY)</b>	<p>Within the purview of this provision, the executive management continues to ensure transparency and openness, and there is no situation to act as a special assignee.</p>
<b>Company Law Clause 79.3.3</b>  <b>(PROVISION OF INFORMATION TO THE SHAREHOLDERS)</b>	<p>The EGM was organized between 25 July and 04 September 2024 through online ballot voting.</p>

<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>	Bank governance is functioning normally, and no serious actions or decisions affecting the Bank's interests were observed from the board of directors and the management team.
<b>Good Governance Review Clause 3.5.2</b>  <b>(THE BOARD AND THE MANAGEMENT COMPLIANCE WITH LAWS)</b>	Regarding the reporting process, transparency, and decision-making among Shareholders, the Board of directors, and the management team, they are operating in accordance with Company Law of Mongolia, Banking Law, and the relevant regulations of the Bank of Mongolia.
<b>Good Governance Review Clause 3.5.3</b>  <b>(PROTECTION OF CUSTOMERS AND DEPOSITORS)</b>	No serious actions or decisions that would have a negative impact on the interests of the Bank's customers were observed from the board of directors and the management team.
<b>Good Governance Review Clause 3.5.6</b>  <b>(REPORTING OF VIOLATIONS TO BOM)</b>	There were no noteworthy occurrences.

#### 4. OTHER

- I participated in the online board call held on 8 July, 2024.

Date: 6 October, 2024

Signature: Ulambayar B.  
Independent Non-Executive Director