



**PRE-READING MATERIALS FOR THE  
2024 ANNUAL GENERAL MEETING  
OF THE SHAREHOLDERS OF  
XACBANK JSC**

2024.04.29

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# ANNOUNCEMENT OF THE ANNUAL GENERAL MEETING OF XACBANK JSC SHAREHOLDERS

The Board of Directors of XacBank JSC has announced the 2024 annual general meeting of the shareholders (the "AGM") by its Resolution No. R-2024-20 dated 15 March 2024, pursuant to Article 59.4 of the Company Law.

**XacBank official address:** XacBank HQ Bldg, Prime Minister Amar's Street, Sukhbaatar District, Ulaanbaatar-14200, Post Branch 20A, PO Box-72, Mongolia

**AGM venue, date and time:** The meeting will be organized in a hybrid format, both in-person and virtual on 29 April 2024 at 9:00 hours (Ulaanbaatar city time), at the Ball Room of Shangri-La Hotel located at 19 Olympic Street, Sukhbaatar District 1, Ulaanbaatar, Mongolia.

**Record date of Shareholders:** Record date for registering shareholders eligible to participate in the AGM is set on 09 April 2024.

## AGM Agenda:

### Presentation:

1. Independent Directors' Report.

### Decision items:

1. Approval of the Board Review of the Annual Operational Report of XacBank for 2023;
2. Approval of the Board Review of the Audited Financial Statements of XacBank for 2023;
3. Approval of Distribution of Final Dividend from the 2023 Year-End Bank Earnings;
4. Approval of Amendment to the Charter of XacBank in Relation to Dividend Distribution Authority;
5. Approval of Amendment to the Dividend Policy of XacBank in Relation to Dividend Distribution Authority;
6. Approval of XacBank's Entry into the Framework Agreement with EBRD and Instructing the CEO to Sign and Execute the Framework Agreement - as requested by TenGer Financial Group LLC, a shareholder holding more than 5% stakes in the Bank;
7. Approval of XacBank's Entry into the Policy Agreement with IFC and Instructing the CEO to Sign and Execute the Policy Agreement - as requested by TenGer Financial Group LLC, a shareholder holding more than 5% stakes in the Bank;
8. Approval of Reorganization of XacBank through Merging TenGer Financial Group LLC into XacBank;
9. Election of the Board for tenure until 2026 AGM;
10. Approval of the Board Remuneration Update;
11. Approval of the Board Budget for 2024.

Starting from 25 March 2024, shareholders may review the pre-reading materials through the Bank's website ([www.xacbank.mn](http://www.xacbank.mn)), or, on weekdays between 10:00 and 17:00 hours at securities companies that are convenient for them.

Shareholders who are unable to attend the AGM virtually or in-person, may submit their advance ballot votes from 15 April 2024 to 16:00 hours on 23 April 2024 through their securities companies or any branches of XacBank. Shareholders opting to submit their advance ballot votes electronically may vote so until the AGM commences at 9:00 hours on 29 April 2024.

**Contact details:**

Phone number: +(976)-8508-1888

E-mail address: [investor-relations@xacbank.mn](mailto:investor-relations@xacbank.mn)

Workig hours: between 10:00 a.m. and 17:00 p.m. on working days.

20 March 2024

AGM ORGANIZING COMMITTEE



# THE BOARD RESOLUTION ANNOUNCING THE 2024 AGM

## BOARD OF DIRECTORS RESOLUTION



Date: 15 March, 2024

No. R-2024-20

Ulaanbaatar

Announcement of the 2024 Annual General Meeting  
of the Shareholders of XacBank

Based on Articles 59.4 and 60.1 of the Company Law, Article 2.1 of the Procedure for delivering the announcement of a shareholders' meeting of joint-stock companies approved by Financial Regulatory Commission (the "FRC") by its Resolution No.377 dated 14 December 2018, and pursuant to decisions made by its online voting held between 12-15 March 2024, the Board of Directors (the "Board") of XacBank JSC (the "Bank") hereby adopts the following resolutions:

### IT IS NOTED THAT:

1. **WHEREAS**, the Board shall announce and hold the Annual General Meeting of the Shareholders (the "AGM") within four months following the end of each financial year as per Article 59.4 of the Company Law; and
2. **WHEREAS**, the Board now wishes to adopt the following.

### NOW THEREFORE BE IT RESOLVED THAT:

1. The AGM of the Bank shall be convened on 29 April 2024 at 9:00 hours (Ulaanbaatar city time), at the Ball Room of Shangri-La Hotel located at 19 Olympic Street, Sukhbaatar District 1, Ulaanbaatar, Mongolia.
2. The meeting shall be organized in a hybrid format, both in-person and virtual.
3. The Chairman of the Board of Directors of the Bank, Sanjay Gupta, is hereby announced as the Chairman of the AGM.
4. The Chief Executive Officer, Tsevegjav Gumenjav, is hereby appointed as the Chair of the AGM Organizing Committee. The Chief Executive Officer shall appoint the members of the AGM Organizing Committee pursuant to applicable internal rules and policies.
5. The Board Secretariat is hereby directed to submit the notice of the AGM to the FRC and the Mongolian Stock Exchange (the "MSE") by 18 March 2024.
6. The AGM Organizing Committee, is hereby directed to publish the notice of the AGM in the website of MSE, daily newspapers, the Bank's official website ([www.xacbank.mn](http://www.xacbank.mn)), official social media addresses, and other media outlets by 20 March 2024, and to re-publish the notice in the same form as the original 15 days following the initial publication.
7. The record date for registering shareholders eligible to participate in the AGM shall be set on 09 April 2024.

XacBank HQ Building,  
Prime Minister Amar's Street,  
Post branch No.20A, P.O.Box-72,  
Ulaanbaatar-14200, Mongolia.

Enquiry: +(976)-1800-1888  
Telephone: +(976)-7577-1888  
Web: [www.xacbank.mn](http://www.xacbank.mn)  
E-mail: [info@xacbank.mn](mailto:info@xacbank.mn)

8. The AGM Organizing Committee is hereby directed to deliver the agenda of the AGM, draft resolutions, presentations for the AGM, ballots, and any other related documents to the securities broker and dealer companies by 25 March 2024.
9. The agenda of the AGM as Annex 1, the list of documents pertaining to the agenda of the AGM as Annex 2, the composition of the AGM Tabulating Committee as Annex 3, the AGM Protocol as Annex 4, and the Ballots of the AGM as Annexes 5 and 6 are hereby approved.
10. The AGM Organizing Committee is hereby directed to ensure that all advance ballot votes from eligible shareholders for the AGM are received from 15 April 2024 to 16:00 hours on 23 April 2024, regardless of whether submitted via a broker-dealer company or through any of XacBank's branches. Shareholders opting to submit their advanced ballot votes electronically are permitted to do so until the AGM commences at 9:00 hours on 29 April 2024.
11. The Tabulating Committee, is hereby directed to consolidate the advance ballot votes cast by shareholders, either on paper or electronically, and integrate these into the final tally.
12. The Board Secretariat is hereby directed to submit the resolutions adopted at the AGM and other relevant documents to the MSE and FRC within the time specified in the Company Law, Law on Securities Market and other relevant regulations.

CHAIRMAN OF THE  
BOARD OF DIRECTORS

GENERAL COUNSEL,  
CORPORATE SECRETARY



SANJAY GUPTA

N.MUNKHTSELMEG

## THE AGM PROTOCOL

Time	#	Agenda Items	Responsible
8:30-9:00	1	Shareholders' registration for AGM	Tabulating Committee
9:00-9:05	2	Announcement of the AGM quorum	Tabulating Committee
9:05-9:35	3	Welcome address	Chairman
9:35-9:40	4	Presentation of the AGM Protocol	CEO
9:40-9:50	5	Presentation of the XacBank's Annual Operational Report for 2023	CEO
9:50-9:55	6	Q&A	
9:55-10:05	7	Presentation of the XacBank's Audited Financial Statements for 2023	CFO
10:05-10:10	8	Q&A	
10:10-10:15	9	The Board Review of the XacBank's Annual Operational Report and Audited Financial Statements for 2023	Chairman
10:15-10:20	10	Q&A	
10:20-10:35	11	Independent Directors' Report	Independent Directors
10:35-10:40	12	Q&A	
10:40-10:50	13	Presentation on the Distribution of Final Dividend from the 2023 Year-End Bank Earnings;	CEO
10:50-10:55	14	Q&A	
10:55-11:00	15	Amendment to the Charter of XacBank and Dividend Policy in Relation to Dividend Distribution Authority	General Counsel/ Corporate Secretary
11:00-11:05	16	Q&A	
11:05-11:10	17	Presentation on the Framework Agreement	General Counsel/ Corporate Secretary
11:10-11:15	18	Q&A	
11:15-11:20	19	Presentation on the Policy Agreement	General Counsel/ Corporate Secretary
11:20-11:25	20	Q&A	
11:25-11:40	21	Presentation on the Reorganization of XacBank through Merger	CEO
11:40-11:45	22	Q&A	
11:45-11:55	23	Presentation on the Election of the Board for tenure until 2026 AGM	General Counsel/ Corporate Secretary

Time	#	Agenda Items	Responsible
11:55-12:00	24	Q&A	
12:00-12:10	25	Presentations on the Board Director Remuneration Update and Board Budget for 2024	General Counsel/ Corporate Secretary
12:10-12:15	26	Q&A	
12:35	27	Close of Voting	Chairman
12:35-13:05	28	Break (Vote Counting)	Tabulating Committee
13:05-13:15	29	Announcement of voting results	Tabulating Committee
13:15-13:25	30	Closing Remarks	Chairman

**Voting/counting principle:** Shareholders have the option to vote on the agenda item either on paper or electronically in advance. Advance paper ballots will be accepted before 16:00 hours on 23 April 2024. Shareholders opting to submit their advanced ballot votes electronically are permitted to do so until 9:00 hours on 29 April 2024. During the AGM, Shareholders who did not cast their votes in advance may cast their votes for each agenda item before the Close of Voting period ends.

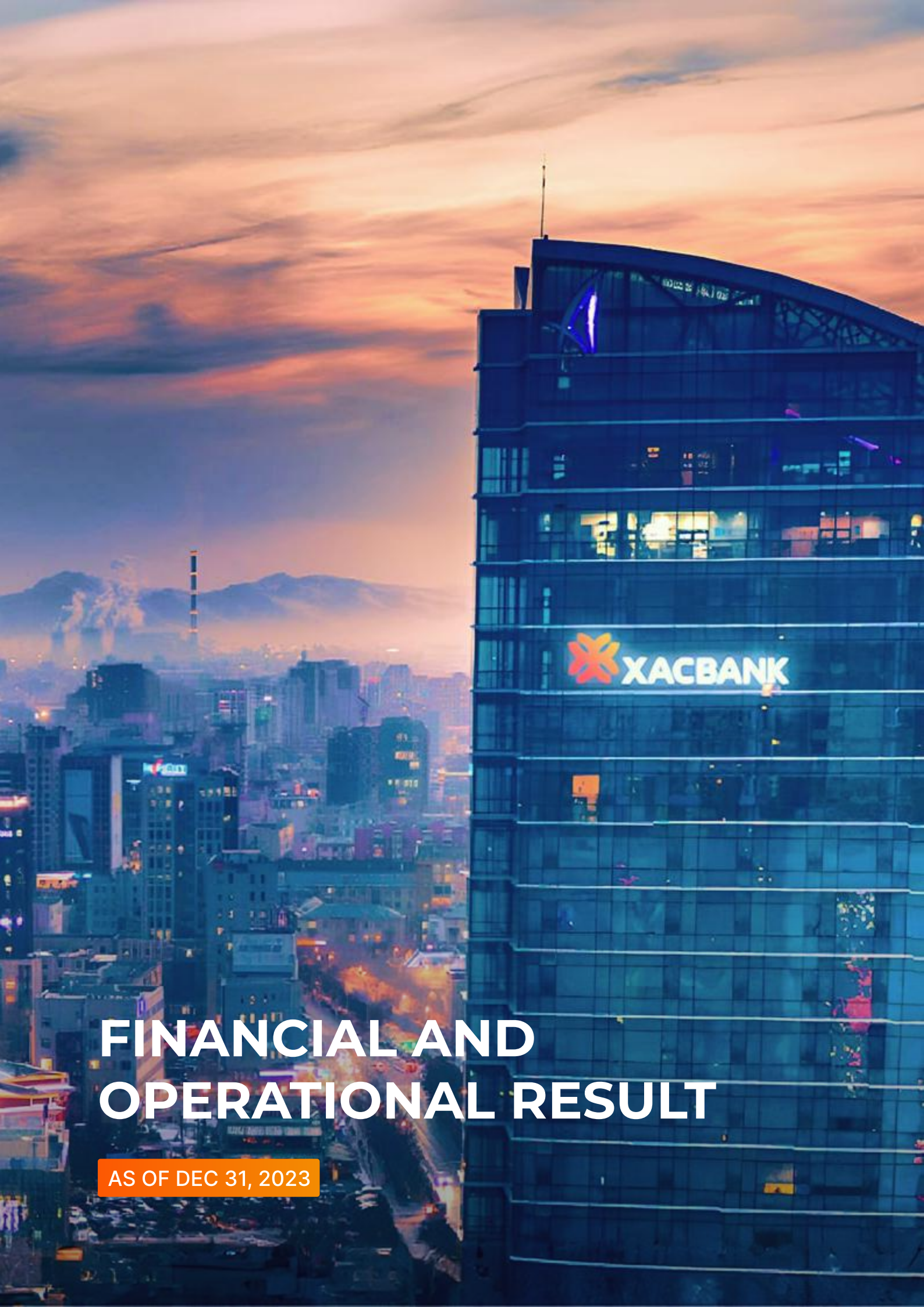
**Prohibition:** The shareholders are prohibited from disrupting the order of the meeting, such as speaking out of turn, introducing off agenda topics, or causing disturbances.



## **Decision item No.1:**

Approval of the Board Review of the  
Annual Operational Report of XacBank for 2023



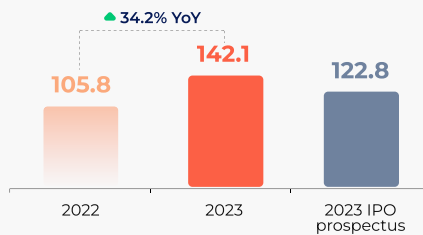


# FINANCIAL AND OPERATIONAL RESULT

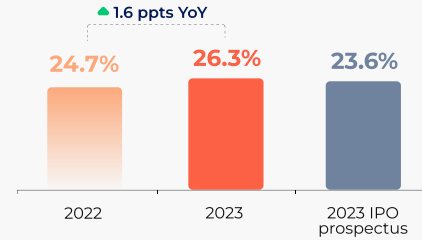
AS OF DEC 31, 2023

# Key Financial Result

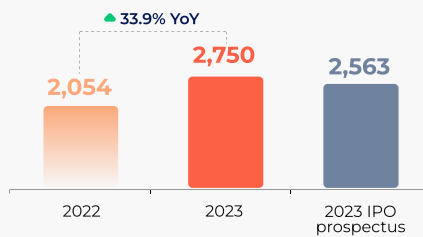
**Net profit (after tax)** MNT billion



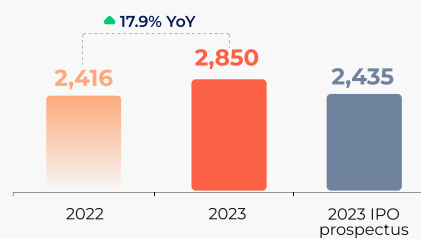
**aROE\***



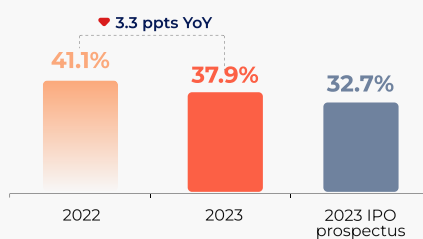
**Lending** MNT billion



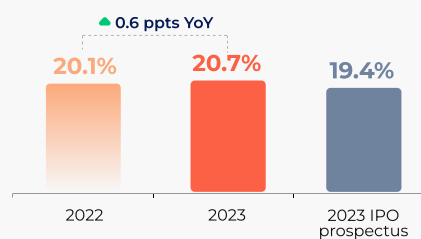
**CASA & Deposits** MNT billion



**Liquidity ratio**



**Tier 1 CAR**



**P/E** **4.57** **EPS** **138.1**  
MNT

YoY Year-on-year.

\* Based on monthly average equity.

### Operational highlights

- Financial Results
- Prudential Requirements
- Written-off loan report
- Governance Information



# Key Financial Result



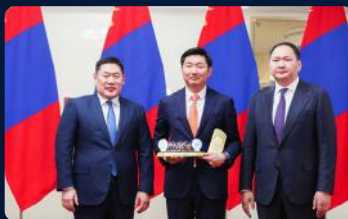
## Transitioned to publicly traded entity

XacBank has offered 52.7 million shares to the public via MSE to raise MNT 35.7 billion during its IPO. The IPO was oversubscribed by 117.2% where 9,944 investors have submitted order totaling MNT 41.8 billion.



## Raised USD205 million senior debt

XacBank has successfully raised USD 205 million from IFC, FMO, rA, GCPF, BlueOrchard, Symbiotics, Incofin, GCF with the aim of supporting women-led micro and SMEs. In addition, the loan will be utilized for financing energy efficient business or projects in Mongolia.



## Awarded Top-100 Enterprise

XacBank was awarded TOP-100 Enterprises which is organized by the Government of Mongolia and Mongolian National Chamber of Commerce and Industry.



## Started a cooperation on retirement savings fund

Signed a cooperation agreement with Oyu Tolgoi on "Retirement Savings Fund" through which employees of OT will be able to start saving for their retirement with XacBank.



## Held its first EGM as Joint Stock Company

The EGM achieved a quorum with 95.55% attendance and the agenda items, which included reflecting the IPO proceeds in the share capital and setting the paid-in share capital of XacBank at MNT 105,270,000,000 as well as approving the Charter of XacBank JSC, were approved.



## Moody's: XacBank's outlook remains stable over the next 12-18 months

Moody's investor services, international rating agency, announced on December 1, 2023 that it maintained the credit rating of XacBank JSC "B3/stable".

# Operational highlights



## Online deposit

The Bank introduced online deposit function in to digital banking application. In addition to the attractive interest rate, it offers another benefits to customers to encourage their saving habit such as interest incentives for customers who are maintaining their savings account consistently and right to spend up to certain percent of deposit balance etc.



## Online salary loan

Online salary loan was successfully introduced in the market and it is now available at digital banking application for our customers as well as the customers of other banks.

Disbursed loan: **258.8** MNT billion



## Mortgage loan

Mortgage loan product with 3% interest rate was introduced to the market in cooperation with Bank of Mongolia for local citizens in rural area.



## Women-owned business loans

Unsecured or partially secured loans to support women entrepreneurs launched successfully in the market with lower interest rate than other SME loan products. Another key advantage of the product is shortened loan processing time up to 8 working hours.

Disbursed loan: **329.7** MNT billion



## Instant loan

For individuals with salary income, instant loan have been introduced to meet their urgent and unexpected financial needs. This loan is available at Digital banking application at easiest convenience for our customers.



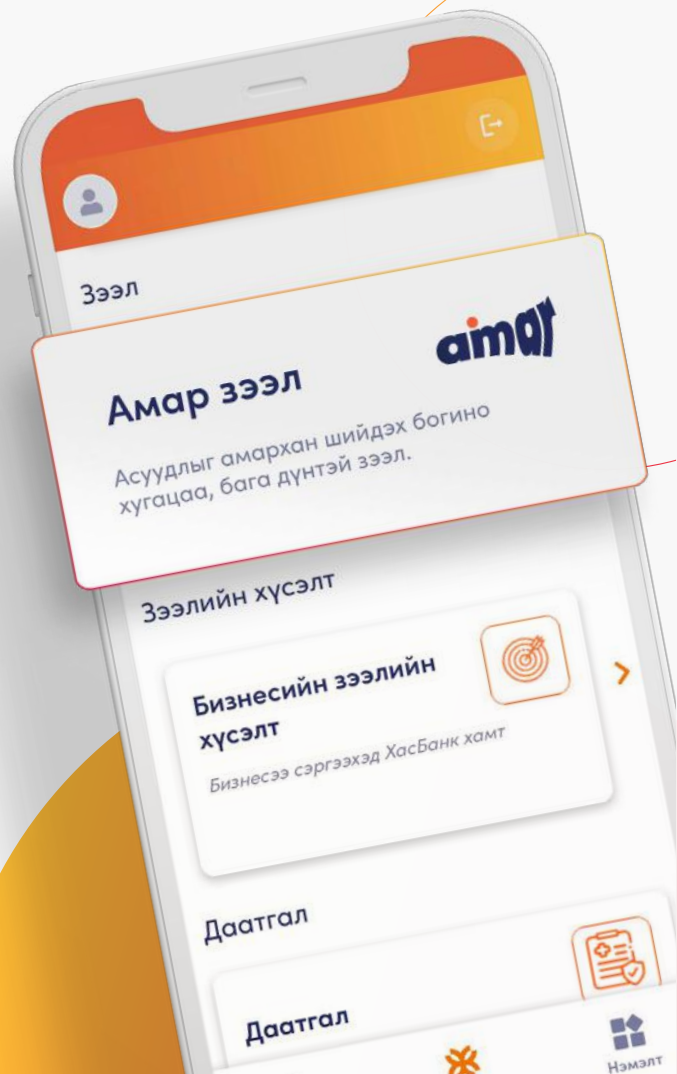
In collaboration with Store-Pay BNPL fin-tech Company, we have successfully introduced the online loan with longer term /30 months/ and higher credit limit /30 million/ in the market.



## Food and agriculture loan

We have successfully implemented subsidized lending program in cooperation with Ministry of Agriculture and Rural Affairs.

Digital users	POS terminal	Total transactions
▲ <b>31.3%</b>	▲ <b>36.0%</b>	▲ <b>11.4%</b>





## Operational highlights



### **XacBank becomes re-accredited by the Green Climate Fund and received USD 8 million**

XacBank becomes re-accredited as a national direct access Accredited Entity of the Green Climate Fund by renewing the "Master Agreement", and extending the agreement tenor for additional five-years.

In line with this commitment, XacBank received an additional USD 8 million in November for energy-efficient heating, insulation, and affordable housing financing program, which aims to foster sustainable living solutions and reduce environmental impact.



XacBank successfully reduced greenhouse gas emissions by a total of 5,557 tons in 2023 disbursing eco-consumption loans through the Energy Efficient Consumption Loan Program (EECLP).

### **"Green loan fair"**

In September 9th and 10th, 2023, XacBank initiated the "Green Loan Fair," offering immediate access to eco-usage loans at an annual interest rate of 2-3%. This initiative marked a significant stride in promoting the adoption of green technologies, including energy-efficient electric heaters, advanced insulation solutions, and sustainable waste treatment systems.



**"XacBank, in a strategic collaboration with the Basel Agency for Sustainable Energy (BASE) and Tenger Insurance, has introduced the innovative Energy Savings Insurance mechanism in Mongolia. This pioneering initiative marks a significant step forward in promoting sustainable energy solutions within the region."**

The Energy Savings Insurance (ESI) is an insurance-based model that incentives micro, small and medium businesses (MSMEs) to choose energy-efficient solutions instead of cheaper, conventional appliances when installing or upgrading an equipment. The model guarantees the energy savings a high-performing system should deliver, reinforcing the trust in the long-term profitability of switching to energy-efficient appliances.



### **Outstanding sustainable financing Bank 2023**

XacBank's recognition as the "Outstanding Sustainable Financing Bank in 2023" by the Mongolian Sustainable Finance Association, the Bank of Mongolia, and the Financial Regulatory Commission is a testament to our unwavering dedication to spearheading sustainable finance initiatives and driving meaningful progress in the implementation and advancement of sustainable financing policies.



## Operational highlights



### ECO leasing

Supporting the fight against global warming, XacBank provides green leasing with affordable rates. Total value of MNT 8.9 billion EV was financed under green lease in 2023.



### One-stop shop

In cooperation with vendor companies, one-stop shops are now operational in key vendors such as Toyota-Tavan Bogd, Benz-MSM, where full range of banking products and services are provided to the clients.



### XacMortgage – House loan

XacMortgage introduced a House loan product – “Loan decision in 1 Day”. In addition to houses, an apartment (+80m2) loan is approved within 1 business day.

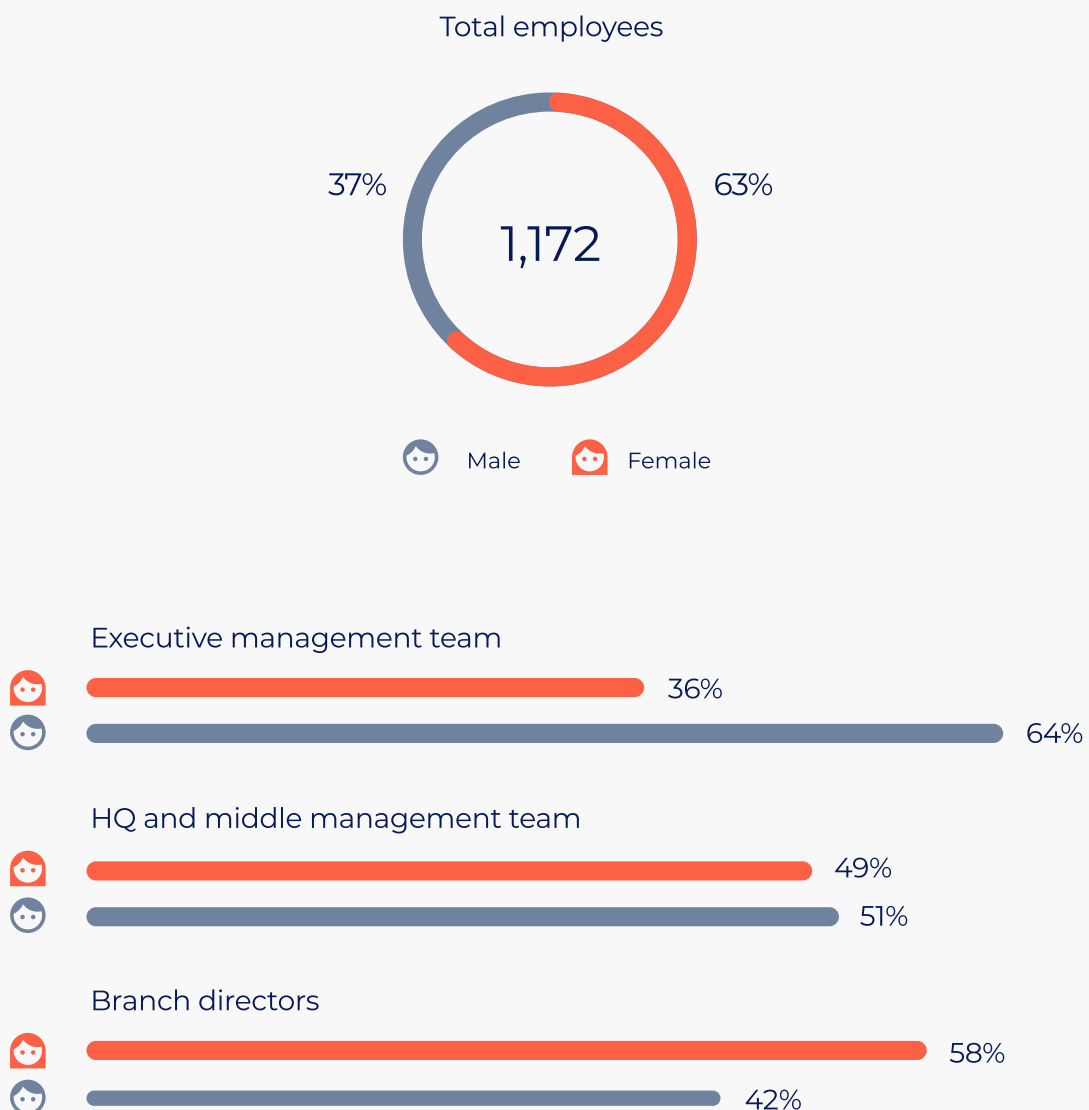


### Leasing center

Established in May 2023, 2 leasing centers have achieved rapid success where the portfolio under management has reached MNT 28.2 billion within short time frame.

## Human resource policy

Since its establishment, XacBank has cultivated unique corporate culture, good corporate governance practice which are constantly elevated through compact but efficient and high performance team of professionals who operates within the fair and stable working environment. This creates stable work force with average employment tenor of 7.8 years. Furthermore, 90% of current managers were promoted internally.

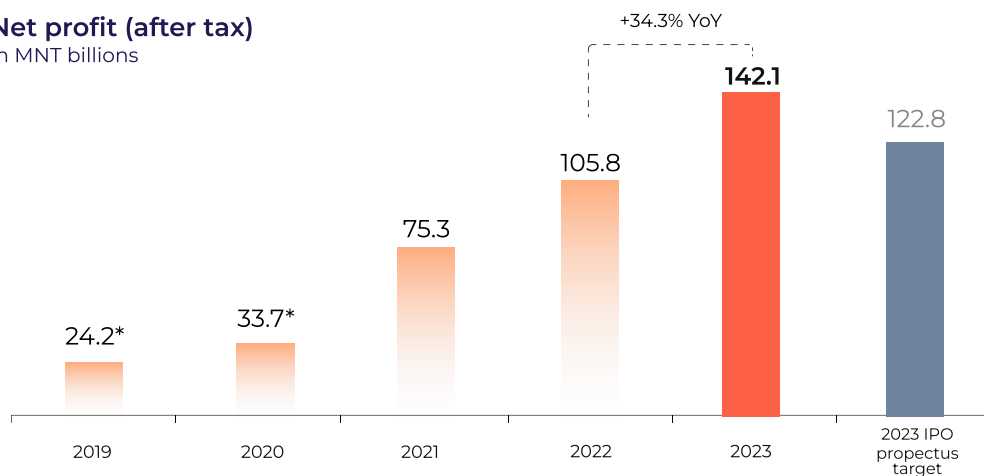


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- Operational highlights
  - Financial Results
  - Prudential Requirements
  - Written-off loan report
  - Governance Information

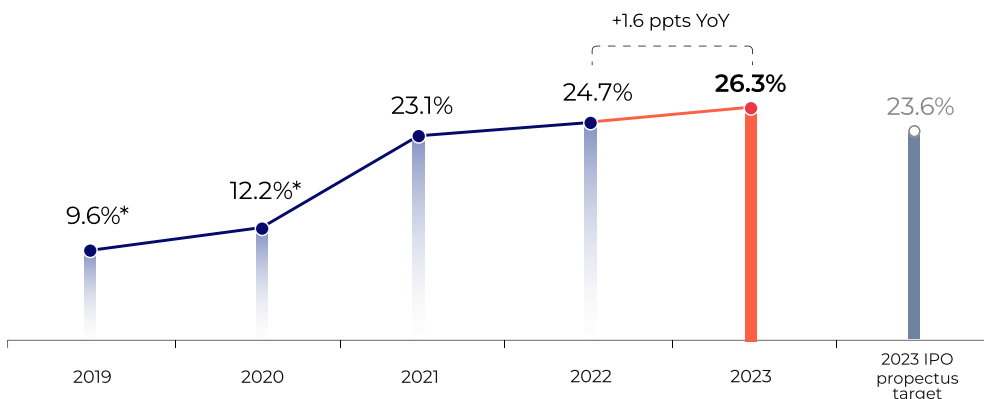
## Profitability

The Bank's net profit rose to MNT 142.1 billion, marking a 34.2% increase from the previous year. This growth was attributed to the expansion of the Gross Loan and Lease Portfolio by over 33.9% and improved balance sheet structure and low non-performing assets. Despite facing various external pressures on profitability due to elevated central bank rates in both domestic and international markets, the Bank maintained its net interest margin at the healthy level as the previous year.

**Net profit (after tax)**  
In MNT billions



**aROE**  
%, based on monthly average equity

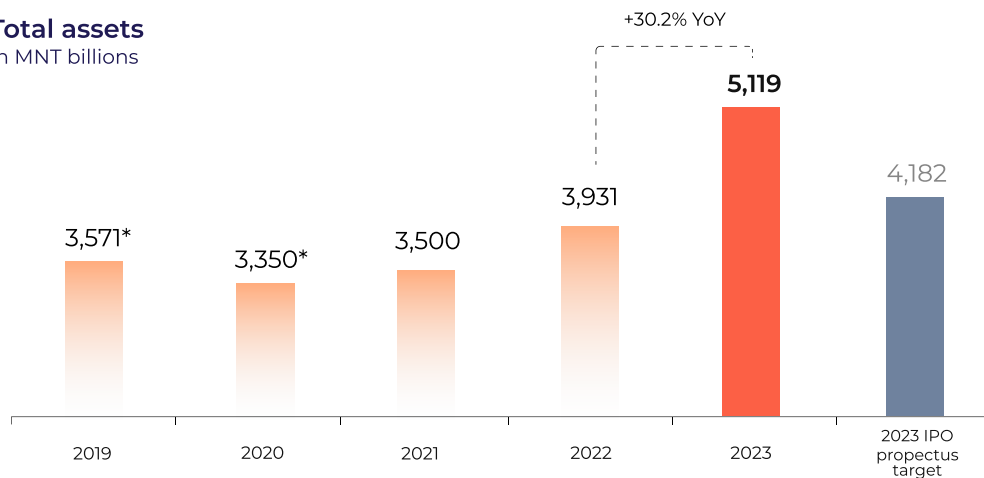


\* XacLeasing included for comparison purpose. XacLeasing merged in 2021 with XacBank.

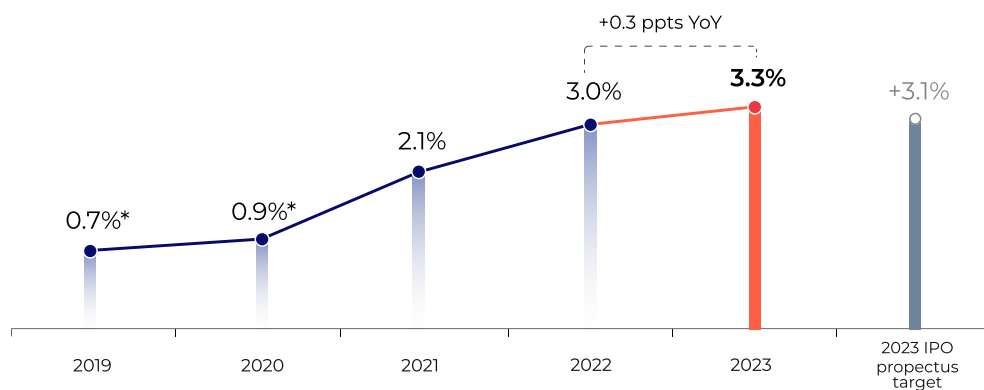
## Assets

The Bank's total assets exceeded MNT 5 trillion in 2023, marking growth of 30.2% compared to the previous year. The total assets reached MNT 5,119 billion, primarily driven by an increase in revenue-generating assets, lending and investments in T-Bills which experienced growth rates of 33.9% and 83.6%, respectively.

**Total assets**  
In MNT billions



**aROA**  
%, based on monthly average assets



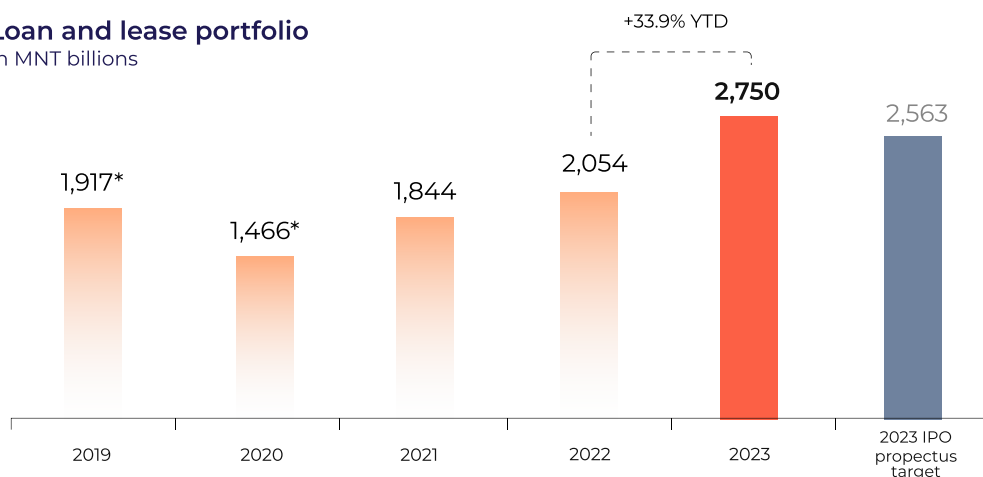
\* XacLeasing included for comparison purpose. XacLeasing merged in 2021 with XacBank.



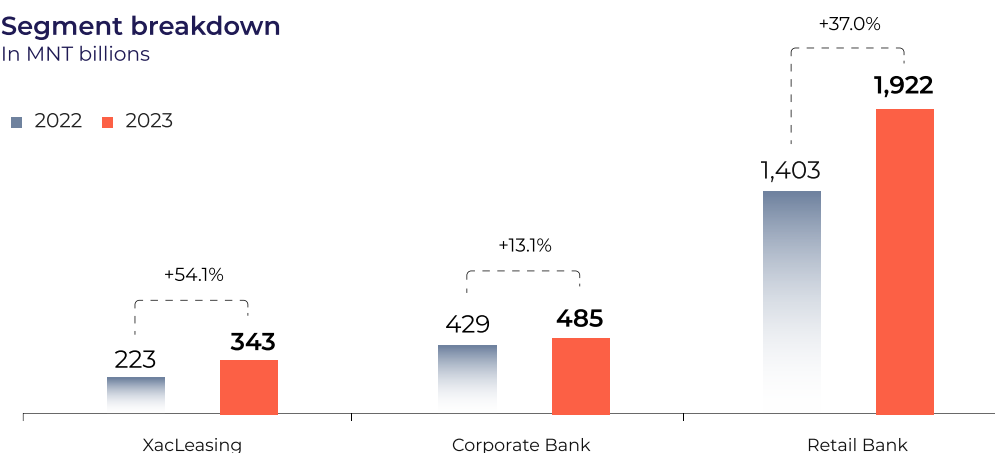
## Loan and lease portfolio

Bank's lending activities are structured across three segments: retail lending, corporate lending, and XacLeasing (finance leases). In 2023, each segment experienced notable growth, with retail lending expanding by 37.0%, corporate lending by 13.1%, and XacLeasing by 54.1%. The surge in the retail portfolio was primarily fueled by increased loans to women-owned businesses, facilitated by the innovative "Tablet Banking" service provided by the Bank. This service enhanced accessibility and convenience, thereby driving growth in this segment. The growth in the leasing portfolio was supported by the normalization of external trade routes between Mongolia and neighboring countries. The normalization led to a steady inventory of passenger vehicles and machinery at key vendors, which had a positive impact on the leasing business.

**Loan and lease portfolio**  
In MNT billions



**Segment breakdown**  
In MNT billions

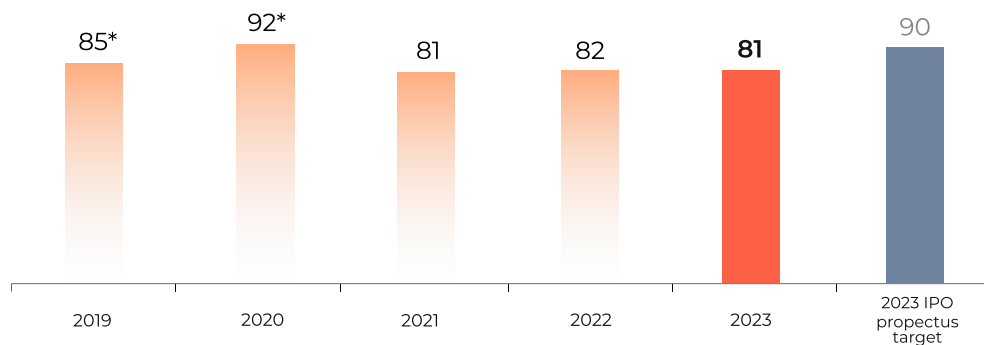


\* XacLeasing included for comparison purpose. XacLeasing merged in 2021 with XacBank.

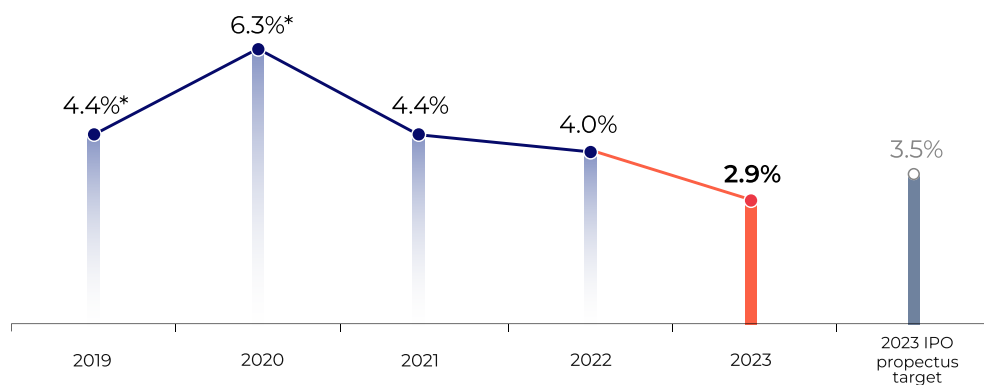
## Asset quality

Despite a robust growth of 33.9% in Gross Loan and Lease Portfolio, the Bank effectively enhanced its asset quality by minimizing non-performing loans (NPL). By the end of 2023, **NPL ratio stood at 2.9% or down by 1.1 percentage points** compared to 2022 year-end.

**Non-performing loans**  
In MNT billions



**Non-performing loan ratio**  
%



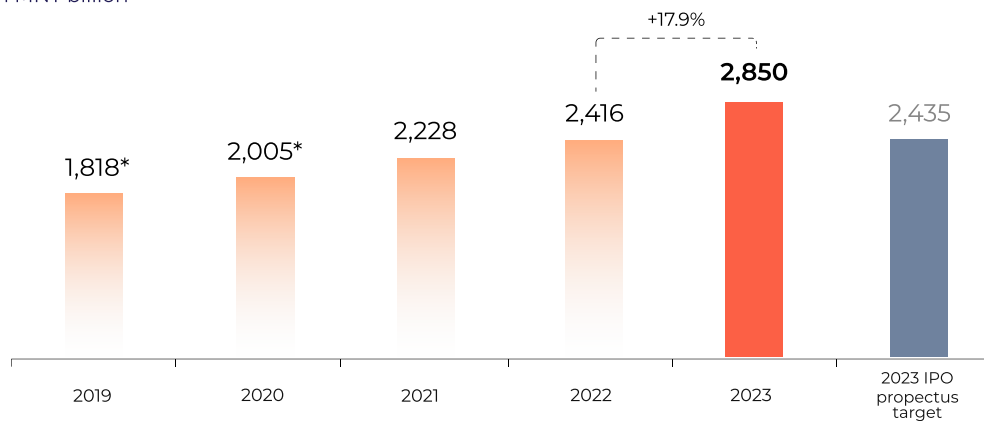
\* XacLeasing included for comparison purpose. XacLeasing merged in 2021 with XacBank.

## Current accounts and deposits

Customers can conveniently manage their current accounts through both branch and digital channels, ensuring a reliable and user-friendly experience. The Bank's deposit services encompass demand deposits, term deposits with monthly withdrawals, and long-term child deposits. Through continuous enhancements in digital accessibility and the user-friendliness of its products and services, the Bank achieved 17.9% growth CASA and deposits.

### CASA and deposits

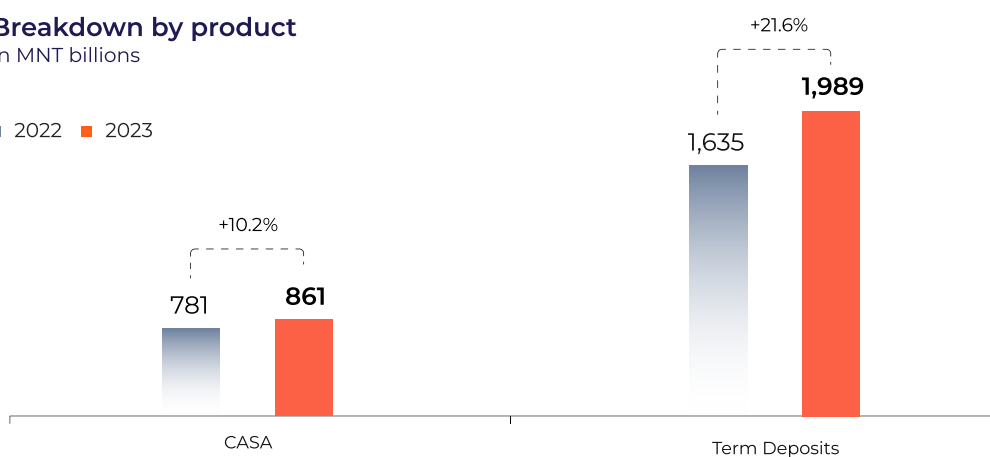
In MNT billion



### Breakdown by product

In MNT billions

■ 2022 ■ 2023



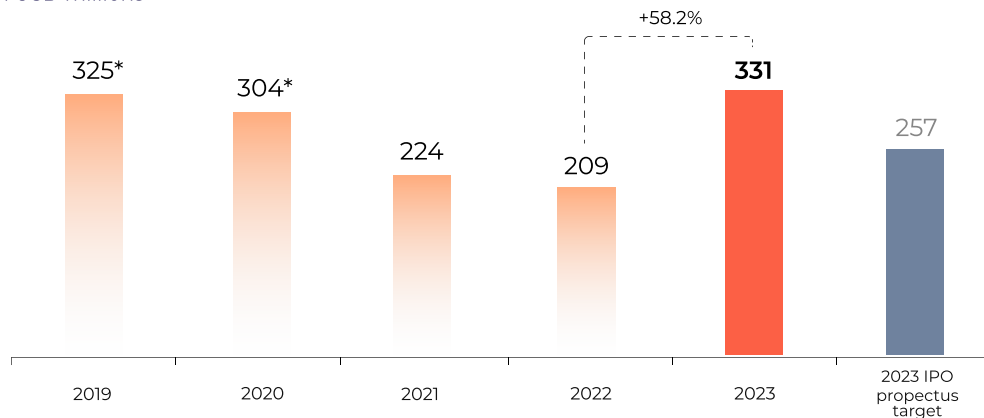
\* XacLeasing included for comparison purpose. XacLeasing merged in 2021 with XacBank.

## Foreign funds

To fulfill the long-term financing requirements of its customers, XacBank proactively collaborates with foreign funds and international financial institutions (IFIs). In 2023, a total of USD 205.5 million in new debt was raised including USD 130 million sourced from a long-term senior debt agreement signed with the International Finance Corporation (IFC) and the Netherlands Development Finance Company (FMO) in 2022. Remaining USD 75.5 million was sourced from new funding deals initiated in 2023.

### Foreign funds

In USD millions



\* XacLeasing included for comparison purpose. XacLeasing merged in 2021 with XacBank.

### Lenders



## Credit rating

The Bank has been continuously rated by international credit rating agencies such as Moody's Investor Services and Fitch Ratings since 2008. In December 1st, 2023, Moody's Investors Services have reaffirmed the "B3/Stable" outlook of the Bank.

### MOODY'S

	XacBank	Mongolian Government
Counterparty Risk Rating – foreign currency	B3/NP	B3/NP
Counterparty Risk Rating – domestic currency	B2/NP	B3/NP
Bank Deposits	B3/NP	
Baseline Credit Assessment	B3	B3
Issuer Rating	B3	B3
Outlook	Stable	Stable

### FitchRatings

	XacBank	Mongolian Government
Long term foreign currency Issuer Default Rating	B/Stable	B/Stable
Short term foreign currency Issuer Default Rating	B	B
Long term local currency Issuer Default Rating	B/Stable	B/Stable

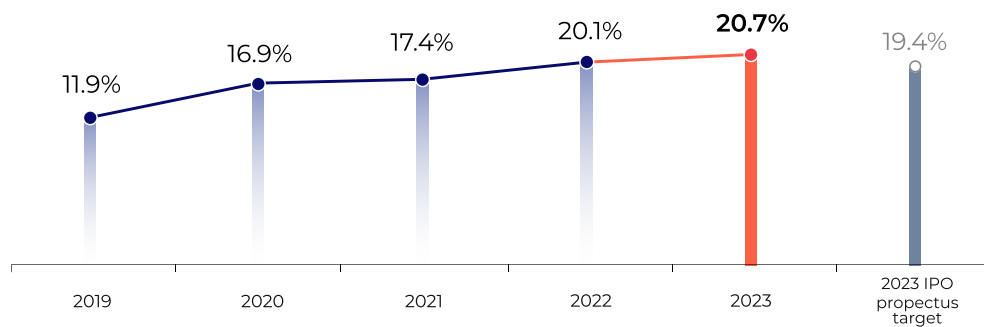
- Operational highlights
- Financial Results
- Prudential Requirements
- Written-off loan report
- Governance Information

## Prudentials: capital adequacy ratio

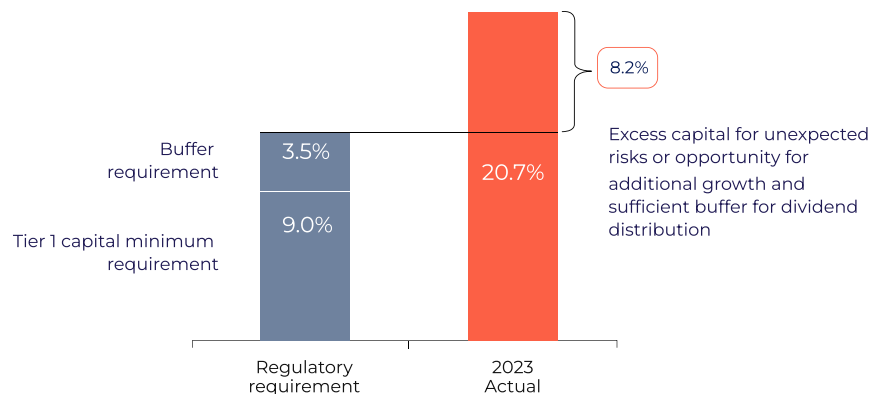
According to the regulations set by the Bank of Mongolia, the Tier 1 Capital ratio must meet a minimum threshold of 9%. Systemic banks are required to maintain a buffer on top of this minimum requirement, up to 3%-4%. As of the year-end in 2023, XacBank's Tier 1 Capital Ratio stands at 20.7%, exceeding the prudential requirement of the Bank of Mongolia by a margin of 8.2%. This capital position indicates the Bank's strong financial health and capacity to absorb potential risks in the banking environment.

### Tier 1 capital ratio

Minimum threshold for XacBank >12.5%



### Tier 1 capital ratio



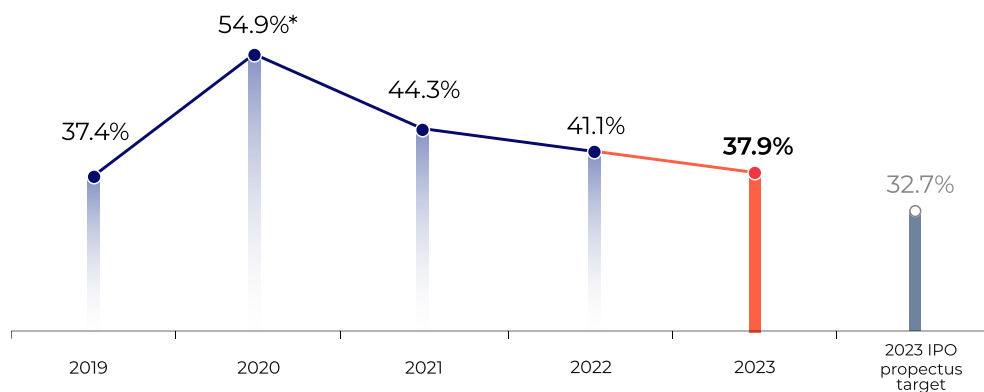
\* XacLeasing included for comparison purpose. XacLeasing merged in 2021 with XacBank.

## Prudentials: liquidity ratio

The Bank of Mongolia mandates that commercial banks maintain a minimum liquidity ratio of 25%. To effectively manage liquidity, the Bank allocates liquid assets into cash, cash equivalents, and low-risk instruments. This approach ensures that XacBank not only complies with regulatory requirements but also maintains a prudent and secure liquidity position.

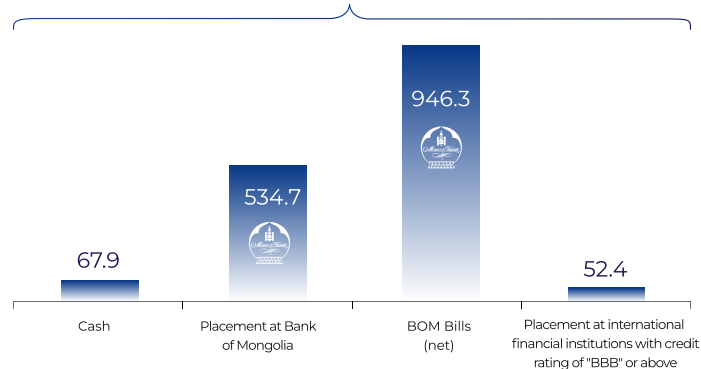
### Liquidity ratio

Minimum threshold >25.0%



### Liquid assets

MNT 1,601.3 billion



\* In 2020 liquidity ratio was maintained at elevated level in order to mitigate potential impact from COVID-19 by reducing the gross loan portfolio and increasing cash or cash equivalent assets.



## Prudentials: concentration limits

In Percent, unless otherwise specified	2020	2021	2022	2023
Foreign currency exposure ratio (single currency) +/- 15%	-1.8%	-1.1%	6.2%	-1.3%
Foreign currency exposure ratio (total) +/- 30%	-4.2%	-2.2%	6.9%	-1.4%
Credit concentration ratio <300%	77.2%	72.8%	66.6%	38.6%
Fixed asset to total assets ratio <8%	2.5%	1.7%	1.7%	1.3%
Deposit concentration ratio <25%	7.0%	7.1%	7.7%	7.8%

In Percent, unless otherwise specified	2020	2021	2022	2023
Loans to bank related party and employees and other assets equivalent to the loan (less than 5% of capital)				
Bank shareholders	0.0%	0.0%	0.0%	0.8%
Key management personnel	0.2%	0.1%	0.1%	0.1%
Other related parties	1.8%	1.8%	1.6%	3.2%
Total loans to bank related parties and employees and other assets equivalent to the loan (less than 20% of capital)				
Bank shareholders	0.0%	0.0%	0.0%	0.8%
Key management personnel	0.5%	0.4%	0.3%	0.3%
Other related parties	3.6%	4.5%	3.8%	3.2%

- Operational highlights
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## Written-off loans

In November 2023, the Board of Directors made the decision to write-off the loans according to the Credit Policy. All write-offs were complied with requirements to write-off a loan as stated in Bank of Mongolia's Regulation on Asset Classification and Provisioning. The write-off does not impair the collection. The legal processes and collections are in-progress for the write-offs.

### Write-offs by Loan Product

Product	Amount MNT million	# of loans
MSME	2,885	30
Housing loan	138	3
Consumer loan	745	136
Finance lease	226	3
<b>Total</b>	<b>3,994</b>	<b>172</b>

### Write-offs by Reason

Product	Amount MNT million	# of loans
The borrower failed to repay the loan within 180 days since court decision	3,232	45
Court execution process was suspended by the court	105	1
Recovery prospect was deemed to be low by the Bank	657	126
<b>Total</b>	<b>3,994</b>	<b>172</b>

- Operational highlights
- Financial Results
- Prudential Requirements
- Written-off loan report

Governance Information

# GOVERNANCE REPORT OF XACBANK JSC

## (OPERATIONAL REPORT OF BOARD OF DIRECTORS)

- 1 General
- 2 Management and structure of the bank
  - 2.1 Shareholders' meeting
  - 2.2 Shareholders' structure
  - 2.3 The board of directors (the "board")
    - 2.3.1 Board leadership
    - 2.3.2 Board meeting[s]
    - 2.3.3 Composition of the board
    - 2.3.4 The chairman and directors of the board
    - 2.3.5 Selection of board members
    - 2.3.6 Evaluation of the board of directors' performance
    - 2.3.7 Training of board directors
    - 2.3.8 Directors' remuneration
  - 2.4 The committees under the board
    - 2.4.1 The governance, nomination and compensation committee ("gncc") of the board
    - 2.4.2 Risk management committee of the board (the "brmc")
    - 2.4.3 The audit committee of the board (the "bac")
- 3 Chief executive officer
  - 3.1 Work performance evaluation of chief executive officer
- 4 The code of conduct, conflict of interest and disclosure
- 5 Conflict of interest transaction
- 6 Internal audit
- 7 Dividend information
- 8 Relationships with the bank's stakeholders
- 9 Information transparency

## 1. GENERAL

For XacBank, 2023 was a year of a series of governance events and changes. In 2023, XacBank undertook various changes within its governance structure in connection with raising capital from the public, and continued to implement the principles of good governance that have been an integral part of XacBank's history in its operations.

During this transition period, we focused on improving our relationship with minority shareholders to fully adapt to the new regulatory environment and to create an open and friendly relationship with our stakeholders. We end this year with the promise of greater success in this direction.

During the reporting period, the first extraordinary general meeting of the shareholders (the "EGM") of XacBank was convened on September 15, 2023, in the Diamond meeting room on the 3rd floor of the Blue Sky Hotel, following XacBank's reorganization into a joint-stock company. The meeting was organized in a hybrid format, both in-person and virtual. The EGM achieved a quorum with 95.55% attendance and the agenda items, which included setting the paid-in share capital of XacBank at MNT 105,270,000,000 (one hundred and five billion two hundred and seventy million), as well as the Charter of XacBank JSC, were approved.

XacBank welcomes the adjustments associated with its reorganization into an open joint-stock company and is actively striving to uphold high standards of transparency.

## 2. MANAGEMENT AND STRUCTURE OF THE BANK

The meeting of the shareholders is the supreme authority for the governance of the Bank.

The Board of Directors (the "Board"), duly elected by the shareholders, serves as the governing body of the Bank and makes decisions on matters falling outside of the shareholders' authority between shareholders' meetings. The Board is responsible for the strategic management by developing strategies and policies of the Bank, as well as approving plans aimed at securing the financial and human resources essential for realizing these objectives. Furthermore, the Bank oversees the operations to ensure they are conducted for the benefit of all related parties within the parameters of applicable laws, internal regulations, approved plans, and budgets, and establishes an effective internal control system to identify, assess, and manage risks appropriately.

The Board establishes standing committees to fulfill its responsibilities and facilitate efficient operations. These committees provide recommendations and opinions on matters deliberated by the Board, aligning with their designated functions. They also possess the authority delegated by the Board to make decisions on specific issues within their purview. Additionally, ad hoc committees are established to address pressing or unique matters as they arise.

The daily operations of the Bank are overseen by the CEO, appointed by the Board. The CEO serves as the Bank's representative and is accountable for providing regular updates and reports to both shareholders and the Board.

### 2.1. SHAREHOLDERS' MEETING

The supreme authority for the governance of the Bank shall be the Shareholders' meeting. The quorum for Shareholders' meeting shall be the presence in person or by proxy of the Shareholders holding equal to or more than a Simple Majority of the total issued and outstanding Shares of the Bank at the Record Date. The Shareholders' meeting shall be either a regular or extraordinary Shareholders' meeting.

The matters that are subject to the Shareholders' meeting, which are set forth in Article 29.2 of the Banking Law and Article 62.1 of the Company Law, and strategic matters set forth in Clause 8.6 of the Bank Charter, such as, but not limited to, redemption of Shares consisting more than 5 (five) percent of the total Shares, distribution of dividends and investment in a new business for the amount exceeding 2 (two) percent of the total equity of the Bank, shall be approved at the Shareholders' meeting.

## 2.2. SHAREHOLDERS' STRUCTURE

In the second quarter of 2023, XacBank raised 5.01% of its total announced common shares, equivalent to 52,700,000 (fifty-two million seven hundred thousand) common shares, by offering them to the public, resulting in a change in the share capital to MNT 105,270,000,000 (one hundred and five billion two hundred and seventy million). Consequently, due to the reorganization of XacBank into an open joint-stock company, the structure of XacBank's shareholders has changed. Currently, 5.01% of the total announced and issued shares are owned by the public, while the remaining share, accounting for 94.99%, is owned by the holding company, TenGer Financial Group LLC ("TFG").

TFG has a total of 10 shareholders, comprising international financial institutions, well-known domestic and foreign companies, investment funds, and individuals.

*Shareholder structure of XacBank as of December 31, 2023:*

#	Shareholders	Shares	Stake	#	Shareholders	Stake
1	<b>TenGer Financial Group LLC (TFG)</b>	<b>1,000,000,000</b>	<b>94.99%</b>	1	MAK Invest Kft	19.37%
				2	International Finance Corporation (IFC)	16.63%
				3	ORIX Corporation	
				4	European Bank for Reconstruction and Development (EBRD)	16.28%
				5	National Bank of Canada (NBC)	12.50%
				6	Ronoc Partners Kft	10.18%
				7	Mongolia Financial Services Pte Ltd	9.83%
				8	Triodos Fair Share Fund	6.42%
				9	Boldoo Magvan	
				10	Ganbold Chuluun	3.61%
						0.10%
						0.09%
2	<b>Public</b>	<b>52,700,000</b>	<b>5.01%</b>			
<b>Total</b>		<b>1,052,700,000</b>	<b>100%</b>			

*Mapping of shareholder structure*





## 2.3. THE BOARD OF DIRECTORS (THE “BOARD”)

The Board of Directors operates in accordance with the Bank's Charter and the internal procedures of the Board of Directors. The primary method of operation for the Board of Directors is through Board meetings, during which decisions are confirmed by resolution. It is regulated that during the intervals between regular Board meetings, the activities of the Board may be conducted online or through other means of communication, and decisions are made through voting.

- Apart from regular meetings of the board of directors, gatherings are arranged and convened using communication tools such as Zoom.
- Informative online sessions are arranged for the Board of Directors during intervals between regular meetings, according to the schedule, where the Executive Management provides updates on current issues.

### 2.3.1. BOARD LEADERSHIP

The Board has approved a total of 22 new and amended rules, regulations, policies, and governance codes, aligning with the applicable regulations for joint-stock companies as specified in the Company Law, regulations of the Financial Regulatory Commission, and the stipulations of the Corporate Governance Code.

#### **Newly adopted:**

1. Corporate Governance Code;
2. Procedural Policy for Organizing/Holding General Meetings of Shareholders;
3. Directors' Remuneration Payment and Travel Reimbursement Policy;
4. Procedure on Preventing Money Laundering and Terrorism Financing;
5. Information Disclosure Policy;
6. Know Your Customer Policy;
7. Code of Conduct and Conflict of Interest Policy for Directors and Employees;
8. Insider Trading Policy;
9. Conflict of Interest and Related Party Transaction Policy;
10. Governance Roadmap 2023-2026;
11. Anti-Bribery and Anti-Corruption Policy;
12. Dividend Policy of XacBank.

#### **Amendment and restatement:**

1. Charter of XacBank JSC;
2. Internal Rules of Procedure of the Board of Directors
3. Charter of the Governance, Nomination and Compensation Committee of the Board of Directors;
4. Charter of the Audit Committee of the Board of Directors;
5. Employee Loan Policy;
6. Internal Audit Charter of the Bank;
7. Internal Audit Policy of the Bank;
8. Whistleblowing Policy;
9. Board Director Selection and Nomination Policy
10. Anti-Bribery and Anti-Corruption Policy.

The Board amended and restated the Dividend Policy to allow for semi-annual dividend distribution to shareholders, with these changes being approved at the Shareholders' meeting.



## 2.3.2. BOARD MEETINGS

In 2023, the Board convened a total of 13 meetings, including 5 regular meetings, during which they passed a total of 84 resolutions. At each of the regular meetings, the Board received updates on the measures implemented in accordance with the decisions and recommendations adopted at its previous meeting.

*Attendance at the Board meeting:*

#	Members of the Board	Attendance (in percent)
1	Sanjay Gupta, Chairman	100%
2	Albertus Bruggink, Non-Executive Director	100%
3	Andrzej Witak, Non-Executive Director	100%
4	Tsevegjav Gumenjav, Executive Director/CEO	100%
5	Yves Jacquot, Non-Executive Director	69%
6	Michael Madden, Non-Executive Director	100%
7	Niraj Vedwa, Independent Non-Executive Director	100%
8	Suzannah Herring Carr, Non-Executive Director	84.6%
9	Ulambayar Bayansan, Independent Non-Executive Director	100%
10	Tselmuun Nyamtaishir, Non-Executive Director	92.3%
11	Amy Choi, Independent Non-Executive Director	87.5%

The executive management team of the Bank attends all regular meetings of the Board, Board Committee's meetings, and other relevant gatherings as necessary. They provide essential information and explanations regarding the Bank's business, finance, accounting, compliance, governance, and other operational aspects when required.

In addition to formal communication and reporting during Board meetings, Board members have the opportunity to schedule one-on-one meetings with members of the Bank's executive management team. By arrangement with the CEO, during these regular meetings, the Board can request, receive, and discuss specific information without disrupting the Bank's daily operations. These practices ensure open discussion and the exchange of knowledge between the management team and the Board.

## 2.3.3. COMPOSITION OF THE BOARD

The Board engages in discussions with each member to ensure effective operation, reaching conclusions based on a comprehensive view of the situation, and making rational decisions accordingly. The structure and number of the Board, their abilities, specialized experience, representation of the Executive Management, and the participation of Independent Director are all considered to make optimal decisions.

According to the Bank's Charter, the Board consists of 12 Directors. As of December 31, 2023, there are a total of 11 Directors, comprising 1 Chairman of the Board, 1 Director representing the Executive Management, 6 Directors nominated by Shareholders, and 3 independent Directors.

During the reporting period, 1 Independent Director requested to resign, resulting in 1 Independent Director vacancy. In this regard, the Board Governance, Nomination and Compensation Committee (“GNCC”) has carried out an open selection process from July 2023. Subsequently, candidates are being presented and elected by Shareholders at the 2024 Annual General Meeting (the “AGM”) of XacBank Shareholders.

The Board comprises Directors with diverse experience and skills in the banking industry.

*As of 31 December, 2023*

#	Name	Position	Representation
1	Sanjay Gupta	Chairman	-
2	Albertus Bruggink	Non-Executive Director	ORIX Corporation
3	Amy Choi	Independent Non-Executive Director	Independent
4	Andrzej Witak	Non-Executive Director	EBRD
5	Michael Madden	Non-Executive Director	Ronoc Partners Kft
6	Niraj Vedwa	Independent Non-Executive Director	Independent
7	Suzannah Herring Carr	Non-Executive Director	IFC
8	Tselmuun Nyamtaishir	Non-Executive Director	MAK Invest Kft
9	Tsevegjav Gumenjav	Executive Director/CEO	As per the Bank’s Charter
10	Ulambayar Bayansan	Independent Non-Executive Director	Independent
11	Yves Jacquot	Non-Executive Director	NBC

## 2.3.4 THE CHAIRMAN AND DIRECTORS OF THE BOARD

### **1-Sanjay Gupta, Chairman**

Mr. Sanjay Gupta has been serving as the Chairman of the Board of Directors of XacBank since March 2019, having joined the XacBank Board in March 2017. He holds a Bachelor of Science degree in Physics from St. Stephen’s College, University of Delhi, and a Master of Business Administration degree from the Faculty of Management Studies, University of Delhi. Mr. Sanjay Gupta’s professional journey includes a tenure at Bank of America spanning from 1981 to 2001 across India, the UK, and Hong Kong. During this period, he held several key positions, including Head of Corporate Bank, Head of Corporate Finance, and Head of Financial Institutions Group for India. He also served as Managing Director, overseeing Risk Management for Europe, the Middle-East, and Africa (EMEA), Managing Director of the Structured Credit Group for EMEA, and Managing Director of the Investment Banking Group for Asia. From 2001 to 2005, Mr. Sanjay Gupta assumed the role of Head of Corporate Origination for the Asia Pacific at Credit Lyonnais. Subsequently, he worked with the Credit Agricole Group from 2006 to 2015, holding various positions such as Co-Head of Structured Finance for Asia and Asia Head of the Global Energy Group.

### **2-Tsevegjav Gumenjav, Executive Director/CEO**

Mr. Tsevegjav. G has been serving as the Chief Executive Officer of XacBank and a member of the Board of Directors since May 2019. He has held numerous senior management positions within Tenger Financial Group and XacBank since 2011, including roles as President of XacBank, Chief Retail Banking Officer of XacBank, CEO of XacLeasing, Chairman of the Board of Directors of Tenger Insurance, and Chief Financial Officer of XacBank and TenGer Financial Group. Additionally, he has garnered experience working for several large companies in the United States. Mr. Tsevegjav. G holds an undergraduate degree from the University of Colorado, USA, and an MBA from Regis University, USA.

### **3-Albertus Bruggink, Non-Executive Director**

Mr. Albertus Bruggink has been serving on the Board of Directors of XacBank since June 2020, nominated by ORIX Corporation. With over 30 years of experience at Rabobank, one of the largest financial institutions in the Netherlands, he held the position of Finance and Risk Officer in the Executive Board from 2004 to 2016. Currently, Mr. Albertus Bruggink holds the role of Board Advisor at ORIX Corp and serves as a Board member for various organizations and companies in the Netherlands and other countries. Mr. Albertus Bruggink holds a Master's and Doctorate from Twente University, the Netherlands.

### **4-Andrzej Witak, Non-Executive Director**

Mr. Andrzej Witak has served on the Board of Directors of XacBank since February 2019, nominated by EBRD. With over 30 years of experience, he is a seasoned banker and finance professional, having maintained a long-term engagement with EBRD. Initially working in the Financial Institutions Team, Mr. Andrzej Witak later served as Resident Representative at the EBRD office in Uzbekistan and as Deputy Director in Ukraine. Throughout his career, he has held board member positions in various organizations across countries and territories including Poland, Mongolia, Russia, former Soviet Republics, and East Europe. Currently, Mr. Andrzej Witak operates as a self-employed consultant, specializing in advising on distressed assets and risky loan management, particularly on projects implemented by EBRD. Mr. Andrzej Witak holds a Master's degree in law from Silesia University, Poland.

### **5-Michael Madden, Non-Executive Director**

Mr. Michael Madden has been serving on the Board of Directors of XacBank since May 2009 based on the nomination by Ronoc Partners. He has thirty years of experience in Financial Services. His success has been built on inventive business intelligence, the ability to engage with international partners, and as a leader and consensus builder. Michael has significant knowledge of the payments industry, both cards and digital, the retail banking sector and as a business leader and entrepreneur in emerging markets. Michael is the Chairman, US Financial Advisory, and Vice Chair of Teneo, since 2011. In addition to his role with Teneo, he is the Managing Partner of Ronoc, an investment business he founded in 2008. He is the longest serving board director of XacBank and TFG, where his company Ronoc Partners Kft is a significant shareholder. In Myanmar, he is the founder and Chairman of OnGo, a market leading digital payments business. In 2003, he joined the Renaissance Capital Group as the founding CEO of Renaissance Credit. During his tenure, it grew to one of the largest consumer finance banks in Russia. Prior to that time Michael had a successful career with American Express, holding various positions in Ireland, then establishing the American Express Card business across Russia and finally in the UK as Vice President and Head of the EMEA franchise business.

### **6-Tselmuun Nyamtaishir, Non-Executive Director**

Ms. Tselmuun.N has served as a member of the Board of Directors of XacBank since August 2012, nominated by Mongolyn Alt (MAK) LLC. With extensive experience in the investment and business sectors, she currently holds the position of President/CEO at Mongolyn Alt (MAK) LLC. Ms. Tselmuun.N possesses in-depth knowledge and experience in the extractive industry, construction materials and processing, and airline industries. She holds an undergraduate degree in business administration from Valparaiso University, Indiana, USA, and has obtained certificates in financial engineering from Stanford University Hong Kong and Harvard Business School.

### **7-Yves Jaquot, Non-Executive Director**

Mr. Yves Jaquot was appointed as a Board member in 2016, nominated by the National Bank of Canada (NBC). He holds a diploma from ESSEC in France and has received a scholarship from the Wharton School for their Ph.D. in finance program. Throughout his entire professional career, Mr. Yves Jaquot has been dedicated to the banking sector, serving at various levels. He has held positions such as Deputy CEO, CEO, and Chairman in several banks and financial institutions, covering areas such as retail banking, financial markets, treasury activities, corporate banking, and asset management. Notably, Mr. Yves Jaquot has contributed his expertise to organizations such as the AXA Group and the Bred Bank Group. Currently, he serves as the First Vice President at NBC and holds the position of Chairman at ABA Bank, ATA IT, and NATCAN International.

#### **8 -Suzannah Herring Carr, Non-Executive Director**

Ms. Suzannah Herring Carr was nominated by IFC to serve as a member of the Board of Directors of XacBank in 2022. With over 30 years of experience in development banking, she has specialized knowledge of financial institutions and emerging markets. Her extensive expertise ranges from investment structuring, portfolio management, and credit policy to development impact measurement and corporate governance. Ms. Suzannah Herring Carr has served as a Board member of ProCredit Bank in the Republic of Serbia since 2018 and was a Board member of the Microfinance Enhancement Facility in Luxembourg from 2018 to 2019. Additionally, she has been a member of the Investment Committee of the Microfinance Enhancement Facility since 2020. Prior to these roles, Ms. Suzannah Herring Carr held various senior positions at IFC between 1996 and 2016, including Chief Investment Officer, Director of Business Planning and Administration, Head of Credit Policy and Pricing, and Head of Global Portfolio, Financial Markets. She graduated from Duke University with a B.A. in Economics.

#### **9-Niraj Vedwa, Independent Non-Executive Director**

Mr. Niraj Vedwa has been serving as an independent non executive director of the Board of Directors of XacBank since June 2018. With 36 years of experience in Banking Information Technology, he brings a wealth of expertise to his role. Previously, Mr. Niraj Vedwa held the position of Global Head-Banking and was a Member of the Management Board for Tech Mahindra, a company listed on the Indian stock exchange and ranked among the world's top 20 technology companies. His career also includes notable roles such as Member of the Management Board and Director for the Asia-Pacific region at Temenos AG Switzerland, the largest banking software company globally. Additionally, he served as the Chief Operating Officer of Nucleus Software, a leading global technology company specializing in lending software. In June 2019, Mr. Niraj Vedwa established an IT consulting company, Acceleric FZ LLE, in the UAE, where he currently serves as the Founder and CEO. Furthermore, he acts as an Executive Advisor to numerous global technology firms. Mr. Niraj Vedwa holds a graduate degree in Economics from Hindu College, Delhi University, and an MBA from IGNOU, India.

#### **10-Ulambayar Bayansan, Independent Non-Executive Director**

Mr. Ulambayar Bayansan serves as an independent non executive director of the Board of Directors of XacBank. Mr. Ulambayar Bayansan is an Advisor of Gobi Business Finance LLC. He worked as an investment banker at Lehman Brothers and Nomura Securities in Tokyo and, upon his return to Mongolia, for a number of investment funds such as Draper Capital and Composite Capital as a Mongolia director and advisor. He also shortly served as the CEO of a Mongolian conglomerate, Altai Holding. Prior to his investment banking career, Mr. Ulambayar Bayansan worked for Sony Corporation as an R&D engineer. Mr. Ulambayar Bayansan holds an MBA from the University of Chicago Booth School of Business, USA, and Master's and Bachelor's degrees in electronics engineering from the Tokyo Institute of Technology, Japan.

#### **11-Amy Choi, Independent Non-Executive Director**

Ms. Amy Choi has been serving as an Independent Director on the Board of XacBank since 2023. She embarked on her banking career in 1994 as a System Development Manager at CitiBank, Hong Kong, and held various positions over 26 years, ranging from branch manager to leadership roles such as Deputy Chief Executive, Vice President, and Executive Vice President responsible for retail banking. She has worked with esteemed financial institutions including Citibank Hong Kong, China Guangfa Bank, Ping An Bank, and others. Prior to her banking career, Amy spent 16 years in the IT industry, primarily with IBM Hong Kong, focusing on automation implementation for banking and insurance systems. Throughout her tenure, she spearheaded successful digital transformation initiatives in retail banking and implemented reforms in personal and direct banking across various channels. Ms. Amy Choi holds a Higher Diploma in Information System Analysis & Design from Hong Kong Polytechnic University, as well as a Master's degree of Science in Business Analysis and Design from City University of London, UK.

### **2.3.5 SELECTION OF BOARD MEMBERS**

With XacBank's transition to an open joint-stock company, the "Board Director Selection and Nomination Policy" was approved on 07 July 2023 and is now being implemented in its operations. To ensure the continuity of the Board activities, succession planning for Board members is reviewed annually. To formalize this process, the development and approval of the "Succession Policy of the Directors" is scheduled for development and approval by the second quarter of 2025.

Board members are elected for a 2-year term at the regular Shareholders' meeting and are eligible for re-election. At the end of the term, a member shall resign or be re-elected at the Shareholders' meeting. In case of a vacancy or other circumstances specified in the Charter, a Board member may be temporarily appointed by the Board, with the full rights and duties of a regular member of the Board of Directors.

The Governance, Nomination, and Compensation Committee of the Board of Directors is responsible for defining the Board's composition and requirements for the Board members, establishing selection procedures of the Board members, evaluating nominee suitability of the Board member, including independent members, as well as presenting recommendations to the Board of Directors.

In accordance with the applicable laws, the Bank of Mongolia assesses whether a nominee for the Board of Directors meets the required criteria based on the information provided by the Bank. The Chairman of the Board of Directors is elected from among its members during a Board meeting.

### **2.3.6 EVALUATION OF THE BOARD OF DIRECTORS' PERFORMANCE**

In accordance with the principles of good governance, the Board of Directors undergoes an annual performance evaluation that aims to assess its collective performance, pinpoint shortcomings, and take specific measures to enhance operations in order to improve governance and Board operations. Additionally, Board members evaluate each other based on predefined criteria.

Evaluating the activities and members of the Board of Directors is considered a good corporate governance practice and it presents an opportunity to strengthen the Board, identify its weaknesses, enhance capabilities, boost outcomes, and foster dialogue among members regarding its organizational structure. It also serves to enhance the Board's reputation among stakeholders and founders.

The Governance, Nomination, and Compensation Committee of XacBank presented a report on the performance, attendance, and engagement of the Board members, which also covered the outcomes of the Board of Directors' activities and performance, at the regular meetings of both the Board and the Shareholders, which were held in April 2023.

### **2.3.7 TRAINING OF BOARD DIRECTORS**

Candidates for the Board of directors are given priority in corporate governance training, which includes training on Mongolian corporate law and corporate governance specificities.

In addition, when a Board Director is appointed for the first time, he/she will receive: a) a set of materials to recognize the characteristics of XacBank, including documents such as the previous year's operational result, financial statements, and minutes of previous meetings; b) for their further proper conduct, the following documents will be provided: the Code of Conduct and Conflict of Interest Policy, the Governance Code of XacBank, XacBank JSC Charter, the Board Internal Rules of Procedure, and the Insider Trading Policy, along with other corporate governance documents approved by the Bank of Mongolia. All directors can invite any of the executive management through the CEO to discuss any aspect of the Bank's business provided that there is no interference with the Bank's day-to-day operations.

### **2.3.8 DIRECTORS' REMUNERATION**

The remuneration of Directors is determined by the Shareholders. The amount payable to a board director during the year shall be determined based on their attendance records of board, committee, and shareholders' meetings which they are required to attend. Remuneration is payable quarterly. In line with principles of good governance, the remuneration of an independent member of the Board of Directors is set to be no less than that of a Non-executive Director.

A Board member who does not hold a dual position in the Bank receives no other rewards or incentives except for the fee set by the shareholders and any increments associated with chairing a committee.

## 2.4. THE COMMITTEES UNDER THE BOARD

The Board of Directors of XacBank has 3 standing committees, each with specific responsibilities designated by the Board. These committees offer professional recommendations on particular issues and assist the Board in implementing its activities. The general provisions related to the committees' activities are governed by the internal rules of procedures of the Board, while issues specific to each committee are regulated by their respective rules. The Board of Directors comprises the following standing committees.

- i. Governance, Nomination and Compensation Committee (the “GNCC”)
- II. Audit Committee (the “BAC”)
- III. Risk Management Committee (the “BRMC”)

The committees of the Board of Directors shall comprise 5 (five) or more members, all of whom must be members of the Board of Directors.

A member of the Board of Directors may serve on more than one committee. According to the Banking Law of Mongolia, an independent director of the Board of Directors must serve on both the Risk Management and Audit Committees. However, the CEO, who is also a member of the Board of Directors, does not serve on any committees of the Board of Directors.

The primary mode of activity for the committees is through committee meetings, during which decisions are made in the form of recommendations to be presented to the Board of Directors. Regular committee meetings are typically scheduled for the day preceding the meeting of the Board of Directors.

In 2023, following XacBank's transition to an open joint-stock company, the composition of the permanent committees underwent changes, with the majority now comprised of independent directors.

### 2.4.1 THE GOVERNANCE, NOMINATION AND COMPENSATION COMMITTEE (“GNCC”) OF THE BOARD

#### 2.4.1.1 Activities and Responsibilities of the GNCC

The GNCC oversees corporate governance matters, including the establishment of principles and policies, ensuring transparent and stable operations of the bank that align with the interests of all stakeholders. It also designs a governance framework encompassing necessary structures and processes for effective monitoring and oversight.

The GNCC's Charter was newly approved during the Board of Directors meeting on July 7, 2023.

Please refer to the operating procedure of the GNCC at the following link to obtain information regarding the functions and activities of the committee: [<https://www.xacbank.mn/page/board-committees>]

#### 2.4.1.2 Composition of the GNCC

The composition of the GNCC in 2023 was as follows:

1. Michael Madden, Chair
2. Tselmuun Nyamtaishir, Member
3. Ulambayar Bayansan, Member (ID)
4. Niraj Vedwa, Member (ID)
5. Amy Choi, Member (ID)

#### 2.4.1.3 Meetings and Attendance of the GNCC

During the reporting period, the GNCC held 11 meetings and provided relevant recommendations to the Board. GNCC meetings were held frequently during the reporting period due to the extensive selection process for candidates for independent Director positions, which involved multi-stage interviews.

## Attendance of the GNCC

#	Members of the GNCC <sup>1</sup>	Attendance (in percent)
1	Michael Madden, Chair	100%
2	Niraj Vedwa, Member (ID)	62.5%
3	Ulambayar Bayansan, Member (ID)	100%
4	Tselmuun Nyamtaishir, Member	72.7%
5	Amy Choi, Member (ID)	100%

## 2.4.2 RISK MANAGEMENT COMMITTEE OF THE BOARD (THE “BRMC”)

### 2.4.2.1 Activities and Responsibilities of the BRMC

The BRMC is tasked with establishing an appropriate internal control system for risk management and providing recommendations to the Board of Directors on risk-related matters. Its fundamental responsibilities include formulating risk management policies, devising plans to mitigate significant risks in each business line, assessing the effectiveness of the risk management function, setting risk-taking limits, ensuring the quality of the loan portfolio, and overseeing the authorization and closure of loans from the fund.

Please refer to the operating procedure of the BRMC at the following link to obtain information regarding the functions and activities of the committee: [<https://www.xacbank.mn/page/board-committees>]

### 2.4.2.2 Composition of the BRMC

The composition of the GNCC in 2023 was as follows:

1. Yves Jacquot, Chair
2. Albertus Bruggink, Member
3. Ulambayar Bayansan, Member (ID)
4. Niraj Vedwa, Member (ID)
5. Amy Choi, Member (ID)

### 2.4.2.3 Meetings and Attendance of the BRMC

During the reporting period, the GNCC held 4 meetings and provided relevant recommendations to the Board.

#	Members of the BRMC <sup>2</sup>	Attendance (in percent)
1	Yves Jacquot, Chair	50%
2	Albertus Bruggink, Member	100%
3	Ulambayar Bayansan, Member (ID)	100%
4	Niraj Vedwa, Member (ID)	100%
5	Amy Choi, Member (ID)	100%

<sup>1</sup> This information includes the attendance records of current members.

<sup>2</sup> This information includes the attendance records of current members.



## 2.4.3 THE AUDIT COMMITTEE OF THE BOARD (THE “BAC”)

### 2.4.3.1 Activities and Responsibilities of the BAC

The Audit Committee is tasked with overseeing the integrity, appropriateness, and effectiveness of the internal control system. Its responsibilities include appointing, re-appointing, or dismissing the external auditor, evaluating the performance of the internal audit department, ensuring compliance with financial reporting requirements and regulations, reviewing audited and unaudited annual and semi-annual financial statements, scrutinizing unusual transactions, monitoring changes in legislation affecting financial statements, and exercising primary responsibility for impact control. Additionally, the Audit Committee appoints the Chief Auditor and evaluates his/her performance. The charter of the Audit Committee was newly approved during the regular meeting of the Board of Directors on July 7, 2023.

Please refer to the operating procedure of the BAC at the following link to obtain information regarding the functions and activities of the committee: [<https://www.xacbank.mn/page/board-committees>]

### 2.4.3.2 Composition of the BRMC

1. Ulambayar Bayansan, Chair (ID)
2. Niraj Vedwa, Member (ID)
3. Amy Choi, Member (ID)
4. Andrzej Witak. Member
5. Suzannah Herring Carr, Member

### 2.4.3.3 Meetings and Attendance of the BAC

During the reporting period, the GNCC held 5 meetings and provided relevant recommendations to the Board.

#	Members of the BAC <sup>3</sup>	Attendance (in percent)
1	Ulambayar Bayansan, Chair (ID)	100%
2	Niraj Vedwa, Member (ID)	100%
3	Amy Choi, Member (ID)	100%
4	Andrzej Witak. Member	100%
5	Suzannah Herring Carr, Member	100%

<sup>3</sup>This information includes the attendance records of current members.

## 3. CHIEF EXECUTIVE OFFICER

Tsevegjav Gumenjav has been working as the Chief Executive Director of XacBank since May 2019. In this role, the CEO oversees the bank's daily operations, implements the strategies, goals, and policies approved by the Board of Directors, and leads the development and improvement of strategic and business plans, as well as organizational structures, internal rules of operations, and risk and control systems.



### 3.1. WORK PERFORMANCE EVALUATION OF CHIEF EXECUTIVE OFFICER

The Board of Directors annually evaluates the Chief Executive Officer's performance, considering the terms of the CEO's contract and recommendations from the Governance, Nomination, and Compensation Committee. This evaluation serves as the basis for determining the CEO's compensation.

At its regular meeting held in March 2024, the Board of Directors reviewed the CEO's performance in 2023, and a bonus was paid to the CEO based on criteria such as net profit, equity, and other performance criteria.

### 4. THE CODE OF CONDUCT, CONFLICT OF INTEREST AND DISCLOSURE

In 2023, XacBank approved the "Code of Conduct and Conflict of Interest Policy for Directors and Employees " to ensure the conduct of legal and ethical business activities, uphold the highest standards of internal ethical behavior, and promote a moral culture based on ethics, which is currently being implemented in its operations.

All members of the Board and the executive management promptly disclose any changes in their related parties' information and semiannually prepares disclosure letter, facilitating the identification of potential conflicts of interest beforehand. Furthermore, members of the Board declare any conflict of interest both at the onset and during the course of board meetings. If such a conflict arises, the concerned member abstains from voting on relevant matters, as per the Company Law.

On July 7, 2023, XacBank approved the "Conflict of Interest and Related Party Transaction Policy," ensuring that transactions do not entail preferential terms compared to those offered to other parties within the bank's regular operations.

Following its reorganization into an open-joint stock company, XacBank has been disclosing its information regarding conflict of interest and related party transactions to the public through the bank's and the Mongolian Stock Exchange's website, pursuant to Article 56.2.4 of the Securities Market Law.

### 5. CONFLICT OF INTEREST TRANSACTION

In 2023, the Board of Directors (the "Board") approved a total of 27 conflicts of interest and related party transactions. This approval was conducted in accordance with the requirements outlined in Clause 17.9 of the Banking Law, which stipulates that transactions should not entail preferential terms compared to those offered to other parties within the bank's regular operations.

*The list of conflicts of interest and related party transactions approved during the reporting period:*

#	Relationship	Amount of the deal (MNT)
1	An authorized officer of the bank	244,179,750
2	An authorized officer of the bank	50,000,000
3	An authorized officer of the banking group	147,000,000
4	An authorized officer of the banking group	1,200,000
5	A related party of a shareholder of the banking group	50,000,000
6	A related party of an authorized officer of the bank	3,600,000
7	A related party of the banking group	50,000,000
8	A related party of the banking group	50,000,000
9	A company invested in by a shareholder of the banking group	7,000,000,000

#	Relationship	Amount of the deal (MNT)
10	A related party of an authorized officer of the bank	100,000,000
11	A related party of a shareholder of the banking group	50,000,000
12	A related party of an authorized officer of the bank	608,646.96
13	A related party of an authorized officer of the bank	429,084.02
14	A related party of an authorized officer of the bank	655,112.16
15	A related party of an authorized officer of the bank	591,127.27
16	An authorized officer of a company invested by a shareholder of the banking group	5,000,000
17	An authorized officer of a company invested by a shareholder of the banking group	3,000,000
18	A related party of an authorized officer of the bank	90,000,000
19	A related party of a shareholder of the banking group	50,000,000
20	A related party of an authorized officer of the bank	20,000,000
21	A related party of an authorized officer of the bank	500,000
22	A related party of an authorized officer of the bank	50,000,000
23	A related party of an authorized officer of the bank	20,000,000
24	A related party of an authorized officer of the bank	500,000
25	A related party of an authorized officer of the bank	100,000,000
26	A related party of an authorized officer of the bank	180,000,000
27	An authorized officer of the bank	417,300,000

During the reporting period, no major transactions were approved.

## 6. INTERNAL AUDIT

The Board of Directors supervises whether the Bank's financial statements are accurately prepared and comply with the relevant laws and regulations, the requirements of banking regulatory bodies, and the applicable accounting standards. The management of the bank is responsible for providing information and explanations to the Board of Directors regarding the financial statements proposed for approval, enabling the Board of Directors to make a reasonable assessment and decision.

The Board of Directors is responsible for selecting and appointing an external auditor and changing after a certain period of time. In 2023, Ernst Young performed the audit as an external auditor.

The Audit Committee under the Board of Directors has the following functions and meets quarterly to make recommendations to the Board of Directors and the executive management team on the necessary issues.

- Monitor compliance of financial statements and financial indicators with international financial reporting standards and other legal acts;
- Focus on the effectiveness of the Bank's internal control system, assess and evaluate it, give guidance on managing the Bank's risk management system and key risks;
- Ensure the independence of internal audit, approve and manage the budget, monitor performance, discuss internal audit reports, select, appoint and withdraw the Director of Audit, set salaries and incentives; and
- Select and release an independent audit organization, evaluate performance and submit relevant proposals to the Board of Directors.

The internal audit evaluates the effectiveness of the bank's internal control and Risk Management System, prepares and submits recommendations for improving of internal control to the auditor, monitors the follow-up of the recommendations, and contributes to the improvement of the bank's performance by reporting the results.

The Internal Audit Department acts as the third line of defense in the Bank's risk management system and follows the International Professional Practice Framework and code of conduct issued by the Institute of Internal Auditors.

## **7. DIVIDEND INFORMATION**

Before issuing shares to the public, XacBank distributed a dividend of MNT 30 billion from the net profit of the 2022 financial year to its shareholders pursuant to their decision made on April 27, 2023.

Subsequently, a dividend of MNT 15.5 billion was announced from XacBank's net profit for the first half of 2023, and this decision was finally approved at the shareholders' meeting on February 2, 2024. Consequently, on February 9, 2024, it was deposited into the accounts of the shareholders at the Mongolian Central Securities Depository, and distribution was completed.

The Board amended and restated the Dividend Policy to allow for semi-annual dividend distribution to shareholders, with these changes being approved at the Shareholders' meeting.

## **8. RELATIONSHIPS WITH THE BANK'S STAKEHOLDERS**

On November 30, 2023, XacBank newly approved the "Policy on Direct Communication with Shareholders" to manage communication with shareholders through a designated phone number and email address in an accurate, uniform, and legal manner.

XacBank regularly disseminates information to stakeholders through its website, [xacbank.mn](http://xacbank.mn), and engages with stakeholders through its comments and complaints section.

## **9. INFORMATION TRANSPARENCY**

To transparently report and inform shareholders and authorized organizations about the bank's information in accordance with relevant legislation requirements, the "Information Disclosure Policy" was newly approved and implemented on July 7, 2023. The Board of Directors is actively monitoring its implementation.





## BOARD OF DIRECTORS RESOLUTION



Date: 07 March, 2024

No. R-2024-12

Ulaanbaatar

### Approval of the Annual Operational Report for 2023

In accordance with Article 76.1.11 of the Company Law and pursuant to the discussions and decisions made at its regular meeting held on 06-07 March 2024, the Board of Directors (the "Board") of XacBank JSC (the "Bank") hereby adopts the following resolutions:

#### IT IS NOTED THAT:

1. **WHEREAS**, the management of the Bank has prepared the Annual Operational Report for 2023 (the "Annual Operational Report 2023"), which details the Bank's operational performance during the said period as attached to this Resolution; and
2. **WHEREAS**, the Board has reviewed and discussed the Annual Operational Report 2023 and the Board is satisfied that the Annual Operational Report provides true and fair overview of the Bank's operational performance (the "Board Review").

#### NOW THEREFORE BE IT RESOLVED THAT:

1. The Annual Operational Report 2023 of the Bank as attached to this Resolution, inclusive of the Board Review stated above, is hereby approved for submission to the shareholders of the Bank.
2. Tsevegjav Gumenjav, the Chief Executive Officer, is hereby authorized and directed to take all necessary actions to ensure the compliance of this resolution, including the distribution of the Annual Operational Report 2023 to the shareholders, and to prepare and present the same for adoption and approval at the Bank's upcoming Annual General Meeting.

CHAIRMAN OF THE  
BOARD OF DIRECTORS



SANJAY GUPTA

GENERAL COUNSEL,  
CORPORATE SECRETARY

N.MUNKHTSELMEG





## **Decision item No.2:**

Approval of the Board Review of the  
Audited Financial Statements of XacBank for 2023



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## REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY OF FINANCIAL STATEMENTS

### To the shareholders of XacBank JSC

#### Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2023 and the summary statement of profit or loss and other comprehensive income for the year then ended are derived from the audited financial statements of XacBank JSC ("the Bank") for the year ended 31 December 2023.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, on the basis described in the Note "Basis for preparation".

#### Summary financial statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards ("IFRSs"). Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

#### The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 15 March 2024. That report also includes:

- The communication of a key audit matter. Key audit matter is the matter that, in our professional judgment, were of most significance in our audit of the financial statements of the current year which is "Allowance for loan losses".

#### Management's responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with the basis described in the Note "Basis of preparation".

#### Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing ("ISA") 810 (Revised), *Engagements to Report on Summary Financial Statements*.

*Ernst & Young Mongolia Audit LLC*

ERNST & YOUNG MONGOLIA AUDIT LLC  
Certified Public Accountants

Signed by

  
Khabytkhairat Bulanbal  
Director

Ulaanbaatar, Mongolia  
Date: 15 March 2024

Approved by

  
Adrian Chu  
Partner

**XacBank JSC**  
**Summary statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2023**

	2023 MNT'000	2022 MNT'000
Interest and similar income from financial assets at AC	526,401,210	362,440,045
Interest and similar income from financial instruments at FVTPL	12,159,064	14,218,509
Interest and similar expense	(278,569,871)	(156,331,816)
<b>Net interest income</b>	<b>259,990,403</b>	<b>220,326,738</b>
Fees and commission income	36,904,130	30,701,660
Fees and commission expenses	(13,509,402)	(11,288,762)
<b>Net fees and commission income</b>	<b>23,394,728</b>	<b>19,412,898</b>
Net trading income	13,612,534	16,983,711
Net income from other financial instruments at FVTPL	5,376,193	3,349,898
Net other operating income	4,777,551	3,597,709
<b>Total operating income</b>	<b>307,151,409</b>	<b>263,670,954</b>
Net credit loss reversal/(expense)	8,118,712	(9,153,357)
<b>Net operating income</b>	<b>315,270,121</b>	<b>254,517,597</b>
Operating expenses	(125,711,392)	(109,334,959)
Amortisation of deferred grants	1,129,888	1,506,637
<b>Profit before tax</b>	<b>190,688,617</b>	<b>146,689,275</b>
Income tax expense	(48,629,972)	(40,850,689)
<b>Profit for the year</b>	<b>142,058,645</b>	<b>105,838,586</b>
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Movement in investment revaluation reserve, net of tax	277,438	854,230
<b>Other comprehensive income for the year, net of tax</b>	<b>277,438</b>	<b>854,230</b>
<b>Total comprehensive income for the year</b>	<b>142,336,083</b>	<b>106,692,816</b>
<b>Earnings per share (MNT):</b>		
Basic earnings per share	138.05	105.84
Diluted earnings per share	138.05	105.84

Approved for issue and signed as authorised by Board of Directors on 15 March 2024.

**TSEVEGJAV GUMENJAV**  
 (Chief Executive Officer)

**ERDENEBAIYAR GANZORIG**  
 (Chief Financial Officer)

**Note "Basis of preparation".** These summary financial statements of the Bank have been prepared by extraction, without any modification, of the statement of financial position, and the statement of profit or loss and comprehensive income from the audited financial statements of the Bank prepared in accordance with IFRSs.



**XacBank JSC**  
**Summary statement of financial position**  
**As at 31 December 2023**

	2023 MNT'000	2022 MNT'000
<b>ASSETS</b>		
Cash and balances with BoM	358,359,279	431,341,650
Mandatory cash balances with BoM	239,378,375	255,682,837
Financial instruments at FVTPL		
Derivative financial instruments	56,800,918	107,798,730
Financial instruments	110,309,146	83,897,165
Loans and advances to customers	93,116,520	102,764,818
Financial assets at FVTOCI		
Equity instruments	5,052,206	4,682,289
Financial assets at amortised cost		
Due from banks	393,769,064	282,232,458
Reverse repurchase agreements	99,740,669	—
Debt instruments	960,070,624	596,387,687
Loans and advances to customers	2,627,234,410	1,900,052,627
Other assets	71,277,148	71,527,286
Properties held for sale	1,387,250	2,063,167
Property, equipment and right-of-use assets	75,388,849	68,221,257
Intangible assets	18,667,114	18,895,588
Deferred tax assets	8,870,069	5,232,744
<b>TOTAL ASSETS</b>	<b>5,119,421,641</b>	<b>3,930,780,303</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Financial instruments at FVTPL		
Derivative financial instruments	14,332,115	1,639,595
Financial liabilities at amortised cost		
Repurchase agreements	149,611,113	—
Due to banks	36,937,419	51,866,980
Due to customers	2,876,117,299	2,438,619,569
Borrowed funds	1,238,768,595	857,363,227
Deferred grants	12,564,957	7,970,706
Lease liabilities	7,675,609	5,310,092
Other liabilities	131,592,516	68,482,406
Income tax payable	29,759,280	23,840,068
<b>TOTAL LIABILITIES</b>	<b>4,497,358,903</b>	<b>3,455,092,643</b>
<b>EQUITY</b>		
Ordinary shares	105,270,000	100,000,000
Share premium	30,586,768	1,817,773
Reserves	86,418,906	95,708,103
Retained earnings	399,787,064	278,161,784
<b>TOTAL EQUITY</b>	<b>622,062,738</b>	<b>475,687,660</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,119,421,641</b>	<b>3,930,780,303</b>

Approved for issue and signed as authorised by Board of Directors on 15 March 2024.

  
**TSEVEGJAV GUMENJAV**  
 (Chief Executive Officer)

  
**ERDENEBAYAR GANZORIG**  
 (Chief Financial Officer)

**Note "Basis of preparation".** These summary financial statements of the Bank have been prepared by extraction, without any modification, of the statement of financial position, and the statement of profit or loss and comprehensive income from the audited financial statements of the Bank prepared in accordance with IFRSs.

## BOARD OF DIRECTORS RESOLUTION



Date: 15 March, 2024

No. R-2024-19

Ulaanbaatar

### Approval of the Audited Financial Statements for 2023

In accordance with Article 76.1.11 of the Company Law and pursuant to the discussions of the Board of Directors (the "Board") of XacBank JSC (the "Bank"), the Board hereby adopts the following resolutions:

#### IT IS NOTED THAT:

1. **WHEREAS**, the financial statements of the Bank for the fiscal year ended 2023 has been prepared in accordance with IFRS and IAS and reviewed by Ernst and Young Mongolia Audit LLC (the "Audited Financial Statements 2023") and Ernst and Young Mongolia Audit LLC has issued an unqualified audit opinion on the financial statements;
2. **WHEREAS**, the Bank Audit Committee, after its deliberation at its meeting held on 06 March 2024, has recommended to the Board to approve the Audited Financial Statements 2023;
3. **WHEREAS**, the Board has reviewed and discussed the Audited Financial Statements 2023, including the auditor's report attached thereto; and
4. **WHEREAS**, the Board is satisfied that the Audited Financial Statements 2023 provides true and fair overview of the Bank's financial position, in accordance with IFRS and IAS (the "Board Review").

#### NOW THEREFORE BE IT RESOLVED THAT:

1. The Audited Financial Statements 2023 of the Bank as attached to this Resolution, inclusive of the Board Review above, is hereby approved for submission to the shareholders of the Bank.
2. Tsevegjav Gumenjav, the Chief Executive Officer, and Erdenebayar Ganzorig, the Chief Financial Officer, are hereby authorized to sign the Audited Financial Statements 2023 of the Bank.
3. Tsevegjav Gumenjav, the Chief Executive Officer, and Erdenebayar Ganzorig, the Chief Financial Officer, are hereby authorized and directed to take all necessary actions to ensure compliance of this resolution, including the distribution of the Audited Financial Statements to the shareholders, and to prepare and present the same for adoption and approval at the Bank's upcoming Annual General Meeting.

CHAIRMAN OF THE  
BOARD OF DIRECTORS

GENERAL COUNSEL,  
CORPORATE SECRETARY

SANJAY GUPTA

N.MUNKHTSELMEG

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## **Presentation:**

Independent Directors' Report

## INDEPENDENT DIRECTORS' REPORT BOARD OF DIRECTORS OF XACBANK



I am reporting on behalf of independent directors.

For 2023 financial year, the Bank has delivered extraordinary financial result. The net profit reached 142 billion tugriks, highest ever record. All key financial metrics exceed the forecast numbers provided by IPO Prospectus last year. Together with the excellent financial results, the management also maintained an industry-low NPL rate - 2.9% at year-end. The Bank successfully completed the IPO in 2023, marking very important milestone. We applaud the senior management and CEO for this

outstanding performance.

We also note that the Bank continues to invest in digital technology to provide greater customer experience and differentiated products to our customers. The board recently had a strategy session to discuss a medium-and-long term business plan with a prime purpose of continued growth on key KPI's.

The bank distributed a dividend of 15.5 billion tugriks from the net profit of first half of the year 2023, and the management is planning to propose to the shareholders' meeting to allocate 26.6 billion tugriks from the net profit of the year-end 2023 as dividends. Thus, XacBank is distributing a total of 42.1 billion tugriks for 2023, with ~30% payout ratio. This dividend is highest amount in the Bank's history, and the proposed amount is in line with IPO Prospectus. Independent directors believe the dividend amount is adequate and supported the proposal.

We, independent directors, continued to support of safeguarding good corporate governance at the bank. Regarding the board's composition, currently there are three independent directors. All independent directors are members of the board's three committees, constituting 2/3 of each committee. Ulambayar, myself, is the chairman of the audit committee since 2022. At this AGM, we hope to have total four independent directors as a result of shareholders' voting, which will fulfill regulatory requirements about the board composition.

In terms of the Bank's governance, conflict-of interest, and compliance with regulations, we didn't witness any significant concerns in the management and in the board.

On the framework agreements with certain international financial institutions - EBRD and IFC, there have been some discussion at the board meetings past year. We independent directors support the board's conclusion to include this item at this AGM for final decision by the shareholders.

Merger of the Bank with its holding company Tenger financial group / Reorganization is crucial item for the Bank to comply with the Banking Law. We kindly ask for the shareholders' attention to this matter and for timely decision.

Finally, regarding the Board matters, we Independent Directors agreed with and supported all resolutions of the Board.

Thank you.



Independent Director,  
Board of Directors of XacBank

**Ulambayar B**



## **Decision item No.3:**

Approval of Distribution of Final Dividend  
from the 2023 Year-End Bank Earnings

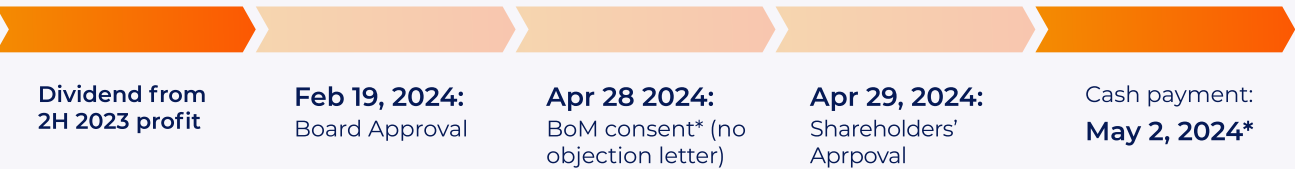
# Executive Summary

Dividend Proposal for 2H 2023

Based on Articles 46.1 and 46.5 of the Company Law and Clause 8.6 (ii) of the Charter of XacBank JSC, the Board of Directors meeting held on February 19, 2024, **the Bank is recommending a cash dividend to Shareholders as follow:**

Dividend amount per share	MNT 25.25
Total dividend amount	MNT 26,580,675,000
Date of dividend payment	May 2024: subject to approvals (see next slide for dates)
Dividend payment method	Via Mongolian Central Securities Depository
Shareholders record date	The record date for registering shareholders eligible to participate in the AGM, set on 09 April 2024, shall concurrently be established as the Record Date for shareholders entitled to the disbursement of the said Dividend.

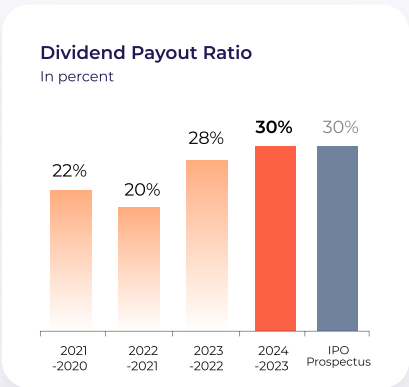
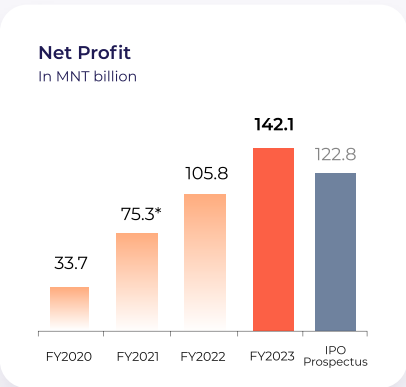
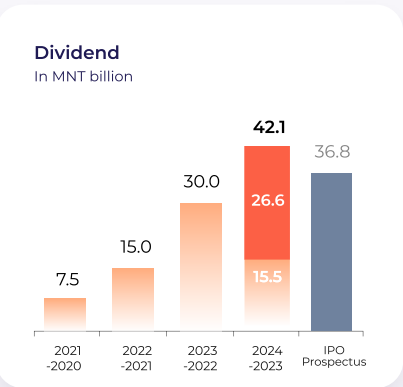
## Estimated Dividend Payment Date



\*The Bank has submitted dividend-related documents to Bank of Mongolia ("BoM") for consent on Feb 28, 2024, and is expecting to receive a response from them within 60 days as per BoM regulation. Cash dividend payment date may change depending on the BoM consent letter date.

## Payout Ratio

The Bank has paid MNT 15.5bn in dividends from 1H 2023's profit and is now recommending to pay MNT 26.6bn in dividends from 2H 2023's profit. Thus, dividend payout ratio for 2023 is ~30% or inline with the IPO prospectus.



\* Xacleasing and XacBank merged in 2021, and XacLeasing's income statement retrospectively added to XacBank's statements as of Dec 31, 2021.

Please see details about XacBank and Xacleasing's merger on Audited Financial Statement page #12-13.



## BOARD OF DIRECTORS RESOLUTION



Date: 19 February, 2024

No. R-2024-02

Ulaanbaatar

### Recommendation of Dividend Distribution

Based on Articles 46.1 and 46.5 of the Company Law and Clause 8.6 (ii) of the Charter of XacBank JSC (the "**Bank**"), and pursuant to discussions and decisions made at its extraordinary meeting held on 19 February 2024, the Board of Directors (the "**Board**") of the Bank hereby adopts the following resolutions:

#### IT IS NOTED THAT:

1. **WHEREAS**, pursuant to Articles 46.5 and 46.8 of the Company Law, it is mandatory for the Board to make a decision on a dividend distribution from the net profit of the company within 50 days of the end of the financial year on an after-tax basis;
2. **WHEREAS**, dividend distribution is considered a Strategic Matter as defined in the Charter of the Bank;
3. **WHEREAS**, the Management of the Bank has proposed to the Board the distribution of a cash dividend from the Bank's earnings for the financial year 2023 to the shareholders of the Bank (the "**Dividend**");
4. **WHEREAS**, it is noted that the amount of the dividend distributable could be ascertained only after the audited financial statements for the year 2023 are finalized; and
5. **WHEREAS**, as per Clause 8.6 (ii) of the Charter of the Bank, the Board now wishes to recommend to the shareholders to approve the declaration and distribution of Dividend in the amount as stated below, contingent upon the 2023 year-end audited financial statements results.

#### NOW THEREFORE BE IT RESOLVED THAT:

1. Contingent upon the 2023 year-end audited financial statements results, approval of the declaration and distribution of Dividend is hereby recommended in the total gross amount of MNT 26,580,675,000.00 (twenty six billion five hundred eighty million six hundred seventy five thousand) by a declaration of dividend in the amount of MNT 25.25 (twenty five tugrugs and twenty five mungus) per share, subject to the Bank of Mongolia and the shareholders' final approvals.
2. Subject to the shareholders' approval, the date upon which shareholders are deemed eligible for participation in the Annual General Meeting shall concurrently be established as the Record Date for the shareholders entitled to the disbursement of the said Dividend.

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Telephone: +(976)-7577-1888  
Web: www.xacbank.mn  
E-mail: info@xacbank.mn



3. Subject to the shareholders' approval, the Dividend shall be paid in cash, starting from a period not exceeding 7 days subsequent to the later of either obtaining the Bank of Mongolia's consent or securing the shareholders' approval. The funds will be disbursed via Mongolian Central Securities Depository unless a shareholder expressly requests in writing the disbursement to be made through their bank account.

CHAIRMAN OF THE  
BOARD OF DIRECTORS



SANJAY GUPTA

GENERAL COUNSEL  
CORPORATE SECRETARY

N.MUNKHTSELMEG



## **Decision item No.4:**

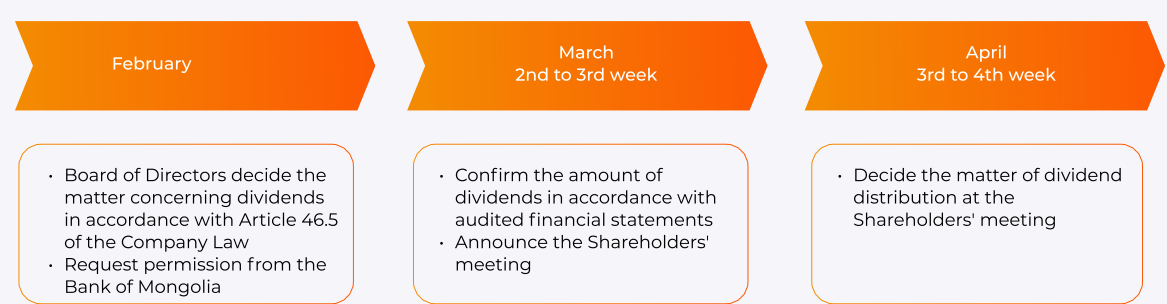
Approval of Amendment to the Charter of  
XacBank in Relation to Dividend Distribution Authority

# AMENDMENT TO THE XACBANK JSC CHARTER

Pursuant to Article 46.1 of the Company Law, the decision on whether to distribute dividend is designated to be made by the Board of Directors, unless the Company’s Charter specifies otherwise.

In accordance with Clauses 6.5 and 8.6 (ii) of XacBank JSC Charter (the “Bank Charter”), the authority to make final decisions on the distribution and allocation of dividends is vested in the shareholders.

Following the Charter, the final decision regarding the dividend distribution of XacBank is typically made in the last weeks of April, indicating that the ensuing process of disbursing dividends and crediting them to shareholders’ nominal accounts occurs significantly late.



The Financial Regulatory Commission, by its Resolution No.49 dated 23 February 2024, amended its Resolution No.28 of 2020 titled “Specification of the Dividend Distribution Process”, requiring open joint-stock companies to distribute dividends within four months following the end of the relevant financial year, the latest day falling on April 30.

Given the new regulation stipulated by the Financial Regulatory Commission, the necessity for XacBank to secure final approval from its shareholders for dividend distribution as specified in XacBank Charter and Dividend Policy, introduces considerable operational difficulties for distributing dividends within the period determined by the Financial Regulatory Commission. Consequently, the Executive management has proposed amending the XacBank Charter to grant the Board of Directors full authority over the declaration and distribution of dividends and this proposal has been endorsed by the Board of Directors of XacBank, as evidenced by its Resolution No. R-2024-17 of 2024.

Hence, to ensure compliance with the requirements of the Financial Regulatory Commission, it is recommended to the Shareholders to amend Clause 6.5 of the Bank’s Charter and revoke Clause 8.6 (ii).

Current Formulation	Amended Formulation
<p>6.5 Shareholders shall be entitled to receive dividends as resolved by the BoD and approved by the shareholders' meeting, only provided that the Bank complies with certain requirements under the Applicable Laws and requirements set forth by the BoM and FRC and international standard practices after the dividend distribution.</p>	<p>6.5 Shareholders shall be entitled to receive dividends as resolved by the BoD <del>and approved by the shareholders' meeting</del>; only provided that the Bank complies with certain requirements under the Applicable Laws and requirements set forth by the BoM and FRC and international standard practices after the dividend distribution.</p>
<p>8.6 The following matters set out hereunder shall be considered as "Strategic Matters" for the purposes of this Charter, and shall require a Super Majority vote of shareholders present in person or by proxy at such meeting and eligible to vote on the matter. Each shareholder present in person or by proxy at the meeting shall have one vote for each Share of which he/she is the holder. Any decision on the Strategic Matters will be presented to the shareholders' meeting for voting only after it has been discussed by the BoD:</p> <p>(ii) any decision to distribute and allocate dividends;</p>	<p>8.6 The following matters set out hereunder shall be considered as "Strategic Matters" for the purposes of this Charter, and shall require a Super Majority vote of shareholders present in person or by proxy at such meeting and eligible to vote on the matter. Each shareholder present in person or by proxy at the meeting shall have one vote for each Share of which he/she is the holder. Any decision on the Strategic Matters will be presented to the shareholders' meeting for voting only after it has been discussed by the BoD:</p> <p><del>(ii) any decision to distribute and allocate dividends;</del></p>

## BOARD OF DIRECTORS RESOLUTION



Date: 07 March, 2024

No. R-2024-17

Ulaanbaatar

Recommendation of Amendment to  
XacBank JSC Charter

Pursuant to discussions and decisions made at its regular meeting held on 06-07 March 2024, the Board of Directors (the **"Board"**) of XacBank JSC (the **"Bank"**) hereby adopts the following resolutions:

### IT IS NOTED THAT:

1. **WHEREAS**, the shareholders of the Bank have previously adopted XacBank JSC Charter pursuant to their Resolution No. SR-2023-22 (the **"Bank Charter"**);
2. **WHEREAS**, the Financial Regulatory Commission (the **"FRC"**), by its Resolution No.49 dated 23 February 2024, has amended its Resolution No.28 on the "Specification of the Dividend Distribution Process" dated 29 January 2020, requiring open joint-stock companies to distribute dividends to shareholders within four months following the end of the relevant financial year, and to submit a report on the dividend distribution to the FRC within 15 working days after completing the dividend distribution;
3. **WHEREAS**, the FRC, by its letter No.3/712 dated 27 February 2024, has officially instructed the Bank to ensure the implementation of its Resolution No.49 dated 23 February 2024 regarding the distribution and reporting of dividends by open joint-stock companies;
4. **WHEREAS**, pursuant to the current Bank Charter, compliance with the FRC's specified timeline for dividend distribution and reporting is unattainable due to the requirement of obtaining final approval from the shareholders for dividend distribution; and
5. **WHEREAS**, to ensure compliance with the FRC's requirements and considering Article 46.1 of the Company Law, the executive management has proposed the below amendment to the Bank Charter in regards to the dividend distribution authority.

### NOW THEREFORE BE IT RESOLVED THAT:

1. Subject to the approval of the Shareholders, Clause 6.5 of the Bank Charter shall be amended as follows:

Current Formulation	Amended Formulation
6.5 Shareholders shall be entitled to receive dividends as resolved by the BoD and approved by the shareholders' meeting, only provided that the Bank complies with certain requirements under the Applicable Laws and requirements set forth by the BoM and FRC and international standard practices after the dividend distribution.	6.5 Shareholders shall be entitled to receive dividends as resolved by the BoD <del>and approved by the shareholders' meeting</del> , only provided that the Bank complies with certain requirements under the Applicable Laws and requirements set forth by the BoM and FRC and international standard practices after the dividend distribution.

2. Subject to the approval of the Shareholders, Clause 8.6 (ii) of the Bank Charter shall be revoked.
3. The aforementioned amendments to the Bank Charter, is hereby recommended to the shareholders for their approval.

CHAIRMAN OF THE  
BOARD OF DIRECTORS

GENERAL COUNSEL,  
CORPORATE SECRETARY



SANJAY GUPTA

N.MUNKHTSELMEG



## **Decision item No.5:**

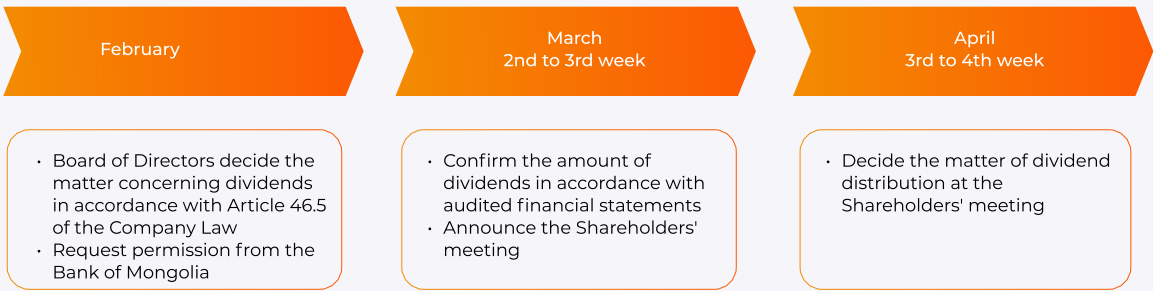
Approval of Amendment to the Dividend Policy of  
XacBank in Relation to Dividend Distribution Authority



# AMENDMENT TO THE DIVIDEND POLICY OF XACBANK JSC

Under the Dividend Policy of XacBank JSC, the authority to make final decisions on the distribution and allocation of dividends is vested in the shareholders.

Following the Dividend Policy, the final decision regarding the dividend distribution of XacBank is typically made in the last weeks of April, indicating that the ensuing process of disbursing dividends and crediting them to shareholders' nominal accounts occurs significantly late.



The Financial Regulatory Commission, by its Resolution No. 49 dated 23 February 2024, amended its Resolution No. 28 of 2020 titled “Specification of the Dividend Distribution Process”, requiring open joint-stock companies to distribute dividends within four months following the end of the relevant financial year, the latest day falling on April 30.

Given the new regulation stipulated by the Financial Regulatory Commission, the necessity for XacBank to secure final approval from its shareholders for dividend distribution as specified in XacBank Charter and Dividend Policy, introduces considerable operational difficulties for distributing dividends within the period determined by the Financial Regulatory Commission. Consequently, the Executive management has proposed amending the XacBank Dividend Policy to grant the Board of Directors full authority over the declaration and distribution of dividends and this proposal has been endorsed by the Board of Directors of XacBank, as evidenced by its Resolution No. R-2024-18 of 2024.

Hence, to ensure compliance with the requirements of the Financial Regulatory Commission, it is recommended to the Shareholders to amend Clauses 3.2, 3.3 and 4.1 of the Dividend Policy.

Current Formulation	Amended Formulation
<p>3.2. According to the Company law, unless otherwise specified in Bank Charter, the Board of Directors shall convene and resolve whether to declare a dividend within 50 days following the end of a financial year. For declaring semi-annual dividends, the Board will decide within 120 days following the first half of the year. Any decision to distribute and allocate dividends is subject to approval by the Shareholders' meeting.</p> <p>3.3 Shareholders shall be entitled to receive dividends as resolved by the Board of Directors and approved by the Shareholders' meeting.</p> <p>4.1 The amount of dividend attributable per share shall be determined by the authorized body referred in Section 3.2 of the Policy and subject to Shareholders' approval, based on the financial results of a given financial year, taking into account future targets and projections.</p>	<p>3.2. According to the Company law, unless otherwise specified in Bank Charter, the Board of Directors shall convene and resolve whether to declare a dividend within 50 days following the end of a financial year. For declaring semi-annual dividends, the Board will decide within 120 days following the first half of the year. <del>Any decision to distribute and allocate dividends is subject to approval by the Shareholders' meeting.</del></p> <p>3.3. Shareholders shall be entitled to receive dividends as resolved by the Board of Directors <del>and approved by the Shareholders' meeting.</del></p> <p>4.1 The amount of dividend attributable per share shall be determined by the authorized body referred in Section 3.2 of the Policy <del>and subject to Shareholders' approval</del>; based on the financial results of a given financial year, taking into account future targets and projections.</p>

## BOARD OF DIRECTORS RESOLUTION



Date: 07 March, 2024

No. R-2024-18

Ulaanbaatar

Recommendation of Amendment to  
Dividend Policy of XacBank JSC

Pursuant to discussions and decisions made at its regular meeting held on 06-07 March 2024, the Board of Directors (the "**Board**") of XacBank JSC (the "**Bank**") hereby adopts the following resolutions:

### IT IS NOTED THAT:

1. **WHEREAS**, the shareholders of the Bank have previously adopted the amended and restated Dividend Policy of the Bank pursuant to its Resolution No. SR-2024-01 (the "**Dividend Policy**");
2. **WHEREAS**, the Financial Regulatory Commission (the "**FRC**"), by its Resolution No.49 dated 23 February 2024, has amended its Resolution No.28 on the "Specification of the Dividend Distribution Process" dated 29 January 2020, requiring open joint-stock companies to distribute dividends to shareholders within four months following the end of the relevant financial year, and to submit a report on the dividend distribution to the FRC within 15 working days after completing the dividend distribution;
3. **WHEREAS**, the FRC, by its letter No.3/712 dated 27 February 2024, has officially instructed the Bank to ensure the implementation of its Resolution No.49 dated 23 February 2024 regarding the distribution and reporting of dividends by open joint-stock companies; and
4. **WHEREAS**, considering the FRC's requirements, the executive management has proposed the below amendment to the Dividend Policy of XacBank.

### NOW THEREFORE BE IT RESOLVED THAT:

1. Subject to the approval of the Shareholders, Clauses 3.2, 3.3 and 4.1 of the Dividend Policy shall be amended as follows:

Current Formulation	Amended Formulation
3.2. According to the Company law, unless otherwise specified in Bank Charter, the Board of Directors shall convene and resolve whether to declare a dividend within 50 days following the end of a financial year. For declaring semi-annual dividends, the Board will decide within 120 days following the first half of the year. Any decision to distribute and allocate dividends is subject to approval by the Shareholders' meeting.	3.2. According to the Company law, unless otherwise specified in Bank Charter, the Board of Directors shall convene and resolve whether to declare a dividend within 50 days following the end of a financial year. For declaring semi-annual dividends, the Board will decide within 120 days following the first half of the year. <del>Any decision to distribute and allocate dividends is subject to approval by the Shareholders' meeting.</del>
3.3 Shareholders shall be entitled to receive dividends as resolved by the Board of	3.3. Shareholders shall be entitled to receive dividends as resolved by the Board of

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Web: www.xacbank.mn  
E-mail: info@xacbank.mn

Approval of Amendment to the Dividend Policy of  
XacBank in Relation to Dividend Distribution Authority

Directors and approved by the Shareholders' meeting. 4.1 The amount of dividend attributable per share shall be determined by the authorized body referred in Section 3.2 of the Policy and subject to Shareholders' approval, based on the financial results of a given financial year, taking into account future targets and projections.	<del>Directors and approved by the Shareholders' meeting.</del> 4.1 The amount of dividend attributable per share shall be determined by the authorized body referred in Section 3.2 of the Policy and <del>subject to Shareholders' approval</del> , based on the financial results of a given financial year, taking into account future targets and projections.
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2. The aforementioned amendments to the Dividend Policy, is hereby recommended to the shareholders for their approval.

CHAIRMAN OF THE  
BOARD OF DIRECTORS

GENERAL COUNSEL  
CORPORATE SECRETARY



SANJAY GUPTA

N.MUNKHTSELMEG



## **Decision item No.6:**

**Approval of XacBank's Entry into the Framework Agreement with EBRD and Instructing the CEO to Sign and Execute the Framework Agreement - as requested by TenGer Financial Group LLC, a shareholder holding more than 5% stakes in the Bank**

## **Approval of XacBank's Entry into the Framework Agreement with EBRD and Instructing the CEO to Sign and Execute the Framework Agreement**

The matter of reorganization, which involves merging TenGer Financial Group LLC ("TFG"), a company holding 94.99% of XacBank's total issued and outstanding shares, into XacBank to comply with the requirement outlined in Article 36.1 of the Banking Law, which mandates that no shareholder, individually or jointly together with its affiliated persons, may own more than 20% of the bank's total issued shares, is under discussion at the current AGM.

Upon completion of the merger, TFG's Shareholders' Agreement would cease to be effective. Under this agreement, XacBank, as the subsidiary of TFG, is obligated to adhere to compliance policies and procedures set forth by the TFG shareholders of special nature – international financial institutions, the European Bank for Reconstruction and Development ("EBRD") and the International Finance Corporation ("IFC"), concerning environmental and social matters, anti-money laundering, anti-terrorism financing, and anti-corruption measures. The EBRD and IFC, as international financial institutions, have requested to sign a separate agreement in order to continue enforcing their policies and procedures on XacBank.

After discussing and resolving this matter at its Shareholders' meeting, TFG has officially requested the Board of Directors (the "Board") of XacBank to include these matters in the agenda of the Shareholders' meeting of XacBank, and has put forth a condition that XacBank shall enter into these agreements in order for TFG to conclude the Merger Agreement.

Pursuant to the above-mentioned request, the Board, by its Resolution No. R-2024-13, has included an item "Approval of XacBank's Entry into the Framework Agreement with EBRD and Instructing the CEO to Sign and Execute the Framework Agreement" in the agenda of the AGM.

Therefore, XacBank hereby submits for consideration to its shareholders the draft Framework Agreement proposed to be concluded with EBRD, the pre-condition requested by TFG, to ensure prompt compliance with the Statutory Mandate by way of Merger.



## BOARD OF DIRECTORS RESOLUTION



Date: 07 March, 2024

No. R-2024-13

Ulaanbaatar

Inclusion of Certain Items to the Agenda of  
an Annual General Meeting of XacBank

Pursuant to discussions and decisions made at its regular meeting held on 06-07 March 2024, the Board of Directors (the "**Board**") of XacBank JSC ("**XacBank**") hereby adopts the following resolutions:

### IT IS NOTED THAT:

1. **WHEREAS**, it is mandatory for XacBank, the sole subsidiary of TenGer Financial Group LLC ("**TFG**"), a company holding 94.99% of XacBank's total issued and outstanding shares, to comply with Article 36.1 of the Banking Law with respect to the requirement of any shareholder individually or jointly together with its affiliated persons owning no more than 20% of the bank's total issued shares (the "**Statutory Mandate**");
2. **WHEREAS**, the Shareholders of XacBank have previously determined pursuant to their Resolution No. SR-2023-01 that the best way to fulfill the Statutory Mandate is through a merger of TFG and XacBank, following XacBank's reorganization into an open joint-stock company. Consequently, XacBank would be the surviving entity and the shareholders of TFG would become direct shareholders of XacBank (the "**Merger**");
3. **WHEREAS**, in connection with the Merger, the Shareholders of TFG by its Resolution No. SGR-2024-03, have resolved to execute the Merger Agreement provided that XacBank shall have entered into each of (i) a Framework Agreement with European Bank for Reconstruction and Development ("**EBRD**"), and (ii) a Policy Agreement with International Financial Corporation ("**IFC**"), on or prior to the date of the signing of the Merger Agreement;
4. **WHEREAS**, TFG has submitted the following proposals as additional agenda items to the XacBank's shareholders' meeting (the "**Proposed Agenda Items**"):
  - a. The adoption of a shareholders' resolution of XacBank on approving the entry into the Framework Agreement by XacBank with EBRD, an international financial institution, which would become the direct shareholder of XacBank upon merger, and instructing the CEO of XacBank to sign and execute the Framework Agreement on or prior to the date of the execution of a merger agreement between the TFG and XacBank, and
  - b. The adoption of a shareholders' resolution of XacBank on approving the entry into the Policy Agreement by XacBank with IFC, an international financial institution, which would become the direct shareholder of XacBank upon merger, and instructing the CEO of XacBank to sign and execute the Policy Agreement on or prior to the date of the execution of the merger agreement between the TFG and XacBank, respectively.

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**Approval of XacBank's Entry into the Framework Agreement with EBRD and Instructing the CEO to Sign and Execute the Framework Agreement**

5. **WHEREAS**, the Board, acknowledging the request of TFG, a shareholder holding 94.99% stakes in XacBank, now wishes to include the Proposed Agenda Items in the agenda of the upcoming Annual General Meeting of the XacBank Shareholders.

**NOW THEREFORE BE IT RESOLVED THAT:**

1. The Proposed Agenda Items are hereby authorized and instructed to be included in the agenda of the upcoming Annual General Meeting of the XacBank Shareholders.

CHAIRMAN OF THE  
BOARD OF DIRECTORS

GENERAL COUNSEL,  
CORPORATE SECRETARY



SANJAY GUPTA

N.MUNKHTSELMEG

**Draft: 08/02/2024**

(Operation Number 38404)

**FRAMEWORK AGREEMENT**

between

**XACBANK OPEN JOINT STOCK COMPANY**

and

**EUROPEAN BANK  
FOR RECONSTRUCTION AND DEVELOPMENT**

Dated [\_\_\_\_\_] 2024

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## FRAMEWORK AGREEMENT

This Framework Agreement (the "**Agreement**"), dated [ ] 2024, is entered into as a deed between:

- (1) **XACBANK JSC**, a joint stock company of the open type organised and existing under the laws of Mongolia (the "**Company**"); and
- (2) **EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT**, an international organisation formed by treaty ("**EBRD**").

### WHEREAS:

(A) The Company has become a publicly traded joint stock company through the issuance of shares in an initial public offering (the "**Offering**") of newly issued ordinary shares pursuant to a prospectus dated 12 May 2023 (the "**Prospectus**") to comply with the relevant requirements under the Banking Law. Following the Offering, all issued and outstanding shares of the Company (the "**Shares**") have been publicly traded on Mongolian Stock Exchange in Ulaanbaatar, Mongolia.

(B) EBRD is a holder of 13.15% of the total issued and outstanding shares in Tenger Financial Group LLC ("**TFG**"), the holder of 94.99% of the Shares, and the shareholders of TFG are proposed to convert, following the Offering, the shares they hold in TFG into the Shares pro rata to their current shareholding in TFG on a ratio as stipulated in a merger agreement to be concluded on or around the date of this Agreement between TFG and the Company ("**Conversion**") as a compensation for merging TFG with the Company as per the requirements under the Banking Law ("**Merger**").

(C) The Company agrees to comply with certain EBRD policies and requirements.

**NOW THEREFORE**, the parties hereto agree as follows:

## ARTICLE I - DEFINITIONS

### Section 1.01. Definitions

Wherever used in this Agreement or Schedules hereto, unless the context otherwise requires, the following terms have the following meanings:

"Affiliate"	means, in respect of any person, any other person, directly or indirectly, controlling, controlled by, or under common control with, such person.
"Banking Law"	means the banking law of Mongolia enacted by the Parliament of Mongolia on 28 January 2010, as amended from time to time.
"Designated Performance"	

**Approval of XacBank's Entry into the Framework Agreement with EBRD and Instructing the CEO to Sign and Execute the Framework Agreement**

Requirements"	means Performance Requirements 2, 4 and 9 (or, as the context may require, any one of such Performance Requirements) of the Performance Requirements dated April 2019 and related to EBRD's Environmental and Social Policy dated April 2019.
"EBRD Shares"	means the Shares to be acquired and held by EBRD as a result of the Conversion.
"Enforcement Policy and Procedures"	means EBRD's Enforcement Policy and Procedures dated 4 October 2017.
"Environmental and Social Law"	means any applicable law in any relevant jurisdiction, concerning the protection of the environment, workers, communities or project affected people.
"Environmental and Social Matter"	means any matter that is the subject of any Environmental and Social Law.
"Financial Year"	means the period commencing each year on 1 January and ending on 31 December, or such other period as the Company may from time to time designate as the accounting year of the Company.
"IPAM"	means the Independent Project Accountability Mechanism of EBRD as set forth under the Project Accountability Policy dated April 2019, as amended, supplemented or replaced from time to time.
"Material Information"	means information of a precise nature which has not been made public, relating directly or indirectly to the Company or the listed securities of the Company and which, if it were made public, would be likely to have a significant effect on the price of such securities or related derivatives or which would otherwise be considered relevant for a regular user of the market when deciding the terms on which to transact in such securities.
"Offering"	has the meaning as provided in recital (A) above.
"Paris Agreement"	means an international treaty adopted at the 21 <sup>st</sup> session of the Conference of Parties to the United Nations Framework Convention on Climate Change (FCCC/CP/2015/10/Add.1).
"Prohibited Practice"	has the meaning defined in the Enforcement Policy and Procedures in effect as of the date of this Agreement.

## Approval of XacBank's Entry into the Framework Agreement with EBRD and Instructing the CEO to Sign and Execute the Framework Agreement

"Prospectus"	has the meaning as provided in recital (A) above.
"Shares"	has the meaning as provided in recital (A) above.
"Social Projects"	means the projects or assets satisfying the applicable social criteria as described in the Sustainability Bond Framework.
"UNCITRAL Rules"	means the UNCITRAL Arbitration Rules (as revised in 2010).
"USD" or "Dollars"	means the lawful currency of the United States of America.

### **Section 1.02. Interpretation**

- (a) In this Agreement, unless the context otherwise requires, words denoting the singular include the plural and vice versa, words denoting persons include corporations, partnerships and other legal persons and references to a person includes its successors in title, permitted transferees and permitted assigns.
- (b) In this Agreement, a reference to a specified Article, or Section or Schedule shall be construed as a reference to that specified Article or Section of or Schedule to this Agreement.
- (c) In this Agreement, the headings and the Table of Contents are inserted for convenience of reference only and shall not affect the interpretation of this Agreement.
- (d) In this Agreement, any reference to "law" means any law (including, any common or customary law) and any treaty, constitution, statute, legislation, decree, normative act, rule, regulation, judgement, order, writ, injunction, determination, award or other legislative or administrative measure or judicial or arbitral decision in any applicable jurisdiction which has the force of law or the compliance with which is in accordance with general practice in such jurisdiction.
- (e) In this Agreement, any reference to a provision of law, is a reference to that provision as from time to time amended or re-enacted.
- (f) In this Agreement, a reference to a "person" includes any person, natural or juridical entity, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing and references to a "person" include its successors in title, permitted transferees and permitted assigns.
- (g) In this Agreement, "including" and "include" shall be deemed to be followed by "without limitation" where not so followed.



## ARTICLE II - REPRESENTATIONS AND WARRANTIES

### Section 2.01. Representations Regarding this Agreement

The Company represents and warrants as follows:

- (a) **Corporate Power.** The Company has the corporate power to enter into and perform its obligations under this Agreement.
- (b) **Due Authorisation; Enforceability.** This Agreement has been duly authorised and executed by the Company, and constitutes a valid and legally binding obligation of the Company, enforceable in accordance with its terms.
- (c) **No Prohibited Practice.** The Company is in compliance with all applicable laws concerning money laundering or the financing of terrorism. The Company is not designated as a target of (or is otherwise subject to) any economic or financial sanctions or restrictive measures adopted by the United Nations under Chapter VII of the UN Charter, and it is not owned (directly or indirectly) or controlled by, or acting on behalf of any so designated person and, to the best of the Company's knowledge, after due and careful enquiry, no such designated person owns (directly or indirectly) 5% or more in the share capital of the Company. Neither the Company, nor any officers, directors, authorised employees, Affiliates, agents or representatives of the Company has committed or engaged in any Prohibited Practice with respect to the Offering, the Merger or any transactions contemplated by this Agreement.
- (d) **Restrictions on payments.** The Company is not subject to any regulation or law (including sanctions) which would or might reasonably be expected to have the effect of prohibiting, or restricting or delaying in any material respect any payment that it is required to make with respect to the Shares.

## ARTICLE III - COVENANTS

From the date hereof and as long as EBRD holds any of the EBRD Shares and unless EBRD otherwise agrees:

### Section 3.01. Environment and Social Compliance

- (a) The Company shall, and shall cause any contractor to, carry out its operations in accordance with the Designated Performance Requirements.
- (b) The Company shall commit to making its finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development, ensuring over time the alignment of all of the financing activities of the Company with the goals of the Paris Agreement.

### Section 3.02. Internal Procedures

The Company shall maintain internal procedures satisfactory to EBRD for the purpose of preventing the Company from becoming an instrument for money laundering, terrorism financing, fraud or other corrupt or illegal purposes.

### **Section 3.03. Furnishing of Information**

(a) As soon as available but, in any event, within 90 days after the end of each Financial Year, the Company shall furnish to EBRD a report, in form and substance satisfactory to EBRD, on Environmental Matters and Social Matters arising in relation to the Company and its operations during such Financial Year.

(b) The Company shall promptly notify EBRD if the Company obtains any information regarding a violation of Section 2.01(c) or Section 3.05. If EBRD notifies the Company of its concern that there has been a violation of such Section 2.01(c) or such Section 3.05, the Company shall cooperate in good faith with EBRD and its representatives in assessing whether such a violation has occurred and, in relation to the foregoing, shall furnish promptly to EBRD such information as EBRD may reasonably request and, as the case may be, upon EBRD's reasonable request, shall permit representatives of EBRD (including, any consultants engaged by EBRD) to visit any of the premises where the business of the Company is conducted and to have access to the assets, books, accounts and records of the Company (including, in order (i) to facilitate EBRD's monitoring and evaluation of the Company's operations and enable EBRD to examine and address any Company-related request made to IPAM and (ii) to assess whether a Prohibited Practice has occurred in relation to the Company's operations or the transactions contemplated herein.

### **Section 3.04. Disclosure of Information**

Each of the Company and EBRD understand and accept that the Company is subject to restrictions under applicable securities laws on disclosing Material Information to third parties, and that the Company will not disclose any Material Information to EBRD as part of the Company's reporting obligations under this Agreement until the information is publicly known or otherwise becomes unrestricted under applicable securities laws, unless, and only to the extent that, such information is being reported as required under the first sentence of Section 3.03(b) and in accordance with applicable law. To this end the Company undertakes to use its reasonable efforts to publicly disclose or otherwise cause to become unrestricted under applicable securities laws Material Information that would otherwise be provided to EBRD as part of the Company's reporting obligations under this Agreement.

### **Section 3.05. Fraud and Corruption**

The Company shall not authorise or permit any of its officers, directors, authorised employees, Affiliates, agents or representatives to engage in any Prohibited Practice with respect to its operations or any transactions contemplated by this Agreement, including the Offering, the Conversion and the Merger. Notwithstanding any other provision of this Agreement, the Company hereby acknowledges that EBRD may invoke the Enforcement Policy and Procedures in respect of allegations of Prohibited Practices (including with respect to Section 2.01(c)) in relation to the transactions contemplated by this Agreement.

### **Section 3.06. Procurement**

The Company shall at all times use sound procurement methods which ensure a sound selection of goods and services at fair market value and that the Company is making its capital investments in a cost effective manner.

## **ARTICLE IV - MISCELLANEOUS**

### **Section 4.01. Notices**

Any notice or other communication to be given or made under this Agreement to EBRD, or to the Company shall be in writing. Except as otherwise provided in this Agreement, such notice, request or other communication shall be deemed to have been duly given or made when it shall be delivered by hand, airmail or in pdf or similar format by electronic mail to the party to which it is required or permitted to be given or made at such party's address specified below or at such other address as such party shall have designated by notice to the party giving or making such notice, request or other communication.

#### **For the Company:**

XacBank JSC  
XacBank HQ Bldg, Sukhbaatar District,  
Prime Minister Amar's Street, Ulaanbaatar,  
MONGOLIA

Attention: Tsevegjav Gumenjav, the Chief Executive Officer

Email: [tsevegjav.g@xacbank.mn](mailto:tsevegjav.g@xacbank.mn)

Telephone: +976 75771888

#### **For EBRD:**

European Bank for Reconstruction and Development  
5 Bank Street  
London E14 4BG  
United Kingdom

Attention: Operations Administration Departement – OpID No: 38404

Email: [oad@ebrd.com](mailto:oad@ebrd.com)

Telephone: +44 20 7338 6000

### **Section 4.02. English Language**

All documents to be furnished or communications to be given or made under this Agreement shall be in the English language or, if in another language, shall be accompanied by a translation into English certified by a representative of the Company, which translation shall be the governing version between the Company and EBRD.

#### **Section 4.03. Governing Law**

This Agreement shall be governed by and construed in accordance with English law. Any non-contractual obligations arising out of or in connection with this Agreement shall be governed by and construed in accordance with English law.

#### **Section 4.04. Arbitration and Jurisdiction**

(a) Any dispute, controversy or claim arising out of or relating to (1) this Agreement, or (2) the breach, termination or invalidity hereof or (3) any non-contractual obligations arising out of or in connection with this Agreement shall be settled by arbitration in accordance with the UNCITRAL Rules. There shall be one (1) arbitrator and the appointing authority shall be LCIA (London Court of International Arbitration). The seat and place of arbitration shall be London, England and the English language shall be used throughout the arbitral proceedings. The parties hereby waive any rights under the Arbitration Act 1996 or otherwise to appeal any arbitration award to, or to seek a determination of a preliminary point of law by, the courts of England. The arbitral tribunal shall not be authorised to grant, and the Company agrees not to seek from any judicial authority, any interim measures or pre-award relief against EBRD, any provisions of the UNCITRAL Rules notwithstanding. The arbitral tribunal shall have authority to consider and include in any proceeding, decision or award any further dispute properly brought before it by EBRD (but no other party) insofar as such dispute arises out of this Agreement, but, subject to the foregoing, no other parties or other disputes shall be included in, or consolidated with, the arbitral proceedings.

(b) Notwithstanding Section 4.04(a), this Agreement and any rights of EBRD arising out of or relating to this Agreement may, at the option of EBRD, be enforced by EBRD in the courts of Mongolia located in Mongolia or in any other courts having jurisdiction. For the benefit of EBRD, the Company hereby irrevocably submits to the non-exclusive jurisdiction of the courts of England with respect to any dispute, controversy or claim arising out of or relating to this Agreement or the breach, termination or invalidity hereof. The Company hereby irrevocably designates, appoints and empowers [ ] at its registered office (being, on the date hereof, at [ ], London, England), to act as its authorised agent to receive service of process and any other legal summons in England for purposes of any such action or proceeding. The Company hereby irrevocably consents to the service of process or any other legal summons out of such courts by mailing copies thereof by registered airmail postage prepaid to its address specified herein. The Company covenants and agrees that, so long as it has any obligations under this Agreement, it shall maintain a duly appointed agent to receive service of process and any other legal summons in any legal action or proceeding brought by EBRD in England in respect of this Agreement and shall keep EBRD advised of the identity and location of such agent. Nothing herein shall affect the right of EBRD to commence legal actions or proceedings against the Company in any manner authorised by the laws of any relevant jurisdiction. The commencement by EBRD of legal actions or proceedings in one or more jurisdictions shall not preclude EBRD from commencing legal actions or proceedings in any other jurisdiction, whether concurrently or not. The Company irrevocably waives any objection it may now or hereafter have on any grounds whatsoever to the laying of venue of any legal action or proceeding and any claim it may now or hereafter have that any such legal action or proceeding has been brought in an inconvenient forum.

#### **Section 4.05. Privileges and Immunities of EBRD**

Nothing in this Agreement, the Prospectus or the terms and conditions of the Offering or the agreements relating to the Conversion or the Merger shall be construed as a waiver, renunciation or other modification of any immunities, privileges or exemptions of EBRD accorded under the Agreement Establishing the European Bank for Reconstruction and Development, international convention or any applicable law. Notwithstanding the foregoing, EBRD has made an express submission to arbitration under Section 4.04(a) and accordingly, and without prejudice to its other privileges and immunities (including, without limitation, the inviolability of its archives), it acknowledges that it does not have immunity from suit and legal process under Article 5(2) of Statutory Instrument 1991, No. 757 (The European Bank for Reconstruction and Development (Immunities and Privileges) Order 1991), or any similar provision under English law, in respect of the enforcement of an arbitration award duly made against it as a result of its express submission to arbitration pursuant to Section 4.04(a).

#### **Section 4.06. Successors and Assigns; Third Party Rights**

(a) This Agreement shall bind and inure to the benefit of the respective successors of the parties hereto. This Agreement may not be assigned by either party without the consent of the other party.

(b) None of the terms of this Agreement are intended to be enforceable by any third party.

#### **Section 4.07. Entire Agreement; Amendment and Waiver**

This Agreement and the documents referred to herein constitute the entire obligation of the parties hereto with respect to the subject matter hereof and shall supersede any prior expressions of intent or understandings with respect to this transaction. Any amendment to, waiver by EBRD of any of the terms or conditions of, or consent given by EBRD under, this Agreement (including, without limitation, this Section 4.07) shall be in writing, signed by EBRD and, in the case of an amendment, by the Company.

#### **Section 4.08. Waiver of Sovereign Immunity**

The Company represents and warrants that this Agreement and the Conversion are commercial rather than public or governmental acts and that it is not entitled to claim immunity from legal proceedings with respect to itself or any of its assets on the grounds of sovereignty or otherwise under any law or in any jurisdiction where an action may be brought for the enforcement of any of the obligations arising under or relating to this Agreement. To the extent that the Company or any of its assets has or hereafter may acquire any right to immunity from set-off, legal proceedings, attachment prior to judgment, other attachment or execution of judgment on the grounds of sovereignty or otherwise, the Company hereby irrevocably waives such rights to immunity in respect of its obligations arising under or relating to this Agreement.

**Section 4.09. Counterparts**

This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.



## Approval of XacBank's Entry into the Framework Agreement with EBRD and Instructing the CEO to Sign and Execute the Framework Agreement

**IN WITNESS WHEREOF**, the parties hereto, acting through their duly authorised representatives, have caused this Agreement to be executed and delivered as a DEED as on the date first above written.

EXECUTED as a DEED by )  
**XACBANK JSC**, acting by the Chief )  
Executive Officer in the presence of: ).....  
) Name: Tsevegjav Gumenjav  
) Status: Chief Executive Officer

Signature of Witness:

Name of Witness:

Address of Witness:

Occupation of Witness:

EXECUTED as a DEED by )  
**EUROPEAN BANK FOR** )  
**RECONSTRUCTION AND** ) .....  
**DEVELOPMENT** acting by [*director*] ) Name: \_\_\_\_\_  
in the presence of: ) Status: [Director]

Signature of Witness:

Name of Witness:

Address of Witness:

Occupation of Witness:



## **Decision item No.7:**

**Approval of XacBank's Entry into the Policy Agreement with IFC and Instructing the CEO to Sign and Execute the Policy Agreement - as requested by TenGer Financial Group LLC, a shareholder holding more than 5% stakes in the Bank**

## **Approval of XacBank's Entry into the Policy Agreement with IFC and Instructing the CEO to Sign and Execute the Policy Agreement**

The matter of reorganization, which involves merging TenGer Financial Group LLC ("TFG"), a company holding 94.99% of XacBank's total issued and outstanding shares, into XacBank to comply with the requirement outlined in Article 36.1 of the Banking Law, which mandates that no shareholder, individually or jointly together with its affiliated persons, may own more than 20% of the bank's total issued shares, is under discussion at the current AGM.

Upon completion of the merger, TFG's Shareholders' Agreement would cease to be effective. Under this agreement, XacBank, as the subsidiary of TFG, is obligated to adhere to compliance policies and procedures set forth by the TFG shareholders of special nature – international financial institutions, the European Bank for Reconstruction and Development ("EBRD") and the International Finance Corporation ("IFC"), concerning environmental and social matters, anti-money laundering, anti-terrorism financing, and anti-corruption measures. The EBRD and IFC, as international financial institutions, have requested to sign a separate agreement in order to continue enforcing their policies and procedures on XacBank.

After discussing and resolving this matter at its Shareholders' meeting, TFG has officially requested the Board of Directors (the "Board") of XacBank to include these matters in the agenda of the Shareholders' meeting of XacBank, and has put forth a condition that XacBank shall enter into these agreements in order for TFG to conclude the Merger Agreement.

Pursuant to the above-mentioned request, the Board, by its Resolution No. R-2024-13, has included an item "Approval of XacBank's Entry into the Policy Agreement with IFC and Instructing the CEO to Sign and Execute the Policy Agreement" in the agenda of the AGM.

Therefore, XacBank hereby submits for consideration to its shareholders the draft Policy Agreement proposed to be concluded with IFC, the pre-condition requested by TFG, to ensure prompt compliance with the Statutory Mandate by way of Merger.

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INVESTMENT NUMBER 34622

# Policy Agreement

between

**Xacbank Open Joint Stock Company**

and

**INTERNATIONAL FINANCE CORPORATION**

**Dated [ ]**

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## POLICY AGREEMENT

POLICY AGREEMENT (this "**Agreement**"), dated [ ], between:

- (1) Xacbank Open Joint Stock Company, a joint stock company organized and existing under the laws of Mongolia (the "**Company**"); and
- (2) INTERNATIONAL FINANCE CORPORATION, an international organization established by Articles of Agreement among its member countries including Mongolia ("**IFC**").

### RECITALS

(A) Upon the completion of the merger of Tenger Financial Group LLC with the Company (the "**Merger**"), IFC will hold certain ordinary shares in the share capital of the Company, which are listed on the Mongolia Stock Exchange; and

(B) IFC has adopted certain operational policy requirements for its transactions and IFC requires adherence by the Company to these specific requirements and provisions as provided for in this Agreement.

### ARTICLE I

#### Definitions and Interpretation

Section 1.01. *Definitions.* Wherever used in this Agreement, the following terms have the following meanings:

"**Access to Information Policy**" means IFC's Access to Information Policy, dated January 1, 2012, which is available at: <https://disclosures.ifc.org/access-info-policy>;

"**Affiliate**" means, with respect to any Person, any Person directly or indirectly Controlling, Controlled by or under common Control with, that Person;

"**AML/CFT**" means anti-money laundering and combating the financing of terrorism;

"**Applicable E&S Law**" means all applicable statutes, laws, ordinances, rules and regulations of the Country, including without limitation, all Authorizations setting standards concerning environmental, social, labor, health and safety or security risks of the type contemplated by the Performance Standards or imposing liability for the breach thereof;

"**Applicable Law**" means all applicable statutes, laws, ordinances, rules and regulations, including but not limited to, any license, permit or other governmental Authorization, in each case as in effect from time to time;

"**Authority**" means any national, supranational, regional or local government, or governmental, statutory, regulatory, administrative, fiscal, judicial, or government-owned body, department, commission, authority, tribunal, agency or entity, stock exchange or central bank (or any Person whether or not government owned and howsoever constituted or called, that exercises the functions of the central bank);

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**"Authorization"** means any consent, registration, filing, agreement, notarization, certificate, license, approval, permit, authority or exemption from, by or with any Authority, whether given by express action or deemed given by failure to act within any specified time period and all corporate, creditors' and shareholders' approvals or consents;

**"Business Day"** means a day when banks are open for business in New York, New York and Ulan Bator;

**"CAO"** means the Compliance Advisor Ombudsman, the independent accountability mechanism for IFC that impartially responds to environmental and social concerns of affected communities and aims to enhance outcomes;

**"CAO's Role"** means the role of the CAO which is:

(a) to respond to complaints by Persons who have been or are likely to be directly affected by the environmental or social impacts of sub-projects financed by the Company after the date of the IFC Subscription; and

(b) to oversee audits of IFC's environmental and social performance, and to assess compliance with IFC's environmental and social policies, guidelines, procedures and systems;

**"Category A Activity"** means any activity of a Client which is likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented and which includes, for the avoidance of doubt and among other things, activities involving (i) involuntary resettlement; (ii) risk of adverse impacts on indigenous peoples; (iii) significant risks to or impacts on the environment or social, community health and safety, biodiversity, cultural heritage; (iv) significant retrenchment or (v) significant occupational health and safety risks (risk of serious injury or fatality to workers);

**"Category A Client"** means a Client who conducts or intends to conduct any operations or activities classified as a Category A Activity by the Company or, to the Company's knowledge, by IFC;

**"Charter"** means the articles of association of the Company or, as applicable, any Subsidiary;

**"Client"** means any borrower, investee or other Person financed directly or indirectly by the Company Operations with whom the Company executes a mandate or similar documentation and to whom the Company has actually disbursed funds following the date of the IFC Subscription;

**"Client Operations"** means any operations or activities of the Clients (or with respect to any Client, the operations and activities of that Client) financed directly or indirectly by the Company Operations;

**"Coal Related Sub-Project"** means (a) the development or expansion of coal-fired power plants, coal mines, transportation assets used exclusively for coal, or infrastructure assets exclusively dedicated to support coal mines and coal transportation, or (b) any Person that, in the prior financial year, (i) generated more than 30 percent of its energy generation from coal-fired power plants, (ii) generated more than 30 percent of its annual revenues from coal, (iii) had installed coal-fired capacity of 10,000MW or more, or (iv) produced 20 million tons or more of coal;

**"Coal Related Sub-Project Exposure"** means the aggregate of all on-balance sheet assets (including equity) and off-balance sheet commitments and contingencies of the Company, with an initial maturity of more than 36 months (and any extensions or refinancing thereof), to any Person (together with their subsidiaries) undertaking or comprising a Coal Related Sub-project, but excluding from such calculation, in respect of paragraph (b) of the definition of Coal Related Sub-Project, assets, commitments and contingencies in respect of which the use of proceeds is dedicated expressly for a



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development, upgrade, expansion or acquisition project that does not fall within paragraph (a) of the definition of Coal Related Sub-Project; **"Coercive Practice"** has the meaning set forth in Annex A (*Anti-Corruption Guidelines for IFC Transactions*);

**"Collusive Practice"** has the meaning set forth in Annex A (*Anti-Corruption Guidelines for IFC Transactions*);

**"Company Operations"** means all financing operations of the Company and its Subsidiaries for which the Company or a Subsidiary executes a mandate or similar documentation following the date of the IFC Subscription;

**"Corrupt Practice"** has the meaning set forth in Annex A (*Anti-Corruption Guidelines for IFC Transactions*);

**"E&S Management System"** means the Company's environmental and social management system, as implemented or in effect from time to time, that enables the Company to identify, assess and manage the environmental and social risks in respect of the Company Operations in accordance with the E&S Requirements;

**"E&S Performance Report"** means the E&S Performance Report, in form and substance satisfactory to IFC, evaluating the environmental and social performance of the Clients of the Company during the previous Financial Year, describing in reasonable detail: (a) implementation and operation of the E&S Management System; and (b) the environmental and social performance of the Clients;

**"E&S Requirements"** means the environmental and social obligations to be undertaken by the Clients to ensure compliance with: (a) the Exclusion List; (b) Applicable E&S Laws; and (c) any other requirements established by the E&S Management System;

**"ESMS Officer"** means a senior officer of the Company assigned to be responsible for administration and oversight of the E&S Management System;

**"Exclusion List"** means the list of prohibited activities set forth in Annex B;

**"Financial Year"** means the accounting year of the Company commencing each year on January 1 and ending on the following December 31, or such other period as the Company, upon thirty (30) days' prior written notice to IFC, from time to time designates as its accounting year;

**"Fraudulent Practice"** has the meaning set forth in Annex A (*Anti-Corruption Guidelines for IFC Transactions*);

**"IFC Subscription"** means the first date on which IFC acquired shares in Tenger Financial LLC (prior to its merger with the Company);

**"Material Adverse Effect"** means a material adverse effect on:

- (a) the Company's or any of its Subsidiaries' assets or properties;
- (b) the Company's or any of its Subsidiaries' business prospects or financial condition;
- (c) the carrying on of the Company's or any of its Subsidiaries' business or operations; or
- (d) the ability of the Company to comply, and ensure that each of its Subsidiaries complies, with its obligations under this Agreement, or the Company's and in the case of each of its Subsidiaries, such Subsidiary's Charter;

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**"Obstructive Practice"** has the meaning set forth in Annex A (*Anti-Corruption Guidelines for IFC Transactions*);

**"Performance Standards"** means IFC's Performance Standards on Environmental & Social Sustainability, dated January 1, 2012, copies of which is delivered to and receipt of which is acknowledged by the Company;

**"Person"** means any individual, corporation, company, partnership, firm, voluntary association, joint venture, trust, unincorporated organization, Authority or any other entity whether acting in an individual, fiduciary or other capacity;

**"Related Party"** means any Person: (a) that holds a material interest in the Company or any Subsidiary; (b) in which the Company or any Subsidiary holds a material interest; (c) that is otherwise an Affiliate of the Company; (d) who serves (or has within the past twelve (12) months served) as a director, officer or employee of the Company or (e) who is a member of the family of any individual included in any of the foregoing. For the purpose of this definition, "material interest" shall mean a direct or indirect ownership of shares representing at least five percent (5%) of the outstanding voting power or equity of the Company or any Subsidiary;

**"Sanctionable Practice"** means any Corrupt Practice, Fraudulent Practice, Coercive Practice, Collusive Practice, or Obstructive Practice, as those terms are defined herein and interpreted in accordance with the Anti-Corruption Guidelines attached to this Agreement as Annex A (*Anti-Corruption Guidelines for IFC Transactions*);

**"Shell Bank"** means a bank incorporated in a jurisdiction in which it has no physical presence and which is not an Affiliate of a regulated bank or a regulated financial group; and

**"Subsidiary"** means with respect to the Company, a Person over fifty per cent (50%) of whose capital is owned, directly or indirectly, by the Company, or the composition of a majority of its members of the board of directors is controlled, directly or indirectly, by the Company.

## ARTICLE II

### Covenants

#### Section 2.01. IFC Policy Reporting Covenants.

(a) Subject to and in compliance with all Applicable Laws, the Company shall promptly notify IFC upon becoming aware of any: (i) litigation or investigations or proceedings which have or may reasonably be expected to have a Material Adverse Effect; or (ii) any criminal investigations or proceedings against the Company or any Related Party, and any such notification shall specify the nature of the action or proceeding and any steps that the Company proposes to take in response to the same.

(b) Subject to and in compliance with Section 2.02(h), all Applicable Laws and regulations and rules of securities exchanges having jurisdiction over the Company (including without limitation the Mongolian Stock Exchange Listing Rules (the "**Listing Rules**") and Securities Law (the "**Securities Law**"), Data Protection Law, and Legal Entity Secrecy Law of Mongolia, upon IFC's request, and with reasonable prior notice to the Company,

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- (i) the Company shall permit representatives of IFC and the CAO, during normal office hours, to:
  - (1) visit any of the sites and premises where the business of the Company or its Subsidiaries is conducted;
  - (2) inspect any of the offices, branches and other facilities of the Company or its Subsidiaries; and
  - (3) have access to the books of account and all records of the Company and its Subsidiaries (other than non-public price-sensitive information); and
- (ii) subject to any confidentiality obligations to which the Company and/or its Subsidiaries are subject, the Company shall use its reasonable endeavours to assist IFC to get access to those employees and agents of the Company and its Subsidiaries who have or may have knowledge of matters with respect to which IFC or the CAO seeks information;

provided that: (A) no such reasonable prior notice shall be necessary if special circumstances so require; and (B) in the case of the CAO, such access shall be for the purpose of carrying out the CAO's Role.

- (c) The Company shall and shall ensure that each of its Subsidiaries shall:
  - (i) within ninety (90) days after the end of each Financial Year, deliver to IFC the E&S Performance Report in a form consistent with the requirements of this Agreement including:
    - (A) such information as IFC may reasonably require to measure the ongoing development results of the Clients, which information IFC may hold and use in accordance with IFC's Access to Information Policy; and
    - (B) confirmation that it has disclosed on its website (x) information as part of E&S Performance Report regarding its Coal Related Sub-Project Exposure (as a percentage of its Total Assets); and (y) a summary of its E&S Management System, including a description of its policies to appropriately identify, categorize, assess and address the environmental and social risks relevant to the activities IFC is financing. The Company shall provide IFC the link to such publicly disclosed information, which IFC may disclose on IFC's Project Information and Data Portal;

and the Company shall take all necessary steps to ensure that the E&S Performance Report shall be made available to its shareholders upon their request, free of charge at the same time when the E&S Performance Report is delivered to IFC; and
  - (ii) subject to and in compliance with all Applicable Laws and regulations and rules of securities exchanges having jurisdiction over the Company (including without limitation the Listing Rules and the Securities Law), within three (3) Business Days after becoming aware of the occurrence, notify IFC of any

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social, labor, health and safety, security or environmental incident, accident or circumstance with respect to any Client or in relation to any Client Operations having, or which could reasonably be expected to have, any material adverse social and/or environmental impact or any material adverse impact on the implementation or operation of the Client Operations in compliance with the E&S Requirements, specifying in each case the nature of the incident, accident, or circumstance and the impact or effect arising or likely to arise therefrom, and, within thirty (30) days after becoming aware of such occurrence, the measures the Company and/or the Client is taking or plans to take to address them and to prevent any future similar event; and keep IFC informed of the ongoing implementation of those measures; and

- (iii) subject to and in compliance with all Applicable Laws and regulations and rules of securities exchange having jurisdiction over the Company (including without limitation the Listing Rules and the Securities Law), promptly IFC in writing:
  - (A) that the Company is not in compliance with applicable law or regulation concerning AML/CFT;
  - (B) that any Authority has requested, through an action plan or any other manner, that the Company amend, change, improve or supplement any part of its AML/CFT policies, procedures or controls; or
  - (C) of the existence of any legal, regulatory, administrative or criminal investigation, proceeding or fine in which it is alleged a) that any part of the Company's AML/CFT policies, procedures, operations or controls are materially deficient, or b) that the Company or any of its employees, board members or Affiliates have violated applicable law or regulation concerning AML/CFT.

In any such written notice to IFC, the Company shall specify the nature of the event and the steps the Company is taking or proposes to take with respect thereto;

Section 2.02. IFC Policy Covenants.

(a) Sanctionable Practices.

- (i) The Company hereby agrees that it shall not engage in (nor authorize or permit any Affiliate or any other Person acting on its behalf to engage in) any Sanctionable Practice with respect to with respect to the Company or any transaction contemplated by this Agreement;
- (ii) Subject to and in compliance with all Applicable Laws and regulations and rules of securities exchanges having jurisdiction over the Company (including without limitation the Listing Rules and the Securities Law) The Company further covenants that should it become aware of any violation of Section 2.02(a)(i), it shall promptly notify IFC; and
- (iii) If IFC notifies the Company of its concern that there has been a violation of Section 2.02(a)(i), the Company shall cooperate in good faith with IFC and its

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representatives in determining whether such a violation has occurred, and shall respond promptly and in reasonable detail to any notice from IFC, and shall furnish documentary support for such response upon IFC's request, subject to and in compliance with all Applicable Laws and regulations and rules of securities exchanges having jurisdiction over the Company (including without limitation the Listing Rules and the Securities Law).

(b) Affirmative Environmental & Social Covenants. The Company shall and shall ensure that each of its Subsidiaries shall:

- (i) use all reasonable efforts to ensure the continuing operation of the E&S Management System to identify, assess and manage the environmental and social performance of the Company Operations in compliance with the E&S Requirements;
- (ii) in the event any successor or replacement ESMS Officer is appointed, ensure that such ESMS Officer shall be reasonably acceptable to IFC;
- (iii) if the Company intends to provide funding to a proposed Client that conducts or intends to conduct Client Operations classified as a Category A Activity by the Company or, to the Company's knowledge, by IFC: (A) promptly notify IFC in writing, upon becoming aware of such activity or intent; and (B) provide IFC with information concerning such matter as IFC may reasonably request;
- (iv) if a Client proposes to become or becomes a Category A Client, require that the E&S Management System of the Company and the environmental and social management system of the Client has sufficient capacity, including quality of staffing and expertise, to review the environmental and social performance of the Category A Client on an ongoing basis, as contemplated by this Agreement;
- (v) without limiting any other right, remedy or claim of IFC hereunder, if the Company becomes aware of any change in the scope of the Company Operations, advise and consult with IFC regarding any material environmental or social risk posed by such development and, if requested by IFC, amend the E&S Management System to identify, assess and manage such risks;
- (vi) if the Company becomes aware that any Client has undertaken Client Operations in a manner that is not in accordance with the E&S Requirements, promptly: (A) require the relevant Client to undertake, as appropriate or necessary in the Company's reasonable judgment, corrective measures to remedy such inconsistency or breach; and (B) if the relevant Client does not implement corrective measures as provided under clause (A), use reasonable efforts to dispose of the Company's investment in such Client on commercially reasonable terms, taking into account liquidity, market constraints and fiduciary responsibilities;
- (viii) obtain, review and investigate information available in the public domain regarding any incidents, adverse impact on local communities or the environment or adverse environmental or social performance associated with any proposed Client Operations and shall only provide funding to or otherwise invest in proposed Client Operations if: (A) any such incident, adverse impact

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or adverse performance has been resolved in accordance with the E&S Requirements; or (B) if the relevant Client has a mitigation, remediation or corrective action plan including, as necessary, an implementation schedule and budget, which has been agreed to with the Company and which, upon implementation, will enable the relevant Client to carry out the proposed Client Operations in accordance with the E&S Requirements;

- (ix) (i) ensure that its Coal Related Sub-Project Exposure represents less than 5% of its Total Assets by the end of its 2025 Financial Year and thereafter.
- (x) (i) unless prevented by Applicable Law, obtain the consent of its Clients, when such Clients supports any operations or activities classified as a Category A Activity to allow: (A) the Company to disclose publicly, on an annual basis: (1) the name of the relevant Client; (2) the location by city of such Category A Activity; and (3) the relevant industry sector of such Category A Activity; and (B) IFC to disclose publicly, on an annual basis, the same information on its Project Information and Data Portal; (ii) include the information detailed under sub-sections (i)(A)(1) through (3) above in the E&S Performance Report provided to IFC. If the Company is prohibited under Applicable Law from complying with its obligations under sub-sections (i)(A)(1) through (3) and (ii) above, the Company will include as part of the E&S Performance Report a letter from its general counsel (or external counsel) (together with any supporting documentation, including a legal opinion, that may be reasonably requested by IFC) detailing the reasons for non-compliance and including specific reference to the relevant provision of Applicable Law. IFC may disclose the information described under sub-sections (i) above (or the Company's explanation for any non-compliance) on IFC's Project Information and Data Portal and update such information on an annual basis; and
- (xi) ensure that the application of the Company's human resources policies on labor and working conditions following the date of the IFC Subscription is consistent with the requirements of IFC Performance Standard 2 (Labor and Working Conditions). If IFC notifies the Company of its concern that there has been a violation of any of those policies, the Company shall cooperate in good faith with IFC in determining whether such a violation has occurred, shall respond promptly and in reasonable detail to any request from IFC, and shall furnish documentary support for such response upon IFC's request.

(c) Negative Environmental & Social Covenants. The Company shall not and shall ensure that each of its Subsidiaries shall not:

- (i) provide loans, funding, investments or other support to Clients engaged in any of the activities on the Exclusion List; or
- (ii) amend waive the application of, or otherwise materially restrict the scope or effect of, the E&S Management System and the E&S Requirements).

(d) UN Security Council Resolutions. The Company shall and shall ensure that each of its Subsidiaries shall institute, maintain and comply with internal policies, procedures and controls consistent with its business and customer profile, for the purpose of ensuring that it will not enter into any transaction: (i) with, or for the benefit of, any of the individuals or entities named on lists



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promulgated by; or (ii) related to any activity prohibited by, the United Nations Security Council or its committees pursuant to any resolution under Chapter VII of the United Nations Charter.

(e) Shell Banks. The Company shall and shall ensure that each of its Subsidiaries shall institute, maintain and comply with appropriate internal procedures and controls to ensure that:

- (i) any financial institution with which the Company or its Subsidiaries conducts business or enters into any transaction, or through which the Company or its Subsidiaries transmits any funds, does not have correspondent banking relationships with any Shell Bank; and
- (ii) the Company shall not and shall ensure that each of its Subsidiaries shall not conduct business or enter into any transaction with, or transmit any funds through a Shell Bank.

(f) AML/CFT. The Company shall and shall ensure that each of its Subsidiaries shall institute, maintain and comply with internal policies, procedures and controls for AML/CFT consistent with its business and customer profile, in compliance with national laws and regulations, and in furtherance of applicable international AML/CFT best practices.

(g) Disclosure of Information. The Company and IFC acknowledge and agree that, in respect of any non-public price sensitive information requested by IFC under this Agreement, the Company shall make simultaneous disclosure of such information to IFC and the public and/or its shareholders for the purpose of ensuring equal dissemination of information as required by Applicable Laws and regulations and rules of securities exchanges having jurisdiction over the Company (including without limitation the Listing Rules and the Securities Law).

### ARTICLE III

#### Term of Agreement

Section 3.01. Term of Agreement. This Agreement shall continue in force until such time as IFC no longer holds any shares of the Company.

### ARTICLE IV

#### Representations and Warranties

Section 4.01. Representations and Warranties. The Company hereby represents and warrants that each of the following statements is true, accurate and not misleading as of the date of this Agreement:

(a) Organization and Authority. The Company is a legal entity duly organized and validly existing under the laws of its place of incorporation and has the corporate power and authority to enter into and perform its obligations under this agreement.

(b) Validity. This Agreement has been duly authorized and executed by the Company and constitutes its valid and legally binding obligation, enforceable in accordance with its terms;

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(c) No Conflict. The execution and performance of this Agreement will not contravene: (i) any law, regulation, order, decree or authorization applicable to the Company; (ii) any provision of the Company's Charter; or (iii) any contractual restriction binding on or affecting the Company or any of the Company's assets; and

## ARTICLE V

### Miscellaneous

Section 5.01. Notices. (a) Any notice, request or other communication to be given or made under this Agreement shall be in writing. Subject to Section 5.01(c) (*Notices*), any such communication shall be delivered by hand, established courier service or electronic mail to the party to which it is required or permitted to be given or made at such party's address specified below or at such other address as such party has from time to time designated by written notice to the other party hereto, and subject to clause (b) shall be effective upon the earlier of (a) actual receipt and (b) deemed receipt under Section 5.01(b) below.

For the Company:

XacBank HQ Bldg, Sukhbaatar District,  
Prime Minister Amar's Street, Ulaanbaatar,  
MONGOLIA

E-mail: [tsevegjav.g@xacbank.mn](mailto:tsevegjav.g@xacbank.mn)

Attention: Tsevegjav Gumenjav, the Chief Executive Officer

For the IFC:

International Finance Corporation

2121 Pennsylvania Avenue, N.W.

Washington, D.C. 20433

United States of America

E-mail: [Notifications@ifc.org](mailto:Notifications@ifc.org)

With reference to IFC Investment No. 34622

Attention: Director, Financial Institutions Group Department

With a copy (in the case of communications relating to payments) for the attention of the Director, Financial Operations.

(b) Unless there is reasonable evidence that it was received at a different time, notice pursuant to this Section 6.01 is deemed given if: (i) delivered by hand, when left at the address referred to in Section 6.01(a); (ii) sent by established courier services within a country, three (3) Business Days after posting it or confirmation of its receipt, whichever is earlier; (iii) sent by established courier service between two countries, six (6) Business Days after posting it or confirmation of its receipt, whichever is earlier; and (iv) sent by electronic email.

(c) IFC has a secured document sharing website called "AccessIFC", located at [accessifc.ifc.org](http://accessifc.ifc.org). Provided that the Company has agreed to all the terms and conditions provided by IFC to access and use AccessIFC, IFC may, in its discretion, grant to the Company access to AccessIFC. In the event the Company has been granted access to Access IFC, the Company shall deliver via

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Access IFC the reports required in Section 2.01(c)(i) (*IFC Policy Reporting Covenants*) and any other reporting requirements as may be mutually agreed between the Company and IFC.

Section 5.02. *Saving of Rights*. (a) The rights and remedies of IFC in relation to any misrepresentation or breach of warranty on the part of the Company shall not be prejudiced by any investigation by or on behalf of IFC into the affairs of the Company, by the execution or the performance of this Agreement or by any other act or thing by or on behalf of IFC which might prejudice such rights or remedies.

(b) No course of dealing and no failure or delay by IFC in exercising any power, remedy, discretion, authority or other right under this Agreement or any other agreement shall impair, or be construed to be a waiver of or an acquiescence in, that or any other power, remedy, discretion, authority or right under this Agreement, or in any manner preclude its additional or future exercise.

Section 5.03. *English Language*. All documents to be provided or communications to be given or made under this Agreement shall be in English and, where the original version of any such document or communication is not in English, shall be accompanied by an English translation certified by an Authorized Representative to be a true and correct translation of the original. IFC may, if it so requires, obtain an English translation of any document or communication received in any other language at the cost and expense of the Company. In either case, IFC may deem any such translation to be the governing version.

Section 5.04. *Governing Law*. This Agreement, and all non-contractual obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with, the laws of England and Wales.

Section 5.05. *Arbitration*. (a) All disputes arising out of or in connection with this Agreement, including any dispute relating to non-contractual obligation arising out of or in connection with this Agreement (each a "**Dispute**") shall be finally settled under the Rules of Arbitration (the "**Rules**") of the International Chamber of Commerce (the "**ICC**") as amended below.

(b) Any party to this Agreement may initiate arbitration proceedings pursuant to this clause against the other party to this Agreement by sending a Request for Arbitration (as defined in the Rules) to the ICC, with a copy to all other parties to this Agreement (whether or not such parties are named as respondents in the Request for Arbitration).

No other disputes involving third parties or other disputes unrelated to this Agreement shall be included in, or consolidated with, the arbitral proceedings.

(c) There shall be three arbitrators appointed as follows. If the Request for Arbitration names only one claimant and one respondent, and no party has exercised its right to joinder or intervention in accordance with paragraph (b) above, the claimant and the respondent shall each nominate one arbitrator within 15 days after the expiry of the period during which parties can exercise their right to joinder or intervention under paragraph (b) above. The third arbitrator, who shall act as the president of the arbitral tribunal, shall be nominated by agreement of the parties within 30 days of the appointment of the second arbitrator. If any arbitrator is not nominated within these time periods, the ICC shall make the appointment.

If the Request for Arbitration names multiple claimants or multiple respondents, or at least one party exercises its right to joinder or intervention in accordance with paragraph (b) above, the claimant(s) shall jointly nominate one arbitrator and the respondent(s) shall jointly nominate the other arbitrator, both within 15 days after the expiry of the period during which parties can exercise their right to joinder or intervention under paragraph (b) above. If the parties fail to nominate an arbitrator as provided

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above, the ICC shall, upon the request of any party, appoint all three arbitrators and designate one of them to act as the president of the arbitral tribunal. If the claimant(s) and respondent(s) nominate the arbitrators as provided above, the third arbitrator, who shall act as the president of the arbitral tribunal, shall be nominated by agreement of the parties within 30 days of the appointment of the second arbitrator. If the parties fail to nominate the president of the arbitral tribunal as provided above, the president of the arbitral tribunal shall be appointed by the ICC.

(d) The legal seat of arbitration shall be Singapore.

(e) The language of the arbitration shall be English.

(f) The arbitral tribunal and any emergency arbitrator appointed in accordance with the Rules shall not be authorized to take or provide, and the parties shall not be authorized to seek from any judicial authority, any interim measures of protection or pre-award relief against IFC, any provisions of the Rules notwithstanding.

(g) The parties expressly and irrevocably agree to the consolidation of two or more arbitrations commenced hereunder and/or under the Related Agreements irrespective of whether the claims in the arbitrations are made under the same arbitration agreement or more than one arbitration agreement, and irrespective of whether the arbitrations are between the same parties or different parties. The decision to consolidate shall be made by the ICC Court in accordance with the Rules.

(h) The parties acknowledge and agree that no provision of this Agreement or of the Rules, nor the submission to arbitration by IFC, in any way constitutes or implies a waiver, termination or modification by IFC of any privilege, immunity or exemption of IFC granted in the Articles of Agreement establishing IFC, international conventions, or applicable law.

Section 5.06. Successors and Assigns. This Agreement binds and benefits the respective successors and assignees of the parties. However, the Company may not assign, transfer or delegate any of its rights or obligations under this Agreement unless IFC gives its prior written consent.

Section 5.07. Amendments, Waivers and Consents. Any amendment or waiver of, or any consent given under, any provision of this Agreement shall be in writing and, in the case of an amendment, signed by all of the parties hereto.

Section 5.08. Counterparts. This Agreement may be executed in several counterparts, each of which is an original, but all of which constitute one and the same agreement.

Section 5.09. Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any law from time to time: (a) such provision will be fully severable; (b) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof; and (c) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom.

(Signature Pages Follow)

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IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names as of the date first written above.

**Xacbank Open Joint Stock Company**

By: \_\_\_\_\_  
Name:  
Title:

INTERNATIONAL FINANCE CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

ANNEX A

ANTI-CORRUPTION GUIDELINES FOR  
IFC TRANSACTIONS

The purpose of these Guidelines is to clarify the meaning of the terms "Corrupt Practice", "Fraudulent Practice", "Coercive Practice", "Collusive Practice" and "Obstructive Practice" in the context of IFC operations.

1. CORRUPT PRACTICES

A "Corrupt Practice" is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.

INTERPRETATION

- A. Corrupt practices are understood as kickbacks and bribery. The conduct in question must involve the use of improper means (such as bribery) to violate or derogate a duty owed by the recipient in order for the payor to obtain an undue advantage or to avoid an obligation. Antitrust, securities and other violations of law that are not of this nature are excluded from the definition of corrupt practices.
- B. It is acknowledged that foreign investment agreements, concessions and other types of contracts commonly require investors to make contributions for bona fide social development purposes or to provide funding for infrastructure unrelated to the project. Similarly, investors are often required or expected to make contributions to bona fide local charities. These practices are not viewed as Corrupt Practices for purposes of these definitions, so long as they are permitted under local law and fully disclosed in the payor's books and records. Similarly, an investor will not be held liable for corrupt or fraudulent practices committed by entities that administer bona fide social development funds or charitable contributions.
- C. In the context of conduct between private parties, the offering, giving, receiving or soliciting of corporate hospitality and gifts that are customary by internationally-accepted industry standards shall not constitute corrupt practices unless the action violates Applicable Law.
- D. Payment by private sector persons of the reasonable travel and entertainment expenses of public officials that are consistent with existing practice under relevant law and international conventions will not be viewed as Corrupt Practices.
- E. The World Bank Group<sup>1</sup> does not condone facilitation payments. For the purposes of implementation, the interpretation of "Corrupt Practices" relating to facilitation payments will take into account relevant law and international conventions pertaining to corruption.

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<sup>1</sup> The "World Bank" is the International Bank for Reconstruction and Development, an international organization established by Articles of Agreement among its member countries and the "World Bank Group" refers to the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes.

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2. FRAUDULENT PRACTICES

A "Fraudulent Practice" is any action or omission, including a misrepresentation that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

INTERPRETATION

- A. An action, omission, or misrepresentation will be regarded as made recklessly if it is made with reckless indifference as to whether it is true or false. Mere inaccuracy in such information, committed through simple negligence, is not enough to constitute a "Fraudulent Practice" for purposes of this Agreement.
- B. Fraudulent Practices are intended to cover actions or omissions that are directed to or against a World Bank Group entity. It also covers Fraudulent Practices directed to or against a World Bank Group member country in connection with the award or implementation of a government contract or concession in a project financed by the World Bank Group. Frauds on other third parties are not condoned but are not specifically sanctioned in IFC, MIGA, or PRG operations. Similarly, other illegal behavior is not condoned, but will not be considered as a Fraudulent Practice for purposes of this Agreement.

3. COERCIVE PRACTICES

A "Coercive Practice" is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

INTERPRETATION

- A. Coercive Practices are actions undertaken for the purpose of bid rigging or in connection with public procurement or government contracting or in furtherance of a Corrupt Practice or a Fraudulent Practice.
- B. Coercive Practices are threatened or actual illegal actions such as personal injury or abduction, damage to property, or injury to legally recognizable interests, in order to obtain an undue advantage or to avoid an obligation. It is not intended to cover hard bargaining, the exercise of legal or contractual remedies or litigation.

4. COLLUSIVE PRACTICES

A "Collusive Practice" is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.

INTERPRETATION

Collusive Practices are actions undertaken for the purpose of bid rigging or in connection with public procurement or government contracting or in furtherance of a Corrupt Practice or a Fraudulent Practice.

5. OBSTRUCTIVE PRACTICES

An "Obstructive Practice" is (i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making of false statements to investigators, in order to



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materially impede a World Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice, and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) an act intended to materially impede the exercise of IFC's access to contractually required information in connection with a World Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice.

#### INTERPRETATION

Any action legally or otherwise properly taken by a party to maintain or preserve its regulatory, legal or constitutional rights such as the attorney-client privilege, regardless of whether such action had the effect of impeding an investigation, does not constitute an Obstructive Practice.

#### GENERAL INTERPRETATION

A person should not be liable for actions taken by unrelated third parties unless the first party participated in the prohibited act in question.

EXCLUSION LIST

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions<sup>2</sup>.
- Production or trade in alcoholic beverages (excluding beer and wine)<sup>2</sup>
- Production or trade in tobacco<sup>2</sup>.
- Gambling, casinos and equivalent enterprises<sup>2</sup>.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labor<sup>3</sup>/harmful child labor<sup>4</sup>.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

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<sup>2</sup> This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

<sup>3</sup> Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

<sup>4</sup> Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.



## **Decision item No.8:**

**Approval of Reorganization of XacBank through Merging  
TenGer Financial Group LLC into XacBank**

Approval of Reorganization of XacBank through Merging  
TenGer Financial Group LLC into XacBank

BASIS FOR THE MERGER

- In accordance with Articles **36 and 36.1 of the Banking Law**, as well as Article 5 of the Procedural Law on the Implementation of Banking Law Amendment , **any person/entity alone or in conjunction with related entities shall not hold more than 20 percent of the total issued shares** of XacBank and TFG.
- Pursuant to Resolution No. SGR-2023-02 of the TFG Shareholders Meeting dated March 27, 2023, and Resolution No. SR-2023-02 of the XacBank Shareholders Meeting dated March 27, 2023, **the direct shareholding of XacBank by shareholders of TFG through a merger between XacBank and TFG, with XacBank as the surviving entity**, is deemed the most suitable approach to comply with the Banking Law.
- To ensure compliance with the requirements of the Banking Law, the merger will be executed in accordance with **Article 20 of the Company Law** and **Article 28 of the Banking Law**.

In order to prepare for banking reform under the amendment to the Banking Law January 2021, TFGGroup went through extensive and complex restructuring of the Group and its subsidiaries.

1. XacLeasing LLC merged with XacBank in 2021;
2. The shares of Tenger Insurance LLC, Tenger Capital LLC and Tianrong Micro Credit Company (Urumqi, China) were sold;
3. Other non-operating subsidiaries (e.g. Glacier Assets) liquidated;
4. TFG balance sheet and shareholding structure (TFG bought back shares from 2 NGOs) prepared for merger with XacBank.



\*TFG bought back shares from two NGOs under corporate structuring plan in order to prepare for the merger with XacBank.

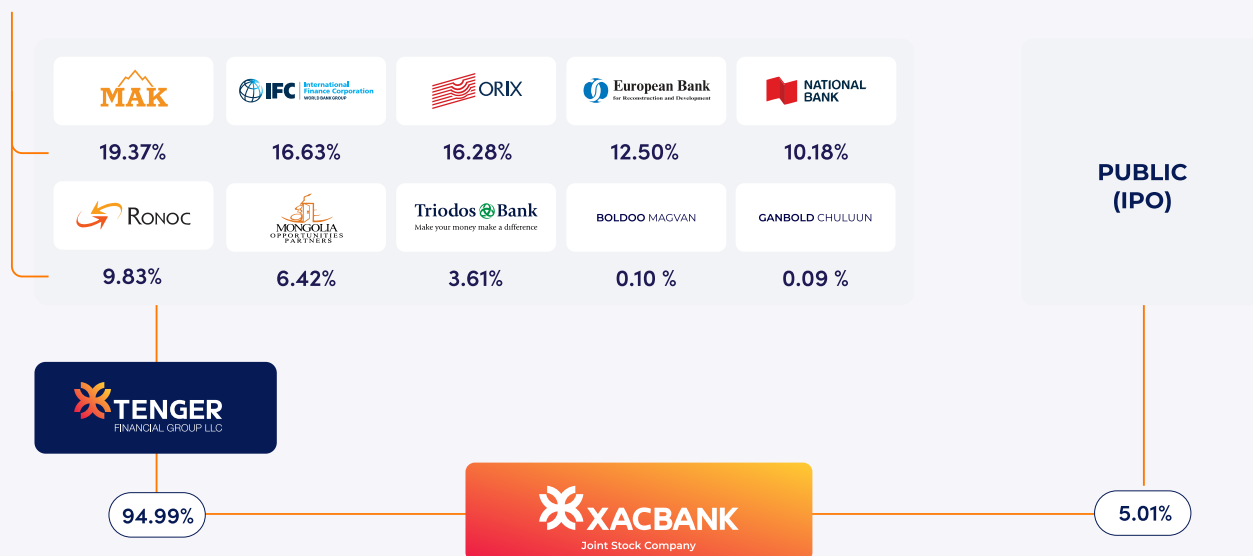
\*\*Pre-IPO shareholding.

\*\*\*Merged with XacBank in Nov 2021.

## COMPANY STRUCTURE AS OF MARCH 2024

- All preparatory works are complete, both in legal and operational terms, to merge TFG and XacBank (as of date of the AGM), as are result of steps taken in the past 2 years to comply with the Amendment Law of the Banking Law.
- The merger will be executed in accordance with **Article 20 of the Company Law** and **Article 28 of the Banking Law**. As result, TFG will cease to exist while XacBank JSC will continue its operation.

Indirect shareholding percentage of XacBank



\* After the merger, TFG will undergo liquidation, and its current shareholders will transition to become direct shareholders of XacBank. The merger will not affect the direct and indirect shareholdings of TFG and XacBank shareholders

## TFG LLC'S OPERATION:

- TFG LLC is a holding company of XacBank JSC and solely holds 1,000,000,000 shares of XacBank JSC. TFG liquidated all other investments during 2021-2022 in order to comply the Banking Law Amendment.
- Currently, TFG has no active operations and has 2 par-time positions: CEO (Tsevegjav G.) and Accountant (Otgonchuluun N.) who have full time job at XacBank JSC.
- TFG does not possess fixed assets.

**FINANCIAL POSITION OF TFG LLC\*:**

In MNT million

	2023/12/31 Audited
Cash	1,307.2
Investments (1,000,000,000 shares of XacBank JSC)	101,817.8
Other assets	50.2
<b>Total assets</b>	<b>103,175.2</b>
Tax and other payables	12.2
<b>Total liabilities</b>	<b>12.2</b>
Common shares	16,270.5
Share premium	55,425.2
Reserve	809.5
Retained profit	30,657.8
<b>Total Equity</b>	<b>103,163.0</b>
<b>Total Equity &amp; Liabilities</b>	<b>103,175.2</b>

\*The merger has to be done based on the most recent financial statements of two companies. The financial position of TFG LLC presented here is for information purpose only.

**First. Shareholders' Approvals**

- Separate approvals required by XacBank JSC's shareholders and TFG LLC's shareholders, respectively.

**Second. Regulatory Approvals**

- Central Bank approval on merger and change of shareholding structure of XacBank;
- Financial Regulatory Commission and Mongolian Stock Exchange approvals on change of shareholding structure of XacBank JSC;
- TFG LLC deregistration from tax payer.

## CONVERSION OF TFG LLC'S SHARES INTO XACBANK'S SHARES

$$\text{Conversion Ratio} = \frac{1,000,000,000}{16,270,503} = 61.46091488...$$

Number of XacBank JSC's shares hold by TFG LLC

Outstanding shares of TFG LLC held by 10 shareholders of TFG LLC

	Shareholders of TFG	Number of TFG's shares	Conversion Ratio	Number of XacBank JSC's shares to be held by TFG's shareholders after merger	Shareholding percentage
1	MAK Invest Kft.	3,316,985	61.46091488	203,864,933	19.37%
2	IFC	2,847,794		175,028,025	16.63%
3	Orix Corporation	2,788,218		171,366,429	16.28%
4	EBRD	2,140,273		131,543,137	12.50%
5	National Bank of Canada	1,744,107		107,194,412	10.18%
6	Ronoc Partners	1,683,342		103,459,739	9.83%
7	Mongolia Financial Services	1,098,764		67,531,041	6.42%
8	Triodos Fair Share Fund	618,680		38,024,639	3.61%
9	Boldoo Magvan	16,968		1,042,868	0.10%
10	Ganbold Chuluun	15,372		944,777	0.09%
Total		16,270,503		1,000,000,000	94.99%

└ Total outstanding shares of TFG

### Before merger

Public 52,700,000



Number of shares  
1,052,700,000

TenGer Financial Group LLC  
1,000,000,000

### After merger

Public 52,700,000

MAK Invest Kft. 203,864,933



IFC 175,028,025



Orix Corporation 171,366,429



EBRD 131,543,137



National Bank of Canada 107,194,412



Ronoc Partners 103,459,739



Mongolia Financial Services 67,531,041



Triodos Fair Share Fund 38,024,639



Boldoo Magvan 1,042,868



Ganbold Chuluun 944,777





## **Operational Implication of Merger for XacBank JSC**

- Upon the merger, XacBank will fulfill the requirement of Article 36.1 of the Banking Law and Article 5 of the Procedural Law on the Implementation of Banking Law Amendment which stipulate that any person/entity alone or in conjunction with related entities shall not hold more than 20 percent of the total issued shares of a bank.
- Following the merger, there will be no impact on the business operations of XacBank.
- In cases where XacBank shareholders, who were either against the merger or did not participate in the voting, request share redemption as specified in Article 53.1.1 of the Company Law, the Bank is required to repurchase their shares, thus, certain financial consequences may arise.
- Upon the approval of the merger, TenGer Financial Group LLC will open a special escrow account and deposit a certain amount as of the date of the merger balance sheet to settle any potential financial obligations and liabilities, including but not limited to tax-related payments. Please refer to clause 4.2 of the merger agreement.

## **Shareholders' Right**

- According to Article 53.1.1 of the Company Law, shareholders who opposed the merger or did not participate in the vote have the right to demand the company repurchase their shares.
- Pursuant to Article 53.5, the redemption shares should be repurchased at their market value as at the time the right is triggered. This market price is determined by the Board based on the assessments of independent valuation firms or audit firms and taking into account the weighted average market price of the last six months, in accordance with Articles 55.7 and 55.2 of the Company Law.
- Following the shareholders' meeting, the Board of Directors, as stipulated in Article 54.1 of the Company Law, will approve the procedure for share redemption, informing the shareholders according to the same procedure followed to announce the shareholders' meeting.

## Approval of Reorganization of XacBank through Merging TenGer Financial Group LLC into XacBank



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TO MR. TSEVEGJAV GUMENJAV,  
THE CHIEF EXECUTIVE OFFICER  
OF XACBANK JSC

Date: 2024.03.22  
Ref.number: BNP-87/24  
Subject: Summary of Legal Opinion



### SUMMARY OF LEGAL OPINION PREPARED CONCERNING CHANGE TO THE REGISTRY OF SECURITIES OF XACBANK JSC.

One. Whether the resolution to make changes in securities registry complies with the applicable laws and regulations:

Regarding the matter of whether the decision to change the securities register was made in compliance with legal requirements, the shareholders' meeting of XacBank JSC approved resolution No. [●] on [month] [date], 2024.

*[The conclusion of this section shall be written upon the decision of the meeting of shareholders.]*

In summary, the Law Firm believes that the resolution to change the securities register of XacBank JSC is [●] the relevant laws and regulations.

Two. Whether the purchase agreements, supply agreements, credit agreements, and other agreement that are crucial for the Bank's operations, comply with relevant laws, and if there are any potential consequences that could negatively/adversely impact the Bank.

The Loan contracts requires XacBank JSC to notify the other party in writing and receive a response when reorganizing through merger. Therefore, the Law Firm suggest XacBank JSC to fulfill its obligation under the contract and deliver a formal notice the creditors regarding the reorganization of the Bank through merger and receive a response.

Sale, purchase, supply, and loan contracts and other contracts with major significance on operation of XacBank JSC comply with the applicable laws and consequences that could adversely affect the Bank have not been detected.

Three. Whether the major and conflict of interest agreements that were concluded within the last 3 (three) years are in compliance with the procedures stipulated by the applicable laws:

Bases on Article 87 of the Law on Company, affidavits issued by XacBank JSC, and the amount equal to 25 percent of the most recent active balance sheet prior to the conclusion of the transaction by the Bank, the Law Firm concludes that major agreements have not been concluded as of the cut-off date.

Based on Article 92 of the Law on Company, Article 17 of the Law on Banking, and our examination of the list of contracts and agreements concluded from March 01, 2021 to March 01, 2024, furnished by XacBank JSC, 23 (twenty-three) conflict of interest contracts and agreements were



## Approval of Reorganization of XacBank through Merging TenGer Financial Group LLC into XacBank

concluded, which are effective as of the cut-off date. The Board of Directors of the Bank approved the agreements with conflict of interest.

In summary, the Board of Directors of the Bank authorized/approved the 31 (thirty-one) effective agreements with conflict of interest concluded by XacBank JSC with related parties thus it is reasonable to believe that these are in compliance with the relevant laws.

**Four. Whether the requirements set forth in the Corporate Governance Code approved by FRC have been complied with in its operations, obligations of the Bank towards the shareholders by law, the measures taken to protect their rights, and whether the conditions for exercising the right to demand related to the decision to change the securities register have been met:**

The Law Firm concluded that the 22 (twenty-two) rules and regulations pertaining to corporate governance adopted by XacBank JSC in its operations meet the requirements set forth in the Corporate Governance Code.

In summary, the Law Firm concluded that XacBank has complied with the requirements set forth in the Corporate Governance Code in its operations, fulfilled its legal obligations to shareholders as stipulated in the Company Law and the Law on the Securities Market, and has **implemented** certain measures to protect their rights.

**Five. Whether the decision to change the securities register and the actions related to its implementation meet the legal interests of investors and shareholders:**

Shareholders' meeting of XacBank JSC issued No. [●] on [month] [date], 2024, resolving to [●].

**[The conclusion of this section shall be written upon the decision of the meeting of shareholders.]**

Regarding the issue of whether or not there are any restrictions stipulated by the law in connection with the reorganization of legal entities through merger, according to the Banking Law, if the Bank of Mongolia gives permission, the bank can be reorganized by the decision of the shareholders' meeting. According to resolution of the Bank of Mongolia on [month] [date], 2024, it is resolved that the reorganization by merging TenGer Financial Group LLC and XacBank JSC is [●].

In summary, it is considered that the decision to change the register of the securities XacBank JSC and the actions related to its implementation are **in line** with the legal interests of the shareholders.

Also, the obligations required by "Procedure for the exercise of the right to demand the repurchase of shares" approved by resolution No. [●] of the Board of Directors of XacBank JSC on March [●], 2024, and Articles 53 and 54 of the Law on Company **depending on how they are implemented** are [●] legal interests of investors and shareholders.

**Six. Legal Opinion on the operation of TenGer Financial Group LLC, legal entity merging with the Bank shall be written on the following issues:**

- (i) **Whether the Company's state registration certificate and the information of the shareholders are registered in the state registry and valid:**

Law Firm concludes that as of the date of issuing the Legal opinion, TenGer Financial Group LLC is operating as a limited liability company, and the company's state registration certificate and shareholder information are valid and registered in the state registry.

- (ii) **Whether shares, securities convertible into shares, options, and securities considered as shares announced and issued by the Company are valid:**

TenGer Financial Group LLC has 24,685,859 (twenty-four million six hundred eighty five eight hundred fifty nine) announced shares with a nominal value of 1,000 (one thousand) MNT and issued 16,270,503 (sixteen million two hundred seventy thousand five hundred and three) shares with a nominal value of 1,000 (one thousand) MNT. The Law Firm concludes that the company has not issued any securities convertible into shares, options or securities related to shares.



## Approval of Reorganization of XacBank through Merging TenGer Financial Group LLC into XacBank

The Law Firm concludes that based on the documents submitted by TenGer Financial Group LLC, the Company has not issued any securities, options or securities related to shares, and the announced and issued shares of TenGer Financial Group LLC are not obligated to fulfill any obligations as of the date of the Legal opinion.

**(iii) Whether the contracts and agreements with significance to the Company's operation comply with the applicable laws:**

According to the documents submitted by TenGer Financial Group LLC, a total of 8 (eight) contracts are effective as of the cut-off date.

**(iv) Whether major agreements and agreements with conflict of interest that were concluded within the last 3 (three) years are executed in accordance with the applicable laws:**

Based on the letter of affidavit of TenGer Financial Group LLC, the Law Firm concluded that as of the cut-off date, TenGer Financial Group LLC has not entered into a major-scale agreement or an agreement with a conflict of interest.

**(v) Whether the operational permits, licences, copyrights, patents, trade, and service marks of the Company are valid and whether there is any licensing contract and intellectual property of disputes:**

As of the date of the Legal opinion, TenGer Financial Group LLC has not been granted a special permit by the state authorities, thus the Law Firm believes that there are no concrete or negative conditions in the framework of any activities carried out on the basis of the special permit.

There is no special permit issued in the name of the Company, not there any licenses, copyrights or patents, and rights protection has not been carried out but there are 6 (six) registered trademarks which have expired and no obligations have been imposed.

**(vi) Whether the ownership rights of securities, immovable properties, and other properties are valid and whether there is any existing binding obligations before third parties:**

Based on the information provided by TenGer Financial Group LLC, reference No. 3 of Central Depository of Securities Central LLC dated February 08, 2024, and information obtained from the electronic database of the General State Registration Office, TenGer Financial Group LLC has 1 (one) type of shares in the amount of 1,000,000,000 (one billion) shares, and the right to own the shares is valid, thus the Law Firm has concluded that there is no obligation to fulfill performance of obligations imposed.

Therefore, discrepancies have been found in the information submitted by TenGer Financial Group LLC, the inquiry on property registration dated February 13, 2024 by the General State Registration Office and the tax reference of enterprises and organizations dated February 07, 2024. It is recommended to eliminate the discrepancies in the registration of real estate ownership rights register.

**(vii) Whether the Company's employment contracts, employee benefit plans, employee stock ownership plans, and contingent liability policies comply with applicable laws:**

The Law Firm has concluded that the Service Agreement signed by TenGer Financial Group LLC with the Chairman of the Board of Directors complies with the Civil Code, and the employment contract signed with the Executive Director and the Accountant complies with the Labor Law. TenGer Financial Group LLC did not submit internal labor regulations for employees, employee benefit plan, employee share ownership plan, and contingent liability policy to the Law Firm, thus the Law Firm considered that the said plans and documents were not approved nor implemented.

**(viii) Whether the Company complies with environmental laws:**





## Approval of Reorganization of XacBank through Merging TenGer Financial Group LLC into XacBank

According to Edict No. A-30/2011 of the Executive Director of Tenger Financial Group LLC dated July 20, 2011, the "Social and Environmental Management Policy" has been approved to be followed in the activities of the company and its invested companies.

In the context of this issue, the Law Firm studied whether the environmental procedures followed by TenGer Financial Group LLC in its operations are within the scope of the law, and since TenGer Financial Group LLC operates as an investment advisor, the Law Firm concludes that it is not a requirement specifically mandated by law to be mandatory for the Company.

**(ix) Whether the Company's insurance policies meet the requirements of applicable laws:**

TenGer Financial Group LLC signed the General Insurance Agreement No.23/006 and the Executive Liability Insurance Agreement, which is a sub-agreement of this agreement with TenGer Insurance LLC on May 25, 2023, which is effective as of the cut-off date.

As for the executive liability insurance sub-contract, it will be effective until 23:59 on May 23, 2024, and the insurance value will be equal to 10,000,000 (ten million) US dollars.

In the sub-agreement, TenGer Financial Group LLC is required to pay the amount equal to 68,545 (sixty-eight thousand, five hundred and forty-five thousand) US dollars to the insurer by May 30, 2023.

Therefore, the Law Firm considered that it is reasonable to believe that TenGer Financial Group LLC has fully fulfilled its obligations to pay insurance premiums stipulated in the Executive Liability Insurance sub-contract signed with TenGer Insurance LLC. The validity of the insurance contract and how to inherit the right to demand, terminate, and cancel the contract were studied in detail.

Upon termination of this General Insurance Agreement and its sub-contract, the Executive Liability Insurance Agreement, in accordance with Clause 2.4.2 of Article 2 of the General Insurance Agreement, the premium for the period in which the insurer assumed the risk, the expenses incurred in connection with the insurance, and the fee for the services provided, shall be deducted from the premium in the sub-contract will have the effect of refunding as indicated. However, in the case of receiving compensation from TenGer Financial Group LLC during the term of this general insurance contract, the contract specifically stipulates that the premium will not be refunded, assuming that the insurer has fulfilled its contractual obligations.

**(x) Whether there is any pending, resolved or ongoing litigation against the Company:**

In summary, TenGer Financial Group LLC has not been criminally liable as of the cut-off date, and has not participated in civil or administrative proceedings as a plaintiff, defendant, or third party. Also, as of the date of this legal opinion, the Law Firm has concluded that TenGer Financial Group LLC has not been investigated for any crime or violation, nor has it participated as a claimant, defendant, or third party in civil or administrative cases.

**(xi) Whether the Company has any debts and liability before the tax, social insurance, and court enforcement authorities:**

According to the electronic inquiry and reference of enterprises and organizations No. 24.1003.8ea86b45-c611-4447-9bab-d55f8088d003 dated February 07, 2024 of the Mongolian Tax Service, Tenger Financial Group LLC has an outstanding payment of 4,336,815.40 (four million three hundred thirty six thousand eight hundred fifteen point forty) MNT and excess payment of 62,765,296.44 (sixty two million seven hundred sixty five thousand two hundred ninety six point forty four) MNT.

Therefore, based on the inquiries and references of the above-mentioned government authorities, the Law Firm has concluded that TenGer Financial Group LLC has no debts before the social insurance and court enforcement authorities, except for the underpayment of taxes mentioned above.



## Approval of Reorganization of XacBank through Merging TenGer Financial Group LLC into XacBank

In summary the Law Firm concludes that XacBank, [●] the criteria for making changes to the securities register set by the Securities Registration Regulations of the Financial Regulatory Commission and the Mongolian Stock Exchange.

This Legal Opinion shall not be regarded as an assessment of the Bank's business operation as it is only specific the reorganization of XacBank JSC by merging with its sole shareholder, TenGer Financial Group LLC, and within the framework of the requirements set by the government in connection with changes in securities registration.

SINCERELY,

  
MANAGING PARTNER  BOORCHI BAYARTKHUU



## BOARD OF DIRECTORS RESOLUTION



Date: 07 March, 2024

No. R-2024-14

Ulaanbaatar

Recommendation for TenGer Financial Group LLC  
Merger with XacBank JSC

Based on Article 36.1 of the Banking Law, Articles 20.2 and 76.1.15 of the Company Law, Clauses 8.6 and 8.6 (viii) of the Charter of XacBank JSC ("**XacBank**"), and pursuant to discussions and decisions made at its regular meeting held on 06-07 March 2024, the Board of Directors (the "**Board**") of XacBank hereby adopts the following resolutions:

### IT IS NOTED THAT:

1. **WHEREAS**, it is mandatory for XacBank, the sole subsidiary of TenGer Financial Group LLC ("**TFG**"), a company holding 94.99% of XacBank's total issued and outstanding shares, to comply with Article 36.1 of the Banking Law with respect to the requirement of any shareholder individually or jointly together with its affiliated persons owning no more than 20% of the bank's total issued shares (the "**Statutory Mandate**");
2. **WHEREAS**, the Shareholders of XacBank have previously determined pursuant to their Resolution No. SR-2023-01 that the best way to fulfill this requirement is through a merger of TFG and XacBank, following XacBank's reorganization into an open joint-stock company. Consequently, XacBank would be the surviving entity and the shareholders of TFG would become direct shareholders of XacBank (the "**Merger**");
3. **WHEREAS**, XacBank has successfully undertaken an IPO and reorganized into an open joint-stock company, in compliance with Article 4.2 of the Banking Law and Article 4 of the Law in Implementation of the Amendments to the Banking Law, respectively;
4. **WHEREAS**, any decision for a merger is considered a Strategic Matter as defined in Article 8.6 of the XacBank Charter, it is thereby required that such decisions receive the approval of the shareholders of XacBank;
5. **WHEREAS**, in connection with the Merger, the Shareholders of TFG by its Resolution No. SGR-2024-03, have resolved to execute the Merger Agreement provided that XacBank shall have entered into each of (i) a Framework Agreement with European Bank for Reconstruction and Development ("**EBRD**"), and (ii) a Policy Agreement with International Financial Corporation ("**IFC**"), on or prior to the date of the signing of the Merger Agreement;
6. **WHEREAS**, at the request of TFG, a shareholder owning a 94.99% stake in XacBank, the adoption of a shareholders' resolution by XacBank to approve the entry into the Framework Agreement with EBRD and the Policy Agreement with IFC, respectively, has been submitted as additional agenda items to the annual general meeting of the shareholders of XacBank pursuant to Board Resolution No. R-2024-13; and



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7. **WHEREAS**, the Board now wishes to recommend to the shareholders to approve the Merger to ensure prompt compliance with the Statutory Mandate.

**NOW THEREFORE BE IT RESOLVED THAT:**

1. The Merger, pursuant to the Merger Agreement between TFG and XacBank as attached herewith as Annex 1, is hereby recommended to the Shareholders for their approval.
2. The document prepared solely for formal submission to the Financial Regulatory Commission and the Mongolian Stock Exchange as part of the required documentation for the Merger process - "Reorganization through Merger: Terms and Conditions", as attached herewith as Annex 2, is hereby recommended to the Shareholders for their approval.
3. Subject to the Shareholders' approval, the Chief Executive Officer, Tsevegjav G., the Chief Financial Officer, Erdenebayar G., and Munkhtselmeg N., the General Counsel and the Corporate Secretary, are hereby appointed as the Reorganization Committee and are instructed and authorized to take all necessary steps in this connection such as executing, signing, delivering and submitting relevant documents and applications to the Bank of Mongolia, the Financial Regulatory Commission, the Mongolian Stock Exchange, the Legal Entity Registration Office and other related Authorities, establishing the inspection committee pursuant to the Banking Law Clause 28.2 if necessary, and to do all such acts as may be ancillary or incidental to give effect to the foregoing.
4. XacBank, as the surviving entity, will continue to retain Ernst and Young Mongolia Audit LLC for its external audit.

CHAIRMAN OF THE  
BOARD OF DIRECTORS

SANJAY GUPTA

GENERAL COUNSEL,  
CORPORATE SECRETARY

N.MUNKHTSELMEG



Approval of Reorganization of XacBank through  
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Version: 2024.01.24

DATED

[\*\*\*]

**Tenger Financial Group LLC**

- and -

**XacBank JSC**

**MERGER AGREEMENT**

Ulaanbaatar, Mongolia

## Approval of Reorganization of XacBank through Merging TenGer Financial Group LLC into XacBank

This Merger Agreement (including all attachments, hereinafter referred to as the “**Agreement**”) is entered into on [\*\*\*] (“**Effective Date**”),

by and between:

- (1) Tenger Financial Group LLC, a limited liability company registered and organized under the laws of Mongolia with registration number 2595788 whose registered address is at 16<sup>th</sup> Floor, International Commercial Center, Jamiyan Gun Street, Sukhbaatar District, Ulaanbaatar (“**TFG**”); and
- (2) XacBank JSC, an open joint stock company registered and organized under the laws of Mongolia with registration number 2578697 whose registered address is at XacBank Building, Prime Minister Amar Street, Khoroo 8, Sukhbaatar District (“**XacBank**”)

(collectively referred to as the “**Parties**” and each individually as a “**Party**”).

### PREAMBLE

- A. **WHEREAS** XacBank is a commercial bank licensed to conduct banking activities under the Banking Law, and TFG is the majority shareholder of XacBank currently holding 1,000,000,000, (one billion) XacBank Shares constituting 94.99 percent of the total issued and outstanding XacBank Shares;
- B. **WHEREAS** TFG and XacBank are required to comply with Article 36.1 of the Banking Law and Article 5 of the Law on Implementation of the Amendments to the Banking Law prior to 31 December 2023 with respect to the requirement that any person individually or jointly together with its affiliated persons must own no more than 20 percent of the bank’s total issued shares (the “**Banking Law Requirement**”);
- C. **WHEREAS** under the Shareholders’ Meeting Resolution No. SGR-2023-02 dated 27 March 2023 of TFG, and Shareholders’ Meeting Resolution No. SR-2023-02 dated 27 March 2023 of XacBank, it has been determined that the most suitable approach to fulfill the Banking Law Requirement is to merge TFG with or into XacBank by ceasing TFG’s operation as a dissolving entity and by continuing XacBank’s operation as a surviving entity, as a result of which TFG shareholders would become direct shareholders of XacBank, (“**Merger**”);
- D. **WHEREAS** the Merger is outlined in clauses 1.5.17, 6.10, 6.11, and 6.12 (*Merger of the Bank*) of the current XacBank Charter as adopted by the XacBank Shareholders’ Meeting Resolution No. SR-2023-22 dated 15 September 2023;
- E. **WHEREAS** the Merger has been determined not to be a conflict-of-interest transaction as per Article 89.3.4 of the Company Law;
- F. **WHEREAS** the Merger has been approved by each of TFG and XacBank by way of a shareholders’ meeting under their respective resolutions Nos. [\*\*\*] and [\*\*\*];
- G. **WHEREAS** the Parties agree and acknowledge that the Merger and terms and conditions of this Agreement is subject to all necessary regulatory approvals, consents, and decisions and resolutions from the relevant Governmental Authorities, including but not limited to those from the Bank of Mongolia, the FRC and the MSE (as defined below) as set out below.

- H. **WHEREAS** the Parties mutually agree and acknowledge that this Agreement is entered into for the purpose of undertaking the Merger of TFG and XacBank in accordance with Article 20 of the Company Law and Article 28 of the Banking Law to comply with the Banking Law Requirement, and each Party acknowledges that the Parties will not earn any tangible and intangible profit, income, bonus, and any form of monetary reward as a result of the Merger contemplated under this Agreement.

**NOW, THEREFORE**, it is agreed as follows:

1. **DEFINITIONS AND INTERPRETATIONS**

1.1 **Definitions**

Unless otherwise stated in this Agreement, capitalized terms used in this Agreement shall have the meanings set forth below:

**"Applicable Law"** means laws, regulations, rules, notices, and other legislative, executive or judicial decisions or pronouncements which are valid, in effect and binding on the Parties in relation to this Agreement;

**"Authorization"** means any consent, permits, licenses, certificates, confirmation, approval, or registration issued or granted by, or registration made with a Governmental Authority;

**"Banking Law"** means the *Law of Mongolia on Banks* enacted on 28 January 2010;

**"Bank of Mongolia"** means the Central Bank of Mongolia;

**"Company Law"** means the *Law of Mongolia on Company*, enacted on 6 October 2011;

**"EBRD"** means European Bank for Reconstruction and Development, an international organisation formed by treaty, which is a shareholder of TFG as at the date of this Agreement;

**"FRC"** means the Financial Regulatory Commission of Mongolia;

**"Governmental Authority"** means the Government of Mongolia, governmental, administrative or regulatory agencies, authorities and entities (including such entities at a central, provincial, municipal or local level), any department or instrumentality thereof, including any entity or enterprise owned or controlled by a government, or courts and other judicial authorities;

**"IFC"** means International Finance Corporation, an international organisation established by Articles of Agreement among its member countries including Mongolia, which is a shareholder of TFG as at the date of this Agreement;

**"LERO"** means the Legal Entities Registration Office of the General Authority for State Registration of Mongolia;

**"MCSD"** means the Mongolian Central Securities Depository;

**"Merger Approval"** means the XacBank Shareholders' meeting resolution No.[\*\*\*] dated [\*\*\*] approving the Merger;

**"Merger Completion Date"** means the date as set out in clause 4.1 of this Agreement;

**"MNT"** means the Mongolian togrog, the current lawful currency of Mongolia;

**"MSE"** means the Mongolian Stock Exchange;

**"Post-Merger Consolidated Balance Sheet"** has the meaning given to such term in clause 4.5;

**"Securities Market Law"** means the *Law of Mongolia on Securities Market enacted on 24 May 2013*;

**"SHA"** means the shareholders' agreement entered into by and among TFG and TFG Shareholders dated 1 October 2013 (as amended from time to time);

**"Share Capital"** means the total amount of par value of common and preferred shares issued by a company or held by shareholders which do not include outstanding or redeemed shares;

**"TFG Shareholders"** means ten shareholders listed in clause 3 holding TFG Shares and are registered with LERO as of the date of this Agreement;

**"TFG Shares"** means the ordinary shares in the Share Capital of TFG;

**"XacBank Shareholders"** means any person holding XacBank Shares and having an account with MCSD with respect to XacBank Shares;

**"XacBank Shares"** means ordinary shares in the Share Capital of XacBank;

## 1.2 Interpretations

(a) In this Agreement:

- (i) a reference to a clause, paragraph or schedule is, unless stated otherwise, a reference to a clause or paragraph of, or Schedule to, this Agreement;
- (ii) a reference to any statute or statutory provision is a reference to that statute or statutory provision as re-enacted, amended or extended before the Effective Date and includes reference to any subordinate legislation (as re-enacted, amended or extended) made under it before the Effective Date;
- (iii) a reference to a "person" includes any individual, company, corporation, firm, partnership, joint venture, factory, association, state, a state agency, institution or trust (whether or not having a separate legal personality);
- (iv) a reference to one gender is a reference to all or any genders;
- (v) a reference to a particular time of day is, unless stated otherwise, a reference to that time in Ulaanbaatar, Mongolia;
- (vi) a reference to "including" or "includes" does not limit the scope of the meaning of the words preceding it;

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- (b) The Schedules form part of this Agreement and a reference to "this Agreement" includes its Schedules; and
- (c) The headings in this Agreement do not affect its interpretation.

**2. THE MERGER**

- 2.1 The Merger shall be carried out in accordance with Article 20 of the Company Law and Article 28.1 of the Banking Law subject to the conditions and procedures set forth in this Agreement.
- 2.2 For the purpose of undertaking the Merger, the XacBank Shares held by TFG shall be converted in accordance with clause 3 of this Agreement.
- 2.3 Each of XacBank and TFG may file for registration of the Merger with LERO and de-registration of TFG as a taxpayer and a legal entity, respectively, only upon the satisfaction of the following conditions:
  - (a) shareholders meetings of TFG and XacBank having passed resolutions pursuant to which the Merger contemplated under this Agreement is approved;
  - (b) XacBank having duly obtained approval from the Bank of Mongolia in respect of the Merger in accordance with Applicable Laws;
  - (c) XacBank having duly obtained approvals from the FRC and MSE on the Merger and the relevant changes to the securities registration.
  - (d) subject to FRC approval, the ownership rights of the TFG Shareholders in XacBank Shares in the numbers stated in clause 3 below having been registered with MCSD in each of their names;
- 2.4 Within thirty (30) business days commencing from whichever is the later date of the following two dates, being (i) date of each of TFG and XacBank's shareholders' meeting approving the Merger respectively; or (ii) the date of each of TFG and XacBank's shareholders with a right to have their shares redeemed having received the written notice of their rights to redeem their shares respectively as stated under Article 54.3 of the Company Law, the Parties shall register any shareholders of TFG and XacBank who wish to exercise their share redemption rights in accordance with Articles 53.1.1 and 54 of the Company Law.
- 2.5 If any shareholder fails to register their decision to exercise their share redemption right within thirty (30) business days as stipulated in Clause 2.4 above, such shareholder shall be considered to have waived their right to exercise share redemption right under the Company Law. TFG and XacBank shall provide explicit information with respect to any waivers regarding this matter in the relevant notices or documents to the shareholders.
- 2.6 Share redemption rights of each of TFG and XacBank's Shareholders shall only become effective and exercisable upon FRC's approval on the Merger and a change to the securities register as required under the Securities Registration Regulation of FRC adopted by the FRC Resolution No.225 dated 11 June 2021.
- 2.7 Notwithstanding anything to the contrary herein, the share redemption rights of XacBank Shareholders as at the date of the Merger Approval shall only become effective and exercisable upon the Bank of Mongolia's approval on the repurchase of XacBank Shares by XacBank.

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- 2.8 The Parties shall be responsible for preparing, issuing, and passing all necessary corporate approvals and preparing and submitting all necessary requests for Authorizations, together with supporting documents, to the applicable Governmental Authorities, including, without limitation, the Bank of Mongolia, FRC, MSE, LERO, and any relevant tax authority, and for undertaking any necessary actions for the implementation and completion of the Merger.
- 2.9 The Parties shall co-operate fully in all actions necessary to procure the satisfaction of the conditions in clause 2.3 above and shall pass, adopt or enter into any other instruments or documents necessary or desirable to implement and complete the Merger.
- 2.10 The Parties shall duly notify all their creditors and customers regarding the Merger in accordance with Applicable Laws.

### 3. SHARE VALUATION AND CONVERSION MECHANISM

- 3.1 As of the date of this Agreement, TFG currently holds 1,000,000,000 (one billion) XacBank Shares with a par value of MNT 100 representing 94.99 percent of the total issued and outstanding XacBank Shares. The TFG shareholders collectively hold 16,270,503 (sixteen million two hundred seventy thousand and five hundred and three) TFG Shares with a par value of MNT 1,000 constituting 100 percent of the total issued and outstanding TFG Shares.
- 3.2 The conversion ratio for each TFG Share into XacBank Shares shall be determined by dividing the number of XacBank Shares owned by TFG (1,000,000,000 shares) by the total number of TFG Share (16,270,503). The resulting conversion ratio of 61.46091488 XacBank Shares shall be applied to each TFG Share to determine the number of total XacBank Shares to be allocated to each TFG Shareholder. In the event that the final conversion ratio results in fractional XacBank Shares, such fractional XacBank Shares shall be rounded down if the fraction is below 0.5 and rounded up if the fraction is 0.5 or higher.
- 3.3 Notwithstanding anything to the contrary in Clause 3.2 of this Agreement, Boldoo Magvan, by the execution and delivery of a side letter (the "**Side Letter**"), attached hereto as Schedule 1, expressly acknowledges and agrees that any of his fractional shares of XacBank, that result from the application of conversion ratio under this Agreement for converting each TFG Share into XacBank Shares, will be rounded down to the nearest complete XacBank Share, not rounded up as outlined in Clause 3.2. By signing the Side Letter, Boldoo Magvan voluntarily accepts this approach and waives any right to contest or claim the rounding up of his fractional shares under Clause 3.2.
- 3.4 Based on the above, the conversion results of TFG Shares into XacBank Shares and the subsequent distribution to TFG Shareholders shall be as follows:

#	Shareholders	TFG Shares	XacBank Shares upon conversion
1	MAK Invest Kft	3,316,985.00	203,864,933.00
2	International Finance Corporation	2,847,794.00	175,028,025.00
3	ORIX Corporation	2,788,218.00	171,366,429.00
4	European Bank for Reconstruction and Development	2,140,273.00	131,543,137.00
5	National Bank of Canada	1,744,107.00	107,194,412.00
6	Ronoc Partners Kft.	1,683,342.00	103,459,739.00



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7	Mongolia Financial Services Pte. Ltd.	1,098,764.00	67,531,041.00
8	Triodos Fair Share Fund	618,680.00	38,024,639.00
9	Boldoo Magvan	16,968.00	1,042,868.00
10	Ganbold Chuluun	15,372.00	944,777.00
	<b>TOTAL</b>	<b>16,270,503.00</b>	<b>1,000,000,000.00</b>

- 3.5 Upon the completion of the conversion and merger under this Agreement, XacBank Shares held by TFG shareholders will be listed on the stock exchange, becoming freely tradable.

**4. UNDERTAKINGS TO TRANSFER OTHER RIGHTS AND OBLIGATIONS**

- 4.1 Subject to clause 4.2, the Parties agree and acknowledge that TFG assigns and transfers all assets, rights, obligations, claims, and liabilities for its own account in relation to any third parties, and whether under any agreements and financial transactions or by Applicable Law, to XacBank upon the registration of the Merger and the deregistration of TFG by LERO ("**Merger Completion Date**"). The assets, properties, rights, obligations, claims and liabilities of TFG to be assigned and transferred to XacBank are set out in the Schedule 2.
- 4.2 Notwithstanding any provision in this Agreement, TFG shall establish an escrow account to cover any contingent liabilities that it may have whether under any agreements and financial transactions or by Applicable Law, including, but not limited to, tax liabilities, until TFG is delisted as a taxpayer and deregistered with LERO. Any remaining amount in the escrow account shall be distributed to TFG Shareholders in proportion to their holdings in TFG upon the completion of the Merger. Terms and conditions of the distribution of the remaining amount shall be stated in the escrow account agreement between TFG and an escrow account holding bank. As of the date of this Agreement, an amount designated for the escrow account is [\*\*\*].
- 4.3 As of the Merger Completion Date, TFG shall not have any liabilities, or assets other than 1,000,000,000 (one billion) XacBank Shares and the amount in the escrow account mentioned in clause 4.2 of this Agreement, reduced by any contingent obligations becoming due as stipulated under clause 4.2.
- 4.4 The Parties shall prepare and issue a closing balance sheet and have such balance sheet approved by the relevant Governmental Authorities, including but not limited to, the relevant tax authority and other units and departments of the Ministry of Finance.
- 4.5 Without prejudice to clause 4.1 of this Agreement, all assets, debts, and liabilities of TFG shall be recorded in the Post-Merger Consolidated Balance Sheet of XacBank as set out in Schedule 3. Parties shall have the Post-Merger Consolidated Balance Sheet approved and registered by the relevant Governmental Authority.
- 4.6 Notwithstanding the generality of clause 4.1, the ownership, possession and use rights to all tangible and intangible assets held by TFG, and relevant rights, obligations, claims, and liabilities attached thereto to TFG in relation to or against any third party shall be transferred to XacBank in an as-is condition.

**4.7 Taxes and Expenses**

Each Party shall be responsible for its own expenses, fees, and taxes arising out of this Agreement and the Merger and other tax, fee, duty and expense (including relevant

interest, fines, and any other additional costs and expenses) to be incurred in relation to the transfer of movable and immovable property between the Parties under Applicable Laws shall be shared equally, with each Party bearing 50% of the relevant expenses.

Notwithstanding the above, TFG shall be liable for any service charge, fee, commission fee, or any other similar fees and expenses incurred in relation to any application for approvals of the Merger by MSE and FRC, and depository registration of XacBank Shares by MCSD in the name of each TFG Shareholder as provided in clause 2.3(d) above.

#### **4.8 Employees**

As of the date of this Agreement, TFG represents and warrants that its personnel comprises only of the Directors of the Board, a Chief Executive Officer, a Corporate Secretary, and an Accountant. Except as expressly set forth in this Clause 4.8, there are no other individuals engaged by TFG in any employee, independent contractor, or other capacity.

TFG acknowledges and confirms that all individuals named in this Clause 4.8, specifically, the Directors of the Board, the Chief Executive Officer, the Corporate Secretary, and the Accountant, are already engaged with XacBank in their capacity XacBank Directors of the Board, a Chief Executive Officer, a Corporate Secretary and an accountant of XacBank. As a result, it is expressly understood and agreed that there will be no need for, or expectation of, any new employment and service continuity for these individuals at XacBank in connection with the Merger of TFG into XacBank.

All obligations, responsibilities, and commitments of TFG towards its Directors of the Board, the Chief Executive Officer, the Corporate Secretary, and the Accountant, arising out of their respective roles or the termination thereof, shall be fulfilled and satisfied by TFG prior to the Effective Date, and XacBank shall not bear any responsibility for such obligations, responsibilities, or commitments unless explicitly assumed in writing by XacBank.

For the avoidance of doubt, Clause 4.8 shall not affect, alter, or modify the existing employment or any other relationships between these individuals and XacBank. Their terms and conditions of employment and service with XacBank, as they exist on the date of this Agreement, shall continue to be in effect, subject to any changes that may be made in accordance with applicable laws and regulations and XacBank's policies and procedures.

#### **4.9 Internal Procedures and Regulations**

As at the Merger Completion Date, all internal procedures and regulations of TFG listed in Schedule 4 shall cease to apply to any relevant matter of XacBank. If deemed necessary, the Board or the Chief Executive Officer of XacBank may pass a resolution adopting such procedures and regulations.

#### **5. EBRD POLICIES**

As of the Merger Completion Date, XacBank shall comply with certain EBRD's policies as described in the EBRD Framework Agreement.

#### **6. IFC POLICIES**

As of the Merger Completion Date, XacBank shall comply with certain IFC's policies as described in the IFC Policy Agreement.

**7. POST-MERGER OPERATIONAL AND REPORTING REQUIREMENTS**

- (a) On and from the Merger Completion Date, XacBank shall:
- (i) not offer or extend credit facilities of an aggregate amount exceeding fifteen percent (15%) of the capital of XacBank to a single borrower or group of companies in funded and unfunded commitments. For the purpose of this clause 7(a)(i), a “group of companies” means two or more legal entities or persons, in which one legal entity or person owns 20% or more of the voting capital stock of another legal entity within the group; therefore, two borrowers of XacBank shall be considered part of the same group of companies if either: (i) one borrower owns 20% or more of the voting capital stock of the other borrower; or (ii) a single legal entity or person owns more than 20% of the voting capital stock of both borrowers. The foregoing limitation shall not apply to the placement of funds by XacBank in money market instruments; and
  - (ii) furnish to the XacBank Shareholders information relating to XacBank in accordance with the applicable Mongolian laws and regulations and its Information Disclosure Policy; and
  - (iii) procure that any changes to this Information Disclosure Policy (unless otherwise required by applicable Mongolian law or applicable Mongolian regulation) shall be approved by an ultra-majority (three-fourths) vote of the XacBank Shareholders.
- (b) All reporting under this clause 7(a)(ii) has to be provided in the Mongolian and English languages.

**8. MISCELLANEOUS**

**8.1 Entire Agreement**

This Agreement sets out the entire agreement between the Parties in respect of the Merger contemplated hereunder.

**8.2 Conflicts with Applicable Laws**

To the extent this Agreement conflicts or is inconsistent with Applicable Laws in force and effect, for the time being, the provisions of Applicable Mongolian Laws and regulations shall prevail.

**8.3 Applicable Law**

Matters not addressed in this Agreement shall be resolved in accordance with the relevant articles of Applicable Law.

**8.4 Governing Law**

The validity, interpretation, performance and termination of this Agreement and any relations arising out of this Agreement shall be governed by and construed in accordance with the laws of Mongolia.

**8.5 Jurisdiction**

Any dispute arising out of or in connection with this Agreement or the legal relationships shall be referred to and finally resolved by the courts of Mongolia.

#### **8.6 Effectiveness and Amendments**

- (a) This Agreement shall become effective upon the satisfaction of the following conditions and shall terminate upon the later of the satisfaction of the conditions of this Agreement or on the Merger Completion Date:
  - (i) a framework agreement between XacBank and EBRD (the "EBRD Framework Agreement") having been entered into; and
  - (ii) a policy agreement between XacBank and IFC (the "IFC Policy Agreement") having been entered into.
- (b) Prior to the Merger Completion Date, the Parties hereto may make any amendments to this Agreement in writing, including in circumstances where the Parties are required so to do in order to comply with a request by any Governmental Authority in connection with the grant of an Authorization. Notwithstanding anything to the contrary in this Agreement, the Parties may not make any amendment to this Agreement that may have an adverse impact on the rights and interest of EBRD or IFC, including any amendment, alteration or change in clauses 2.3, 5, 6, 8.6(a), 8.6(c) and 8.7, or waive any requirements thereunder without a prior written consent of EBRD or IFC, as applicable.
- (c) Notwithstanding anything to the contrary in this Agreement, clauses 1, 5, 6, 7 and 8 shall survive the termination of this Agreement pursuant to paragraph (a) of this clause 8.

#### **8.7 Third party rights**

- (a) This Agreement shall bind and inure to the benefit of the respective successors of the parties hereto. This Agreement may not be assigned by either party without the consent of the other party.
- (b) Subject to paragraph (c) and (d) below, a person who is not a party to this Agreement has no right to enforce or to enjoy the benefit of any term of this Agreement.
- (c) Without prejudice of any immunities, privileges or exemptions of EBRD accorded under the Agreement Establishing the European Bank for Reconstruction and Development, international convention or any applicable law, EBRD may enjoy the benefit of the Parties' obligations under clauses 2.3, 5, 8.6(a) and 8.6(c) as if it was a party to this Agreement.
- (d) Without prejudice of any immunities, privileges or exemptions of IFC accorded under the Articles of Agreement, international convention or any applicable law, IFC enjoy the benefit of the Parties' obligations under clauses 2.3, 6, 8.6(a) and 8.6(c) as if it was a party to this Agreement.

#### **8.8 English Language**

All documents to be furnished or communications to be given or made under or in connection with this Agreement by XacBank shall be in the English language or, if in another language, shall be accompanied by a translation into English.

**Approval of Reorganization of XacBank through  
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**IN WITNESS WHEREOF**, this Agreement has been duly executed by the Parties hereto on the Effective Date:

**For and on behalf of XacBank JSC**

---

Name: G. TSEVEGJAV  
Title: CHIEF EXECUTIVE OFFICER

**For and on behalf of Tenger Financial Group LLC**

---

Name: [G. TSEVEGJAV]  
Title: [CHIEF EXECUTIVE OFFICER]

**SCHEDULE 1 – SIDE LETTER**

**SIDE LETTER  
TO MERGER AGREEMENT DATED [\*\*\*]  
BETWEEN TENDER FINANCIAL GROUP LLC AND XACBANK JSC**

**TENDER FINANCIAL GROUP LLC  
(THE "COMPANY")**

**To: BOLDOO MAGVAN**  
[ADDRESS]

[DATE] 2024

Dear Sir,

**LETTER REGARDING SHARE CONVERSION UNDER THE MERGER AGREEMENT**

We refer to the Merger Agreement dated [\*\*\*] 2024 between the Company and XacBank Open JSC ("**XacBank**") (the "**Merger Agreement**").

Boldoo Magvan, a shareholder of the Company, hereby confirms its agreement on the share conversion ratio for converting each share of the Company into XacBank shares will be rounded down to the nearest complete XacBank Shares, and will not be rounded up as outlined in Clause 3.2 of the Merger Agreement and hereby waives any rights and claims for rounding up of the fractional shares in XacBank as specified in the Merger Agreement.

This letter takes effect from the effective date of the Merger Agreement.

Yours faithfully,

.....

For and on behalf of Tender Financial Group LLC

Name:

Title:

Acknowledged and agreed by Boldoo Magvan on \_\_\_\_ [\*\*\*] 2024

.....

**SCHEDULE 2 - ASSETS, PROPERTIES, RIGHTS, OBLIGATIONS, CLAIMS AND LIABILITIES  
OF TFG TO BE ASSIGNED AND TRANSFERRED TO XACBANK**

**AS OF DECEMBER 31, 2023**

#	ASSETS, PROPERTIES, RIGHTS, OBLIGATIONS, CLAIMS AND LIABILITIES OF TFG	AMOUNT IN MNT	DESCRIPTION
1.	Any assets	0.00	Currently not applicable
2.	Any rights	0.00	Currently not applicable
3.	Any obligation	0.00	Currently not applicable
4.	Any liabilities	0.00	Currently not applicable



### SCHEDULE 3 - POST-MERGER CONSOLIDATED BALANCE SHEET OF XACBANK

#### Annex 3

#### XACBANK JSC MERGED STATEMENT OF FINANCIAL POSITION\* AS OF 31 DECEMBER 2021

	XACBANK JSC Audited 31 December 2023 MNT'000	XACBANK JSC Merged 31 December 2023 MNT'000	Merger 31 December 2023 MNT'000
<b>ASSETS</b>			
Cash and balances with BoM	358,359,279	358,359,279	-
Mandatory cash balances with BoM	239,378,375	239,378,375	-
Financial instruments at FVTPL			-
Derivative financial instruments	56,800,918	56,800,918	-
Financial instruments	110,309,146	110,309,146	-
Loans and advances to customers	93,116,520	93,116,520	-
Financial assets at FVTOCI			-
Equity instruments	5,052,206	5,052,206	-
Financial assets at amortised cost			-
Due from banks	393,769,064	393,769,064	-
Reverse repurchase agreements	99,740,669	99,740,669	-
Debt instruments	960,070,624	960,070,624	-
Loans and advances to customers	2,627,234,410	2,627,234,410	-
Other assets	71,277,148	71,277,148	-
Properties held for sale	1,387,250	1,387,250	-
Property, equipment and right-of-use assets	75,388,849	75,388,849	-
Intangible assets	18,667,114	18,667,114	-
Deferred tax assets	8,870,069	8,870,069	-
<b>TOTAL ASSETS</b>	<b>5,119,421,641</b>	<b>5,119,421,641</b>	<b>-</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Financial instruments at FVTPL			-
Derivative financial instruments	14,332,115	14,332,115	-
Financial liabilities at amortised cost			-
Repurchase agreements	149,611,113	149,611,113	-
Due to banks	36,937,419	36,937,419	-
Due to customers	2,876,117,299	2,876,117,299	-
Borrowed funds	1,238,768,595	1,238,768,595	-
Deferred grants	12,564,957	12,564,957	-
Lease liabilities	7,675,609	7,675,609	-
Other liabilities	131,592,516	131,592,516	-
Income tax payable	29,759,280	29,759,280	-
<b>TOTAL LIABILITIES</b>	<b>4,497,358,903</b>	<b>4,497,358,903</b>	<b>-</b>
<b>EQUITY</b>			
Ordinary shares	105,270,000	105,270,000	-
Share premium	30,586,768	30,586,768	-
Reserves	86,418,906	86,418,906	-
Retained earnings	399,787,064	399,787,064	-
<b>TOTAL EQUITY</b>	<b>622,062,738</b>	<b>622,062,738</b>	<b>-</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,119,421,641</b>	<b>5,119,421,641</b>	<b>-</b>

\*When entering into the Merger Agreement, the most recent monthly financial statements as of the time of the Merger will be attached, therefore, the financial statements as of December 31, 2023, will be amended.

**SCHEDULE 4 - INTERNAL PROCEDURES AND REGULATIONS OF TFG**

#	NAME OF THE INTERNAL PROCEDURES AND REGULATIONS OF TFG	
1.	Board Director Selection And Nomination Policy amended and restated by TFG Board Resolution GR-2021-22 dated 30 June 2021	XacBank Board has approved this policy at the July 07, 2023 Board meeting of XacBank with amendments and revisions necessary to update with the regulation.
2.	Code of Conduct and Conflict of Interest Policy for Directors and Employees approved by TFG Board Resolution GR-2011-13 dated 24 November 2011	XacBank Board has approved this policy at the July 07, 2023 Board meeting of XacBank with amendments and revisions necessary to update with the regulation.
3.	Internal Rules of Procedures of the Board of Directors approved by TFG Board Resolution GR-2011-15 dated 24 November 2011; amended and restated lastly by TFG Board Resolution GR-2022-25 dated 21 September 2022	XacBank has its own regulation. No adoption is required. Amendments and revisions necessary to update with regulation was made at the July 07, 2023 Board meeting
4.	Insider Policy approved by TFG Board Resolution GR-2018-24 dated 5 December 2018	XacBank Board has approved this policy at the July 07, 2023 Board meeting of XacBank with amendments and revisions necessary to update with the regulation
5.	Related Party Transaction Policy of TFG approved by TFG Board Resolution GR-2011-14 dated 24 November 2011; amended and restated by TFG Board Resolution GR-2021-07 dated 30 March 2021	XacBank Board has approved this policy at the July 07, 2023 Board meeting of XacBank with amendments and revisions necessary to update with the regulation
6.	Charter of TFG GNCC amended and restated by TFG Board Resolution 2014-26 dated 10 December 2014	XacBank GNCC has its own regulation. No adoption required. Amendments and revisions necessary to update with regulation was made at the July 07, 2023 Board meeting
7.	Charter of TFG BRMC amended and restated lastly by TFG Board Resolution GR-2019-35 dated 19 September 2019;	XacBank has its own regulation. No adoption is required.
8.	Employee Loan Policy of TFG approved by TFG Board Resolution GR-2019-41 dated 18 September 2019	XacBank Board has approved this policy at the July 07, 2023 Board meeting of XacBank with amendments and revisions necessary to update with the regulation
9.	Enterprise-Wide Risk Management Policy approved by TFG Board Resolution GR-2008-15 dated 05 December 2008	XacBank has its own regulation. No adoption is required.
10	Corporate Governance code approved by TFG Board Resolution GR-2011-07 25 May 2011	XacBank Board has approved this policy at the July 07, 2023 Board meeting of XacBank with amendments and revisions necessary to update with the regulation
11	Information Security Policy approved by TFG CEO Resolution A-54-2012 dated 29 Oct 2012	XacBank has its own regulation. No adoption is required.
12	Whistleblowing Policy Approved by TFG CEO Resolution A-03/2015 dated 23 November 2015	XacBank Board has approved this policy at the July 07, 2023 Board meeting of XacBank with amendments and revisions necessary to update with the regulation
13	PSP of TFG amended and restated by TFG Board Resolution GR-2019-39 dated 18 September 2019	Upon approval from the XacBank Board, a long-term incentive plan based on common shares will replace this Policy. This Policy will exclusively apply to Phantom Stock Units assigned to

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		XacBank employees under this scheme prior to December 31, 2022, and will continue until the end of the vesting period for these units.
14.	Dividend Policy and Resource Sharing Policy approved by TFG Board Resolution GR-2009-09 dated 28 November 2009	XacBank has its own regulation. No adoption is required.
15.	Social and Environmental Policy Document approved by TFG CEO Resolution A-30/2011 dated 20 July 2011	XacBank has its own regulation. No adoption is required.
16.	Security and Safety Policy approved by TFG CEO Resolution A-35/2011 dated 16 August 2011	XacBank has its own regulation. No adoption is required.
17.	Restrictions for all employees of TenGer Financial Group LLC, its subsidiary and affiliated companies for the purpose of implementing the principle of neutrality and independence from political parties and coalitions approved by TFG CEO Resolution A-28 dated 24 June 2013	XacBank has its own regulation. No adoption is required.

## REORGANISATION THROUGH MERGER: TERMS AND CONDITIONS

### 1. GENERAL PROVISIONS

- 1.1 This document outlines certain terms and conditions (the "**Terms**") of the merger (the "**Merger**") between TenGer Financial Group LLC and XacBank JSC (collectively, the "**Parties**") under the Merger Agreement executed between the Parties (the "**Merger Agreement**"), and is prepared solely for formal submission to the Financial Regulatory Commission and the Mongolian Stock Exchange as part of the required documentation for the Merger process.
- 1.2 The Terms herein are designed to be consistent with and supplementary to the Merger Agreement. In the event of any discrepancy, conflict, or ambiguity between these Terms and the Merger Agreement, the provisions of the Merger Agreement shall prevail. The Terms should be read in conjunction with the Merger Agreement, and nothing in these Terms is intended to override or diminish the provisions of the Merger Agreement.
- 1.3 No obligation, liability, or responsibility shall arise or be construed to arise from these Terms separately from the Merger Agreement. The effectiveness of this document is expressly contingent upon the effectiveness of the Merger Agreement.

### 2. DEFINITIONS AND INTERPRETATIONS

#### 2.1 Definitions

Capitalized terms used in these Terms shall have the meanings given in the Merger Agreement.

#### 2.2 Interpretations

The clauses used to construe and interpret the terms of the Merger Agreement shall be equally applicable to these Terms.

### 3. THE MERGER

- 3.1 The Merger shall be carried out in accordance with Article 20 of the Company Law and Article 28.1 of the Banking Law subject to the conditions and procedures set forth in the Merger Agreement.
- 3.2 For the purpose of undertaking the Merger, the XacBank Shares held by TFG shall be converted in accordance with the Merger Agreement.
- 3.3 In accordance with the Merger Agreement, each of XacBank and TFG may file for registration of the Merger with LERO and de-registration of TFG as a taxpayer and a legal entity, respectively, only upon the satisfaction of the following conditions:
- (a) shareholders meetings of TFG and XacBank having passed resolutions pursuant to which the Merger contemplated under these Terms is approved;
  - (b) XacBank having duly obtained approval from the Bank of Mongolia in respect of the Merger in accordance with Applicable Laws;

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- (c) XacBank having duly obtained approvals from the FRC and MSE on the Merger and the relevant changes to the securities registration.
  - (d) subject to FRC approval, the ownership rights of the TFG Shareholders in XacBank Shares in the numbers stated in clause 4 below having been registered with MCSD in each of their names;
- 3.4 Within thirty (30) business days commencing from whichever is the later date of the following two dates, being (i) date of each of TFG and XacBank's shareholders' meeting approving the Merger respectively; or (ii) the date of each of TFG and XacBank's shareholders with a right to have their shares redeemed having received the written notice of their rights to redeem their shares respectively as stated under Article 54.3 of the Company Law, the Parties shall register any shareholders of TFG and XacBank who wish to exercise their share redemption rights in accordance with Articles 53.1.1 and 54 of the Company Law.
- 3.5 If any shareholder fails to register their decision to exercise their share redemption right within thirty (30) business days as stipulated in Clause 3.4 above, such shareholder shall be considered to have waived their right to exercise share redemption right under the Company Law. TFG and XacBank shall provide explicit information with respect to any waivers regarding this matter in the relevant notices or documents to the shareholders.
- 3.6 Share redemption rights of each of TFG and XacBank's Shareholders shall only become effective and exercisable upon FRC's approval on the Merger and a change to the securities register as required under the Securities Registration Regulation of FRC adopted by the FRC Resolution No.225 dated 11 June 2021.
- 3.7 Notwithstanding anything to the contrary herein, the share redemption rights of XacBank Shareholders as at the date of the Merger Approval shall only become effective and exercisable upon the Bank of Mongolia's approval on the repurchase of XacBank Shares by XacBank.
- 3.8 The Parties shall be responsible for preparing, issuing, and passing all necessary corporate approvals and preparing and submitting all necessary requests for Authorizations, together with supporting documents, to the applicable Governmental Authorities, including, without limitation, the Bank of Mongolia, FRC, MSE, LERO, and any relevant tax authority, and for undertaking any necessary actions for the implementation and completion of the Merger.
- 3.9 The Parties shall co-operate fully in all actions necessary to procure the satisfaction of the conditions in clause 3.3 above and shall pass, adopt or enter into any other instruments or documents necessary or desirable to implement and complete the Merger.
- 3.10 The Parties shall duly notify all their creditors and customers regarding the Merger in accordance with Applicable Laws.
4. **SHARE VALUATION AND CONVERSION MECHANISM**
- 4.1 As of the date of these Terms, TFG currently holds 1,000,000,000 (one billion) XacBank Shares with a par value of MNT 100 representing 94.99 percent of the total issued and outstanding XacBank Shares. The TFG shareholders collectively hold 16,270,503 (sixteen million two hundred seventy thousand and five hundred and three) TFG Shares with a par value of MNT 1,000 constituting 100 percent of the total issued and outstanding TFG Shares.

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- 4.2 The conversion ratio for each TFG Share into XacBank Shares shall be determined by dividing the number of XacBank Shares owned by TFG (1,000,000,000 shares) by the total number of TFG Share (16,270,503). The resulting conversion ratio of 61.46091488 XacBank Shares shall be applied to each TFG Share to determine the number of total XacBank Shares to be allocated to each TFG Shareholder. In the event that the final conversion ratio results in fractional XacBank Shares, such fractional XacBank Shares shall be rounded down if the fraction is below 0.5 and rounded up if the fraction is 0.5 or higher.
- 4.3 Based on the above, the conversion results of TFG Shares into XacBank Shares and the subsequent distribution to TFG Shareholders shall be as follows:

#	Shareholders	TFG Shares	XacBank Shares upon conversion
1	MAK Invest Kft.	3,316,985.00	203,864,933.00
2	International Finance Corporation	2,847,794.00	175,028,025.00
3	ORIX Corporation	2,788,218.00	171,366,429.00
4	European Bank for Reconstruction and Development	2,140,273.00	131,543,137.00
5	National Bank of Canada	1,744,107.00	107,194,412.00
6	Ronoc Partners Kft.	1,683,342.00	103,459,739.00
7	Mongolia Financial Services Pte. Ltd.	1,098,764.00	67,531,041.00
8	Triodos Fair Share Fund	618,680.00	38,024,639.00
9	Boldoo Magvan*	16,968.00	1,042,868.00
10	Ganbold Chuluun	15,372.00	944,777.00
	<b>TOTAL</b>	<b>16,270,503.00</b>	<b>1,000,000,000.00</b>

[\* In accordance with the Merger Agreement, this shareholder voluntarily accepted rounding down to the nearest complete XacBank Share and waived any right to contest or claim the rounding up of his fractional shares under Clause 4.2.]

- 4.4 Upon the completion of the conversion and merger under the Merger Agreement, XacBank Shares held by TFG shareholders will be listed on the stock exchange, becoming freely tradable.

**5. TRANSFER OF OTHER RIGHTS AND OBLIGATIONS**

The assets, properties, rights, obligations, claims and liabilities of TFG to be assigned and transferred to XacBank are set out in the Merger Agreement.

**6. MISCELLANEOUS**

All provisions of the Merger Agreement, whether or not expressly incorporated herein, shall be deemed to be an integral part of this document. These Terms shall be read and interpreted as including all such provisions of the Merger Agreement, and they shall be regarded as fully effective as if set forth herein in full.



## **Decision item No.9:**

Election of the Board for tenure until 2026 AGM



## ELECTION OF BOARD DIRECTORS FOR TENURE UNTIL 2026 ANNUAL GENERAL MEETING (“AGM”)

XacBank JSC (the “Bank”) is set to conduct its first election of the Board of Directors (the “Board”) at this AGM since transitioning to an open joint-stock company. According to Clause 77.4 of the Company Law, directors of a joint-stock company are elected through cumulative voting and as an entire Board.

In accordance with Clause 8.16 of the Charter of the Bank, the term of tenure for the Board is 2 (two) years. Therefore, the Board consisting of directors elected at the 2024 AGM will serve until the 2026 AGM, exercising its powers during this period.

In accordance with Clause 5.1 of the Board Director Selection and Nomination Policy, the Governance, Nomination, and Compensation Committee (the “GNCC”) has recommended a total of 14 candidates for the 12 seats of the Bank Board to the Shareholders of the Bank. This recommendation dated 29, November 2023 was submitted to the Bank of Mongolia for approval.

The Bank of Mongolia has responded, indicating no objection to the nomination of the following 13 candidates.

### Candidates for Directors other than Independent Non-Executive Directors of the Board:

#	Name	Candidacy	Total Tenure Spent on the Board
1	Sanjay Gupta	Non-Executive Director	7 years
2	Albertus Bruggink	Non-Executive Director	3 years
3	Andrzej Witak	Non-Executive Director	5 years
4	Michael Madden	Non-Executive Director	15 years
5	Suzannah Herring Carr	Non-Executive Director	2 years
6	Tselmuun Nyamtaishir	Non-Executive Director	11 years
7	Tsevegjav Gumenjav	Executive Director	4 years
8	Dominic Jacques	Non-Executive Director	New nominee



### Sanjay Gupta

#### Education

- Bachelor of Science degree in Physics from St. Stephen’s College, University of Delhi
- Master of Business Administration degree from the Faculty of Management Studies, University of Delhi

#### Work experience

1981-2001

**Bank of America** in India, UK and Hong Kong- Head of Corporate Bank, Head of Corporate Finance and Head of Financial Institutions Group for India, Managing Director Risk Management for Europe, Middle-East and Africa (EMEA), Managing Director Structured Credit Group for EMEA and Managing Director Investment Banking Group for Asia.

2001-2006

**Credit Lyonnais of Credit Agricole Group**-Head of Corporate Origination for the Asia Pacific;

2007-2009

**Credit Agricole Group** - Co-Head of Structured Financing Asia;

## Election of the Board for tenure until 2026 AGM

2009-2015

Head of **Global Energy Group** in Asia;

2020- present

Non-Executive Director/Chairman of the Board of **XacBank**



### Albertus Bruggink

#### Education

- Msc, Business Administration, Twente University of Technology, Netherlands
- PhD, Business Administration, Twente University of Technology, Netherlands

#### Work experience

1986-2016

**Rabobank**, Netherlands- Director Finance & Control Rabobank International, Director Group Finance & Control, Global Responsibility for Finance & Control, Riskmanagement and Treasury, CFRO and member of the Executive Board of Rabobank;

2016-present

**ORIX Corporation**- Board advisor;

Board member of a number of organizations and companies in the Netherlands and other countries;

2020- present

Non-Executive Director of the Board of **XacBank**



### Andrzej Witak

#### Education

- Master's degree in law, University of Silesia, Poland
- Certificate of Higher Education, History, Birkbeck University of London

#### Work experience

1985-1987

**Fosco Ltd**- Chief Financial Officer;

1987-1990

**Corect company**-Consultant;

1990 – 1991

**Gliwicki bank Handlowy SA (GBH)** in Gliwice- Deputy President, Management Board Member

1992-2007

**EBRD**, Poland-Principal and later Senior Banker in Financial Institutions Team, Senior Banker in Corporate Recovery Team, Head of Tashkent Resident Office, Uzbekistan, and Deputy Director, Ukraine;

2007-present

A self-employed consultant advising on distressed assets and risky loan management, mainly on projects implemented by **EBRD**;

2019- present

Non-Executive Director of the Board of **XacBank**



## Michael Madden

### Education

- Diploma in Industrial Engineering, College of Management Studies, Limerick, Ireland

### Work experience

1990-2003

**American Express** (Dublin Ireland, Petersburg, Moscow Russia, Brighton, London UK) - Manager Quality Assurance (Card Operations), Manager Retail Travel and Foreign Exchange, Manager Card & Travel, Director – Franchise Markets, Vice President, Franchise Markets EMEA;

2003-2007

**Renaissance Credit**-Founding CEO;

2007-present

**Ronoc**-Founder & Managing Director;

2009- present

Non-Executive Director of the Board of **XacBank**.



## Suzannah Herring Carr

### Education

- B.A. in Economics, Duke University, Durham, NC, USA

### Work experience

1987 – 1993

**First Fidelity Bancorporation/CMS Companies**, Philadelphia, PA-Investment Banker;

1994 – 1995

**Solidarity Labor Union/US Peace Corps**, Warsaw, Poland-Business Advisor;

1996 – 2019

**International Finance Corporation (IFC)**, a member of the World Bank Group, Washington, DC- Principal/Senior/Investment Officer of Financial Markets, Manager/Head, Global Portfolio of Financial Markets, Associate Director of Corporate Business Technologies, Head of Credit Policy and Pricing, Director of Business Planning and Administration, CIO and Director of Corporate Business Technologies, and Senior Advisor of Corporate Strategy and Resources.

2020-present

**ProCredit Bank a.d.** Belgrade, Republic of Serbia- Member of Board of Directors

2021-present

**The World Bank**, Washington, DC-Consultant, Independent Evaluation Group

2022- present

Non-Executive Director of the Board of **XacBank**.



## Tselmuun Nyamtaishir

### Education

- Bachelor in Business Administration, Valparaiso University, Valparaiso, Indiana, USA
- Financial Engineering Programme, Stanford University, Hong Kong, China

### Work experience

2012-2016

2016-present

2012- present

**Mongolyn Alt MAK Corporation**- Head of Investment and Financing Department, Trading Department, and Procurement Department;

**Mongolyn Alt MAK Corporation** - Vice President, Board Member

Non-Executive Director of the Board of **XacBank**



## Tsevegjav Gumenjav

### Education

- Bachelor of Science degree in International Business and Information Systems, University of Colorado, USA
- Master of Business Administration MBA, Regis University, USA

### Work experience

2004-2008

2008-2011

2011-2013

2013-2019

2014-2017

2015-2019

2019-present

**Wagner Equipment**, Denver, USA-CFO, Financial analyst, and International accountant;

**Restoration Hardware**, San Francisco, USA- Manager, Treasury;

**XacBank, TenGer Financial Group (TFG)**-CFO;

**XacLeasing**- CEO;

**Tenger Insurance**- Chairman of the Board of Directors;

**XacBank**-Chief Retail Banking Officer and subsequently President, Retail Bank; CEO and Executive Director of the Board of **XacBank**.



## Dominic Jacques

### Education

- Bachelor Degree in Business Administration (BAA), HEC MONTRÉAL
- Graduate Diploma (DESS) in Public Accounting, HEC MONTRÉAL

### Work experience

2001-2004	<b>PriceWaterhouseCoopers (Montréal, Canada)</b> - Senior Analyst, Audit and Business Advisory Service;
2004-2006	<b>PriceWaterhouseCoopers (London, UK)</b> - Manager, Audit, Insurance& Investment Management Group;
2006-2007	<b>PriceWaterhouseCoopers (Paris, France)</b> - Manager, Audit;
2007-2009	<b>PriceWaterhouseCoopers (Paris, France)</b> - Senior Manager, Transaction Services;
2010-2014	<b>National Bank of Canada (Montréal, Canada)</b> - Senior Manager, Strategy and Corporate Development;
2014-present	<b>National Bank of Canada (Montréal, Canada)</b> -Deputy Vice-President, International.

## Candidates for Independent Non-Executive Directors of the Board:

#	Name	Position	Tenure on the Board
1	Niraj Vedwa	Independent Non-Executive Director	5 years
2	Ulbayar Bayansan	Independent Non-Executive Director	9 years
3	Amy Choi	Independent Non-Executive Director	1 year
4	Lawrence Tsong	Independent Non-Executive Director	New nominee
5	Stewart Donald Hall	Independent Non-Executive Director	New nominee



### Niraj Vedwa

#### Education

- Hindu College, Delhi University BA Hons., Economics
- IGNOU, India - MBA, Sales and Marketing

#### Work experience

1987-1994	<b>Network Ltd (HCL Corp)- Corp</b> -Area Sales Manager;
1994-1997	<b>TNT Express BV</b> - Regional Sales Manager (North India & Nepal);
1997-1999	<b>Modicorp Ltd. – (Graphtech Ltd)</b> - National Sales Manager (India);
1999-2011	<b>Nucleus Software</b> - Chief Operating Officer;
2011-2013	<b>Temenos AG, Switzerland</b> - (Director- Global Consumer Banking and Regional Director – AsiaPac) and Member of Management Board;
2013-2019	<b>Tech Mahindra, India</b> - (Global Head – Banking, Payments and Cards), Member of Leadership Council;
2019-present	<b>Acceleric FZ LLE, UAE</b> - Founder & CEO;
2018-present	Independent Non-Executive Director of the Board of <b>XacBank</b> .



## Ulambayar Bayansan

### Education

- Tokyo Institute of Technology, Tokyo, Japan- Bachelor of Engineering, International Development Engineering - Electrical Engineering and Master of Engineering, Information Processing
- The University of Chicago, Graduate School of Business, Chicago, IL, USA- Master of Business Administration

### Work experience

2001-2005

**Sony Corporation**- Engineer / Project Sub-leader – R&D Group of Semiconductor Design Division;

2007-2009

**Lehman Brothers / Nomura Securities**- Associate – Investment Banking Division – M&A and TMT Coverage Groups;

2009-2011

**Monet LLC**.- Advisor, Chairman of the Board;

2009-2011

**Altai Holding LLC**. - Managing Director;

2011

**Composite Capital LLC**.- Managing Director & Head of Mongolia;

2010-2012

**Skytel LLC**.- Board Member;

2013-present

**Gobi Business Finance LLC**- Co-Founder;

2014-2016

**Draper Capital**- Senior Advisor;

2015-present

Independent Non-Executive Director of the Board of **XacBank**.



## Amy Choi

### Education

- City University of London, UK- Master degree of Science- Business System Analysis and Design
- The Hong Kong Polytechnic University, Hong Kong- Higher Diploma, Information System Analysis and Design

### Work experience

1978-1979

**Armitage Consulting, Hong Kong**- Programmer;

1980

**ICL, Hong Kong**- System Engineer;

1982-1983

**IBM, Hong Kong**- System Engineer / Senior Engineer / Financial Services System Solutions Manager;

1994-2010

**Citibank, Hong Kong** - System Development Manager-Technology Department, Branch Manager-Hankow Centre, Business Development-Credit Card, Team Head-Customer Acquisition Direct Sales, Team Head-International Personal Banking, District Sales Manager, Managing Director-Direct Banking, and Managing Director, Sales & Distribution;

2010-2013

**China Guangfa Bank, Guangzhou**- Executive Vice President, Retail Banking;

2013-2017

**Ping An Bank Co., Ltd., Shenzhen**- Vice President, Retail Banking;

2017-2020

**The Bank of East Asia (China) Limited, Shanghai Executive**- Deputy Chief Executive;

2023-present

Independent Non-Executive Director of the Board of **XacBank**.





## Lawrence Tsong

### Education

- University of Hong Kong- Bachelor of Social Science (major in Business Management and Marketing)

### Work experience

1984-1998

**American Express-** Marketing Planning Manager, Senior Marketing Manager, Senior Manager, Key Accounts and Director/Head of Relationship Management, East Asia;

1998-2001

**PCCW-** General Manager, Residential Services, Director of Marketing & Business Management;

2001-2006

**United Overseas Bank Limited-** First Vice President, Head, Credit Card Centre;

2007-2019

**Transunion Asia-** Regional President, Asia;

2021-present

**Accuracy-**Senior Advisor.



## Stewart Donald Hall

### Education

- University of New South Wales, Australia- Bachelor of Commerce
- The Institute of Chartered Accountants, Australia- Professional year

### Work experience

1983-1985

**Touche Ross & Co. /**Sydney, Australia/- Chartered Accountants;

1985-1986

**Fox Associates /** London, UK/- Chartered Accountants;

1986-1994

**American Express Bank /**New York, USA and London, UK/- Audit Manager – Global Audit, Director – Management Assurance, Chief Administrative Officer – Global Treasury, and Director – Treasury Marketing;

1994-2013

**Standard Chartered Bank-**Chief Financial Officer–Global Treasury, Treasury Sales &Marketing Head, Global Markets Head, Chief Executive Officer / Indonesia/, President Director–Permata Bank (a listed company with two majority shareholders in Standard Chartered Bank and Astra International), Chief Executive Officer, Head, Strategic Projects SEA and Member Board of Directors–Asia Commercial Bank (appointed by Standard Chartered as an Executive Director);

2018-2021

QNB- Special Advisor and Chief Executive officer;

2022-present

**Pure Food Alliance-** Director.



## **Decision item No.10:**

Approval of the Board Director Remuneration Update

# APPROVAL OF THE BOARD REMUNERATION UPDATE

Currently, based on the Shareholders' Resolution No. SR-2022-04, an annual gross fee of USD 50,000.00 in its MNT equivalent is being paid to each director, and an additional annual gross supplement of USD 5,000 in its MNT equivalent is provided to any director who serves as the chairperson of one or more board committees.

After having conducted a thorough review and benchmarking analysis regarding the remuneration packages offered to directors of comparable companies by an independent counselor, the Governance, Nomination and Compensation Committee (the "GNCC"), after its deliberation at its meeting held on 06 March 2024, has recommended to update the remuneration of board directors.

The proposal to update the remuneration of board directors is as follows:

### Annual fee:

<b>45,000</b> USD equivalent in MNT	+	<b>5,000</b> USD equivalent in MNT	=	<b>50,000</b> USD equivalent in MNT
(Total fee being paid pursuant to Resolution No. SR-2022-04)		(Proposed increase in total fee)		(annual total fee to pay)

### Annual supplement:

<b>5,000</b> USD equivalent in MNT	=	<b>5,000</b> USD equivalent in MNT
(Supplement being paid for chairing board committees pursuant to Resolution No. R-2022-04)		Restate as unchanged

After discussing the above-mentioned proposal, the Board, by its Resolution R-2024-10, recommends to the Shareholders the updated remuneration of the board directors for their approval.

## BOARD OF DIRECTORS RESOLUTION



Date: 07 March, 2024

No. R-2024-10

Ulaanbaatar

### Recommendation to Update Board Director Remuneration

Based on Articles 8.4 and 8.6 (v) of the Charter of XacBank JSC (the "**Bank**"), and the discussions at its regular meetings of the Board of Directors of the Bank (the "**Board**") held on 06-07 March 2024, the Board hereby adopts the following resolutions:

#### IT IS NOTED THAT:

1. **WHEREAS**, the Board acknowledges the necessity to attract, retain, and motivate directors to ensure the effective governance and success of the Bank;
2. **WHEREAS**, the Board of Directors recognizes that the current remuneration structure for the board directors, as established and approved by the shareholders' resolution No. SR-2022-04 dated 26 April 2022, may no longer reflect the current international market standards, increasing responsibilities of Directors, and the strategic objectives of the Bank;
3. **WHEREAS**, the Governance, Nomination and Compensation Committee (the "**GNCC**"), has conducted a thorough review and benchmarking analysis regarding the remuneration packages offered to directors of comparable companies, and after its deliberation at its regular meeting held on 06 March 2024, has recommended to update the remuneration of the board directors; and
4. **WHEREAS**, the Board now wishes to recommend to the Shareholders of the Bank for their approval the updated remuneration of the board directors as recommended by the GNCC.

#### NOW THEREFORE BE IT RESOLVED THAT:

1. The remuneration of the non-executive directors, other than the Chairman, is hereby proposed to the Shareholders as follows:
  - a. Annual fee in the total gross amount in MNT equivalent of USD 50,000 (fifty thousand), payable quarterly, representing an USD 5,000 increase from the previous amount of USD 45,000. This adjustment shall take effect from the beginning of the fiscal year 2024.
  - b. Annual gross supplement of USD 5,000 (five thousand) to each director who serves as the chairperson of one or more board committees remains unchanged and continue to be effective from the beginning of the fiscal year 2024.

## Approval of the Board Director Remuneration Update

2. The operative clauses 1 and 2 of the previous Shareholders' Resolution No. SR-2022-04, concerning the board directors' remuneration, are hereby proposed to be revoked and replaced by the new resolution, effective from the beginning of the fiscal year 2024, subject to approval by the shareholders of the Bank.

CHAIRMAN OF THE  
BOARD OF DIRECTORS

GENERAL COUNSEL,  
CORPORATE SECRETARY



SANJAY GUPTA

N.MUNKHTSELMEG

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## **Decision item No.11:**

Approval of the Board Budget for 2024

# APPROVAL OF THE BOARD BUDGET FOR 2024

According to Clause 8.6 (v) of the Charter of XacBank, the authority to approve the Board of Directors' budget (the "Board Budget") resides with the shareholders. Therefore, the Board hereby recommends for approval to the shareholders, the Board Budget in the total amount of MNT 6,773,500,000 for the year 2024.

The Board Budget for the year 2023 was approved for MNT 5 billion 922 million, and the actual performance was MNT 5 billion 938 million.

The Board Budget composes of (i) fees, supplements and bonuses (this includes fees, supplements and bonuses payable to the Chairman and the Directors of the Board, however, the CEO does not get paid any fees, supplements or bonuses for serving as a member on the Board), and (ii) other expenses (such as taxes, social insurance premiums, travel and lodging expenses, meeting organizational expenses and fees for services provided by external organizations to the Board).

	Budget for 2023	Performance of 2023	Budget for 2024
MNT (in millions)	5.922.2	5,938.4	6,773.5



BOARD OF DIRECTORS  
RESOLUTION



Date: 07 March, 2024

No. R-2024-11

Ulaanbaatar

Recommendation to the Shareholders for Approval of the  
2024 Budget of the Board of Directors of XacBank

Based on Articles 8.4 and 8.6 (v) of the Charter of XacBank JSC (the "Bank"), and the discussions at its regular meetings of the Board of Directors of the Bank (the "Board") held on 06-07 March 2024, the Board hereby adopts the following resolutions:

IT IS NOTED THAT:

1. **WHEREAS**, the Governance, Nomination and Compensation Committee (the "GNCC"), after its deliberation at its regular meeting held on 06 March 2024, has recommended the budget of the Board for the fiscal year 2024 (the "Board Budget 2024") as attached to this Resolution; and
2. **WHEREAS**, the Board now wishes to recommend to the Shareholders of the Bank for their approval the Board Budget 2024 as recommended by the GNCC.

NOW THEREFORE BE IT RESOLVED THAT:

1. The Board Budget 2024, as attached to this Resolution, be and is hereby recommended and submitted to the Shareholders of the Bank for their further approval.

ON BEHALF OF THE BOARD,  
DIRECTOR OF THE BOARD



MICHAEL MADDEN

GENERAL COUNSEL,  
CORPORATE SECRETARY

N.MUNKHTSELMEG

Annex to XacBank Board



**XACBANK BOARD BUDGET  
RECOMMENDATION FOR 2024**  
For further approval of the XacBank Shareholders

No	Items	Amount in MNT (in millions)
1	Fees <sup>1</sup>	5,256.9
2	Other expenses	1,516.6
	Total	6,773.50

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<sup>1</sup> Fees include Director Fees, payable pursuant to applicable shareholders' resolutions, and Chairman fees and bonus, payable as per the terms of the effective Service Agreement.

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## **Draft Shareholders' Resolution**

## SHAREHOLDERS MEETING RESOLUTION

[Draft-1]

Approval of the Board Review of  
the Annual Operational Report for 2023

In accordance with Article 62.1.9 of the Company Law and pursuant to the discussions at its Annual General Meeting held on 29 April 2024, the Shareholders of XacBank JSC (the "**Bank**"), hereby adopt the following resolutions:

### IT IS NOTED THAT:

1. **WHEREAS**, pursuant to Clause 76.1.11 of the Company Law, the Board of Directors of XacBank (the "**Board**") has reviewed the Annual Operational Report for 2023 (the "**Annual Operational Report 2023**") and submitted to the shareholders that the Annual Operational Report 2023 provides true and fair overview of the Bank's operational performance (the "**Board Review**") by its Resolution No. R-2024-12 dated 07 March 2024; and
2. **WHEREAS**, pursuant to Article 62.1.9 of the Company Law, the Shareholders of the Bank have the authority to approve the Board review of the Annual Operational Report 2023 of the Bank.

### NOW THEREFORE BE IT RESOLVED THAT:

1. The Annual Operational Report 2023 of the Bank, as attached to this Resolution, and the Board Review are hereby approved.

CHAIRMAN OF THE  
SHAREHOLDERS' MEETING

SANJAY GUPTA

## SHAREHOLDERS MEETING RESOLUTION

[Draft-2]

Approval of the Board Review of  
the Audited Financial Statements for 2023

In accordance with Article 62.1.9 of the Company Law and pursuant to the discussions at its Annual General Meeting held on 29 April 2024, the Shareholders of XacBank JSC (the “**Bank**”), hereby adopt the following resolutions:

### IT IS NOTED THAT:

1. **WHEREAS**, after consideration and review of the financial statements of the Bank for the fiscal year ended 2023, which has been audited by Ernst and Young Mongolia Audit LLC (the “**Audited Financial Statements 2023**”) with an unqualified opinion, the Board of Directors of the Bank (the “**Board**”) has submitted to the shareholders that the Audited Financial Statements 2023 provides true and fair overview of the Bank’s financial position, in accordance with IFRS and IAS (the “**Board Review**”) by its Resolution No. R-2024-19 dated 15 March 2024; and
2. **WHEREAS**, pursuant to Article 62.1.9 of the Company Law, the Shareholders of the Bank have the authority to approve the Board review of the Audited Financial Statements 2023 of the Bank.

### NOW THEREFORE BE IT RESOLVED THAT:

1. The Audited Financial Statements 2023 of the Bank, as attached to this Resolution, and the Board Review are hereby approved.

CHAIRMAN OF THE  
SHAREHOLDERS' MEETING

SANJAY GUPTA

## SHAREHOLDERS MEETING RESOLUTION

[Draft-3]

### Decision on the Dividend Distribution from the 2023 Year-End Bank Earnings

Based on Article 46.1 of the Company Law and Clause 8.6 (ii) of the Charter of XacBank JSC (the “Bank”), and pursuant to the discussions at its Annual General Meeting (“AGM”) held on 29 April 2024, the Shareholders of the Bank hereby adopt the following resolutions:

#### IT IS NOTED THAT:

1. **WHEREAS**, dividend distribution is considered a Strategic Matter as defined in the Bank Charter, it is thereby required that such decisions receive the approval of the shareholders of the Bank;
2. **WHEREAS**, the Board of Directors (the “Board”) of the Bank, by its Resolution No. R-2024-02 dated 19 February 2024, has recommended to the Shareholders the distribution of a cash dividend from the Bank’s earnings for the financial year 2023 to the shareholders of the Bank, contingent upon the 2023 year-end audited financial statements results (the “Dividend”);
3. **WHEREAS**, the Board, by its Resolution No. R-2024-19 dated 15 March 2024, has approved the audited financial statements for the year 2023, and furthermore, no material change was reflected in the said results; and
4. **WHEREAS**, as per Clause 8.6 (ii) of the Charter of the Bank and subject to the Bank of Mongolia’s consent, the Shareholders now wish to declare and distribute the Dividend in the amount as stated below as recommended by the Board.

#### NOW THEREFORE BE IT RESOLVED THAT:

1. The declaration and distribution of Dividend is hereby approved in the total gross amount of MNT 26,580,675,000.00 (twenty-six billion five hundred eighty million six hundred seventy-five thousand) by a declaration of dividend in the amount of MNT 25.25 (twenty-five tugrugs and twenty-five mungus) per share.
2. It is hereby approved that the record date for registering shareholders eligible to participate in the AGM, set on 09 April 2024, shall concurrently be established as the Record Date for shareholders entitled to the disbursement of the said Dividend.
3. It is hereby approved that the Dividend shall be paid in cash within a period not exceeding 7 days subsequent to the later of either obtaining the Bank of Mongolia consent or the date of this Resolution. The funds will be disbursed to the shareholders via Mongolian Central Securities Depository unless shareholders expressly requests in written form the disbursement to be made through their XacBank account.

CHAIRMAN OF THE  
SHAREHOLDERS’ MEETING

SANJAY GUPTA

# SHAREHOLDERS MEETING RESOLUTION

[Draft-4]

## Approval of Amendment to XacBank JSC Charter

Pursuant to the discussions at its Annual General Meeting held on 29 April 2024, the Shareholders of XacBank JSC (the “**Bank**”) hereby adopt the following resolutions:

### IT IS NOTED THAT:

- WHEREAS**, the Shareholders of the Bank have previously adopted XacBank JSC Charter pursuant to their Resolution No. SR-2023-22 (the “**Bank Charter**”);
- WHEREAS**, the Financial Regulatory Commission (the “**FRC**”), by its Resolution No.49 dated 23 February 2024, has amended its Resolution No.28 on the “Specification of the Dividend Distribution Process” dated 29 January 2020, requiring open joint-stock companies to distribute dividends to shareholders within four months following the end of the relevant financial year, and to submit a report on the dividend distribution to the FRC within 15 working days after completing the dividend distribution;
- WHEREAS**, the FRC, by its letter No.3/712 dated 27 February 2024, has instructed the Bank to ensure the implementation of its Resolution No.49 dated 23 February 2024 regarding the distribution and reporting of dividends by open joint-stock companies;
- WHEREAS**, pursuant to the current Bank Charter, compliance with the FRC’s specified timeline for dividend distribution and reporting is unattainable due to the requirement of obtaining final approval from the shareholders for dividend distribution; and
- WHEREAS**, the Board of Directors of the Bank (the “**Board**”), by its Resolution No. R-2024-17, has recommended to amend the Bank Charter and the Shareholders now wish to approve the amendments to the Bank Charter as recommended by the Board.

### NOW THEREFORE BE IT RESOLVED THAT:

- Pursuant to the foregoing, Clause 6.5 of the Bank Charter shall be amended as follows:

Current Formulation	Amended Formulation
6.5 Shareholders shall be entitled to receive dividends as resolved by the BoD and approved by the shareholders’ meeting, only provided that the Bank complies with certain requirements under the Applicable Laws and requirements set forth by the BoM and FRC and international standard practices after the dividend distribution.	6.5 Shareholders shall be entitled to receive dividends as resolved by the BoD <del>and approved by the shareholders’ meeting</del> ; only provided that the Bank complies with certain requirements under the Applicable Laws and requirements set forth by the BoM and FRC and international standard practices after the dividend distribution.

- Clause 8.6 (ii) of the Bank Charter is hereby revoked.
- The Bank Charter, incorporating the aforementioned amendments shall be attached hereto.
- Munkhtselmeg N., the General Counsel and the Corporate Secretary, is hereby instructed and authorized to submit and register the Amendments to the Charter aforementioned with the Bank of Mongolia and the Legal Entity Registration Office in accordance with relevant laws and regulations and to deliver all and any documents related thereto on behalf of the Bank.

CHAIRMAN OF THE  
SHAREHOLDERS’ MEETING

SANJAY GUPTA



# SHAREHOLDERS MEETING RESOLUTION

[Draft-5]

Approval of Amendment to  
Dividend Policy of XacBank JSC

Pursuant to the discussions at its Annual General Meeting held on 29 April 2024, the Shareholders of XacBank JSC (the “**Bank**”) hereby adopt the following resolutions:

## IT IS NOTED THAT:

1. **WHEREAS**, the Shareholders of the Bank have previously adopted the amended and restated Dividend Policy of the Bank pursuant to its Resolution No. SR-2024-01 (the “**Dividend Policy**”);
2. **WHEREAS**, the Financial Regulatory Commission (the “**FRC**”), by its Resolution No.49 dated 23 February 2024, has amended its Resolution No.28 on the “Specification of the Dividend Distribution Process” dated 29 January 2020, requiring open joint-stock companies to distribute dividends to shareholders within four months following the end of the relevant financial year, and to submit a report on the dividend distribution to the FRC within 15 working days after completing the dividend distribution;
3. **WHEREAS**, the FRC, by its letter No.3/712 dated 27 February 2024, has officially instructed the Bank to ensure the implementation of its Resolution No.49 dated 23 February 2024 regarding the distribution and reporting of dividends by open joint-stock companies; and
4. **WHEREAS**, considering the FRC requirements, the Board of Directors of the Bank (the “**Board**”), by its Resolution No. R-2024-18, has recommended to amend the Dividend Policy and the Shareholders now wish to approve the same as recommended by the Board.

## NOW THEREFORE BE IT RESOLVED THAT:

1. Pursuant to the foregoing, Clauses 3.2, 3.3 and 4.1 of the Dividend Policy shall be amended as follows:

Current Formulation	Amended Formulation
3.2. According to the Company law, unless otherwise specified in Bank Charter, the Board of Directors shall convene and resolve whether to declare a dividend within 50 days following the end of a financial year. For declaring semi-annual dividends, the Board will decide within 120 days following the first half of the year. Any decision to distribute and allocate dividends is subject to approval by the Shareholders' meeting.	3.2 According to the Company law, unless otherwise specified in Bank Charter, the Board of Directors shall convene and resolve whether to declare a dividend within 50 days following the end of a financial year. For declaring semi-annual dividends, the Board will decide within 120 days following the first half of the year. <del>Any decision to distribute and allocate dividends is subject to approval by the Shareholders' meeting.</del>

<p>3.3 Shareholders shall be entitled to receive dividends as resolved by the Board of Directors and approved by the Shareholders' meeting.</p> <p>4.1 The amount of dividend attributable per share shall be determined by the authorized body referred in Section 3.2 of the Policy and subject to Shareholders' approval, based on the financial results of a given financial year, taking into account future targets and projections.</p>	<p>3.3. Shareholders shall be entitled to receive dividends as resolved by the Board of Directors and <del>approved by the Shareholders' meeting.</del></p> <p>4.1 The amount of dividend attributable per share shall be determined by the authorized body referred in Section 3.2 of the Policy and <del>subject to Shareholders' approval,</del> based on the financial results of a given financial year, taking into account future targets and projections.</p>
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2. The amended Dividend Policy, incorporating the aforementioned amendments, shall be attached hereto.

CHAIRMAN OF THE  
SHAREHOLDERS' MEETING

SANJAY GUPTA

## SHAREHOLDERS MEETING RESOLUTION

[Draft-6]

Approval of XacBank's Entry into the  
Framework Agreement with EBRD

Pursuant to the discussions at its Annual General Meeting (the "**AGM**") held on 29 April 2024, the Shareholders of XacBank JSC ("**XacBank**") hereby adopt the following resolutions:

### IT IS NOTED THAT:

1. **WHEREAS**, it is mandatory for XacBank, the sole subsidiary of TenGer Financial Group LLC ("**TFG**"), a company holding 94.99% of XacBank's total issued and outstanding shares, to comply with Article 36.1 of the Banking Law with respect to the requirement of any shareholder individually or jointly together with its affiliated persons owning no more than 20% of the bank's total issued shares (the "Statutory Mandate");
2. **WHEREAS**, the Shareholders of XacBank have previously determined pursuant to their Resolution No. SR-2023-01 that the best way to fulfill the Statutory Mandate is through a merger of TFG and XacBank, following XacBank's reorganization into an open joint-stock company. Consequently, XacBank would be the surviving entity and the shareholders of TFG would become direct shareholders of XacBank (the "**Merger**");
3. **WHEREAS**, in connection with the Merger, the Shareholders of TFG by its Resolution No. SGR-2024-03, have resolved to execute the Merger Agreement provided that XacBank shall have entered into a Framework Agreement with European Bank for Reconstruction and Development ("**EBRD**"), on or prior to the date of the signing of the Merger Agreement; and
4. **WHEREAS**, to fulfill the precondition that XacBank shall have entered into the Framework Agreement on or prior to the date of signing the Merger Agreement, and having reviewed the same, the Shareholders now wish to approve the entry into the Framework Agreement by XacBank with EBRD, to ensure prompt compliance with the Statutory Mandate.

### NOW THEREFORE BE IT RESOLVED THAT:

1. The entry into the Framework Agreement by XacBank with EBRD as attached herewith, is hereby approved.
2. The Chief Executive Officer, Tsevegjav Gumenjav, is hereby instructed and authorized to sign and execute the Framework Agreement on or prior to the date of the execution of a Merger Agreement between the TFG and XacBank.

CHAIRMAN OF THE  
SHAREHOLDERS' MEETING

SANJAY GUPTA

## SHAREHOLDERS MEETING RESOLUTION

[Draft-7]

Approval of XacBank's Entry into the  
Policy Agreement with IFC

Pursuant to the discussions at its Annual General Meeting (the "**AGM**") held on 29 April 2024, the Shareholders of XacBank JSC ("**XacBank**") hereby adopt the following resolutions:

### IT IS NOTED THAT:

1. **WHEREAS**, it is mandatory for XacBank, the sole subsidiary of TenGer Financial Group LLC ("**TFG**"), a company holding 94.99% of XacBank's total issued and outstanding shares, to comply with Article 36.1 of the Banking Law with respect to the requirement of any shareholder individually or jointly together with its affiliated persons owning no more than 20% of the bank's total issued shares (the "**Statutory Mandate**");
2. **WHEREAS**, the Shareholders of XacBank have previously determined pursuant to their Resolution No. SR-2023-01 that the best way to fulfill the Statutory Mandate is through a merger of TFG and XacBank, following XacBank's reorganization into an open joint-stock company. Consequently, XacBank would be the surviving entity and the shareholders of TFG would become direct shareholders of XacBank (the "**Merger**");
3. **WHEREAS**, in connection with the Merger, the Shareholders of TFG by its Resolution No. SGR-2024-03, have resolved to execute the Merger Agreement provided that XacBank shall have entered into a Policy Agreement with International Financial Corporation ("**IFC**"), on or prior to the date of the signing of the Merger Agreement; and
4. **WHEREAS**, to fulfill the precondition that XacBank shall have entered into the Policy Agreement on or prior to the date of signing the Merger Agreement, and having reviewed the same, the Shareholders now wish to approve the entry into the Policy Agreement by XacBank with IFC, to ensure prompt compliance with the Statutory Mandate.

### NOW THEREFORE BE IT RESOLVED THAT:

5. The entry into the Policy Agreement by XacBank with IFC as attached to this Resolution, is hereby approved.
6. The Chief Executive Officer, Tsevegjav Gumenjav, is hereby instructed and authorized to sign and execute the Policy Agreement on or prior to the date of the execution of a merger agreement between the TFG and XacBank.

CHAIRMAN OF THE  
SHAREHOLDERS' MEETING

SANJAY GUPTA

## SHAREHOLDERS MEETING RESOLUTION

[Draft-8]

Approval of Reorganization of XacBank  
through Merging TenGer Financial Group LLC into XacBank

Based on Articles 4.2, 29.2.4 and 36.1 of the Banking Law, Articles 18.1, 20.4, and 62.1.2 of the Company Law, Clauses 8.6 and 8.6 (viii) of the Charter of XacBank JSC ("**XacBank**"), and pursuant to the discussions at its Annual General Meeting (the "**AGM**") held on 29 April 2024, the Shareholders of XacBank hereby adopt the following resolutions:

### IT IS NOTED THAT:

1. **WHEREAS**, it is mandatory for XacBank, the sole subsidiary of TenGer Financial Group LLC ("**TFG**"), a company holding 94.99% of XacBank's total issued and outstanding shares, to comply with Article 36.1 of the Banking Law with respect to the requirement of any shareholder individually or jointly together with its affiliated persons owning no more than 20% of the bank's total issued shares (the "**Statutory Mandate**");
2. **WHEREAS**, the Shareholders of the Bank have previously determined pursuant to their Resolution No. SR-2023-01 that the best way to fulfill this requirement is through a merger of TFG and XacBank, following XacBank's reorganization into an open joint-stock company. Consequently, XacBank would be the surviving entity and the shareholders of TFG would become direct shareholders of XacBank (the "**Reorganization of XacBank through Merger**");
3. **WHEREAS**, XacBank has successfully undertaken an IPO and reorganized into an open joint-stock company, in compliance with Article 4.2 of the Banking Law and Article 4 of the Law in Implementation of the Amendments to the Banking Law, respectively;
4. **WHEREAS**, any decision for a merger is considered a Strategic Matter as defined in Article 8.6 of the XacBank Charter, it is thereby required that such decisions receive the approval of the shareholders of XacBank;
5. **WHEREAS**, in connection with the Reorganization of XacBank through Merger, the Shareholders of TFG by its Resolution No. SGR-2024-03, have resolved to execute the Merger Agreement provided that XacBank shall have entered into each of (i) a Framework Agreement with European Bank for Reconstruction and Development ("**EBRD**"), and (ii) a Policy Agreement with International Financial Corporation ("**IFC**"), on or prior to the date of the signing of the Merger Agreement;
6. **WHEREAS**, at the request of TFG, the adoption of a shareholders' resolution by XacBank to approve the entry into the Framework Agreement with EBRD and the Policy Agreement with IFC, respectively, has been submitted as agenda items to the AGM of the XacBank shareholders pursuant to the Board of Directors' (the "**Board**") Resolution No. R-2024-13;
7. **WHEREAS**, the Shareholders of XacBank, by their Resolutions No. SR-2024-[\*] and No. SR-2024-[\*], have resolved to fulfill the precondition of TFG in connection with the Reorganization of XacBank through Merger, that XacBank shall have entered into both the Framework Agreement and the Policy Agreement on or prior to the date of signing the Merger Agreement; and
8. **WHEREAS**, the Shareholders now wish to approve the Reorganization of XacBank through Merger, to ensure prompt compliance with the Statutory Mandate as recommended by the Board.

**NOW THEREFORE BE IT RESOLVED THAT:**

1. The Reorganization of XacBank through Merger, by ceasing TFG's operation as a dissolving entity and by continuing XacBank's operation as a surviving entity, pursuant to the Merger Agreement between TFG and XacBank as attached herewith as Annex 1, is hereby approved.
2. The document prepared solely for formal submission to the Financial Regulatory Commission and the Mongolian Stock Exchange as part of the required documentation for the Merger process - "Reorganization through Merger: Terms and Conditions", as attached herewith as Annex 2, is hereby approved.
3. Tsevegjav G., the Chief Executive Officer, Erdenebayar G., the Chief Financial Officer, Munkhtselmeg N., the General Counsel and the Corporate Secretary, are hereby appointed as the Reorganization Committee and are instructed and authorized to take all necessary steps in this connection such as executing, signing, delivering and submitting relevant documents and applications to the Bank of Mongolia, the Financial Regulatory Commission, the Mongolian Stock Exchange, the Legal Entity Registration Office and other related Authorities, establishing the inspection committee pursuant to the Banking Law Clause 28.2 if necessary, and to do all such acts as may be ancillary or incidental to give effect to the foregoing.
4. XacBank, as the surviving entity, will continue to retain Ernst and Young Mongolia Audit LLC for its external audit.

CHAIRMAN OF THE  
SHAREHOLDERS' MEETING

SANJAY GUPTA

# SHAREHOLDERS MEETING RESOLUTION

[Draft-9]

## Election of Directors on the Board of XacBank for Tenure Until 2026 AGM

Based on Article 62.1.7 of the Company Law, Article 29.2.8 of the Banking Law, and pursuant to the discussions at its Annual General Meeting (the “**AGM**”) held on 29 April 2024, the Shareholders of XacBank JSC (the “**Bank**”) hereby adopt the following resolutions:

### IT IS NOTED THAT:

1. **WHEREAS**, in accordance with Clause 8.16 of the Charter of the Bank, the Board of Directors (the “Board”) serve a term of 2 years, and furthermore, the current Board’s term is set to conclude on the day of 2024 AGM of the Bank Shareholders;
2. **WHEREAS**, pursuant to Clause 5.1 of the Board Director Selection and Nomination Policy, the Governance, Nomination and Compensation Committee (the “**GNCC**”) has recommended to the shareholders of the Bank certain candidates for the 12 seats of the Bank Board by its recommendations dated 29 November 2023; and
3. **WHEREAS**, the Shareholders now wish to elect the following candidates on the Bank Board for tenure until 2026 AGM of the Bank Shareholders as evidenced by the decision of the AGM Tabulating Committee detailing the results of the shareholders votes through cumulative voting.

### NOW THEREFORE BE IT RESOLVED THAT:

1. The following candidates are hereby elected on the Bank Board for tenure until 2026 AGM:
  1. [\*\*\*];
  2. [\*\*\*];
  3. [\*\*\*];
  4. [\*\*\*];
  5. [\*\*\*];
  6. [\*\*\*];
  7. [\*\*\*];
  8. [\*\*\*];
  9. [\*\*\*];
  10. [\*\*\*];
  11. [\*\*\*]; and
  - 12 [\*\*\*];
2. The General Counsel and Corporate Secretary, Munkhtseltmeg N., is hereby directed and authorized to register the newly established Board composition with the relevant authorities, and to take such actions as she may deem necessary or appropriate to carry out the intent of the foregoing resolutions.

CHAIRMAN OF THE  
SHAREHOLDERS' MEETING

SANJAY GUPTA



## SHAREHOLDERS MEETING RESOLUTION

[Draft-10]

### Approval of the Board Director Remuneration Update

Based on Articles 8.4 and 8.6 (v) of the Charter of XacBank JSC (the “**Bank**”), and the discussions at its Annual General Meeting held on 29 April 2024, the Shareholders of the Bank hereby adopt the following resolutions:

#### IT IS NOTED THAT:

1. **WHEREAS**, the Board of Directors (the “**Board**”) of the Bank has recommended to the Shareholders the Board Director Remuneration Update by its Resolution No. R-2024-10 dated 07 March 2024, and has submitted to the Shareholders for its final approval; and
2. **WHEREAS**, the Shareholders now wish to approve the updated remuneration of the board directors as recommended by the Board.

#### NOW THEREFORE BE IT RESOLVED THAT:

1. The remuneration of the non-executive directors, except for the Chairman, is hereby approved as follows:
  - 1.1. Annual fee in the total gross amount in MNT equivalent of USD 50,000 (fifty thousand), payable quarterly. This adjustment shall take effect from the beginning of the fiscal year 2024.
  - 1.2. Annual gross supplement of USD 5,000 (five thousand) to each director who serves as the chairperson of one or more board committees is reinstated unchanged and continue to be effective from the beginning of the fiscal year 2024.
2. The operative clauses 1 and 2 of the previous Shareholders’ Resolution No. SR-2022-04 concerning the board directors’ remuneration, are hereby revoked and replaced by this Resolution, effective from the beginning of the fiscal year 2024.

CHAIRMAN OF THE  
SHAREHOLDERS’ MEETING

SANJAY GUPTA

## SHAREHOLDERS MEETING RESOLUTION

[Draft-11]

Approval of the 2024 Budget of the  
Board of Directors of XacBank

Based on Article 62.1.13 of the Company Law, Clause 29.2.9 of the Banking Law, Articles 8.4 and 8.6 (v) of the Charter of XacBank JSC (the “**Bank**”), and the discussions at its Annual General Meeting held on 29 April 2024, the Shareholders of the Bank hereby adopt the following resolutions:

### IT IS NOTED THAT:

1. **WHEREAS**, the Board of Directors of the Bank (the “**Board**”) has recommended to the Shareholders the Budget of the Board for the fiscal year 2024 by its Resolution No. R-2024-11 dated 07 March 2024 (the “**Board Budget 2024**”) and has submitted to the Shareholders for its final approval.

### NOW THEREFORE BE IT RESOLVED THAT:

1. The Board Budget 2024, as attached to this Resolution, be and is hereby approved.

CHAIRMAN OF THE  
SHAREHOLDERS' MEETING

SANJAY GUPTA

## XACBANK BOARD BUDGET FOR 2024

No	Items	Amount in MNT (in millions)
1	Fees <sup>1</sup>	5,256.9
2	Other expenses	1,516.6
	<b>Total</b>	<b>6,773.50</b>

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<sup>1</sup> Fees include Director Fees, payable pursuant to applicable shareholders' resolutions, and Chairman fees and bonus, payable as per the terms of the effective Service Agreement.

## COMPOSITION OF THE AGM TABULATING COMMITTEE

Attachment 3 to XacBank Board Resolution R-2024-20  
dated 15 March 2024

Chair of the Committee: Anand B., Managing Partner, KE Partners LLP

Committee members: Lhamsuren M., Partner, KE Partners LLP

Khajidmaa G., Junior Associate, KE Partners LLP



Annex 5 to XacBank Board Resolution R-2024-20  
dated 15 March 2024

### AGM BALLOT TEMPLATE FOR REGULAR VOTING ITEMS

Name of the Company: XacBank JSC

Surname and given name of the shareholder: \_\_\_\_\_

Registration number of the shareholder: \_\_\_\_\_

Type of shares held: \_\_\_\_\_

Number of shares held: \_\_\_\_\_

Annual General Meeting of the Shareholders of XacBank JSC will be held on 29 April 2024 at 9:00 hours (Ulaanbaatar time) in a hybrid-format, both in-person and virtual.

No.	Agenda items	In favor	Against	Abstain
1.	Board Review of the Annual Operational Report of XacBank for 2023	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	Board Review of the Audited Financial Statements of XacBank for 2023	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	Distribution of Final Dividend from the 2023 Year-End Bank Earnings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	Amendment to the Charter of XacBank in relation to Dividend Distribution Authority	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Amendment to the Dividend Policy of XacBank in relation to Dividend Distribution Authority	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	XacBank's Entry Into the Framework Agreement with EBRD and Instructing the CEO to Sign and Execute the Framework Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	XacBank's Entry Into the Policy Agreement with IFC and Instructing the CEO to Sign and Execute the Policy Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Reorganization of XacBank through Merging TenGer Financial Group LLC into XacBank	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	Board Director Remuneration Update	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	Board Budget for 2024	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Questions/Comments for the AGM\*

\*Depending on the availability of time, some questions, comments may be taken up at the AGM. This applies to advance ballot votes only. Shareholders attending the AGM physically may raise their questions directly at the AGM.

Name and signature of the shareholder: \_\_\_\_\_ / \_\_\_\_\_

Registered by (securities company): \_\_\_\_\_

Name and signature of the authorized person who received the ballot:

\_\_\_\_\_ / \_\_\_\_\_

2024 [...] [...]

Notes/Remarks:

1. When filling out the ballot, indicate your choice by marking the section (✓) corresponding to your selection. Your vote will be calculated by multiplying the number of shares held by you on the Record Date for each decision items.
2. You may submit your vote through a broker-dealer company, or through the designated branches of XacBank situated in Ulaanbaatar city and local areas, on paper or electronically within the specified period.
3. If you're submitting your vote through a Proxy, it shall be considered valid only if the Proxy submits the vote with a Power of Attorney as well, in accordance with the laws of Mongolia.
4. The votes are considered invalid if corrected, marked multiple times, or incorrectly marked.

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*This section shall be completed by the Tabulating Committee of the Shareholders' Meeting.*

*Whether or not the ballot is considered valid and counted (underline): Yes / No*

*Name and signature of the Chair of the Tabulating Committee:* \_\_\_\_\_ / \_\_\_\_\_

*Grounds for invalidating the ballot:* \_\_\_\_\_



Annex 6 to XacBank Board Resolution R-2024-20  
dated 15 March 2024

## AGM BALLOT TEMPLATE FOR CUMULATIVE VOTING ITEM

Name of the Company: XacBank JSC

Surname and given name of the shareholder: \_\_\_\_\_

Registration number of the shareholder: \_\_\_\_\_

Type of shares held: \_\_\_\_\_

Number of shares held: \_\_\_\_\_

Annual General Meeting of the Shareholders of XacBank JSC will be held on 29 April 2024 at 9:00 hours (Ulaanbaatar time) in a hybrid-format, both in-person and virtual.

### NOTE:

Your number of votes is determined by multiplying the number of shares held by you on the Record Date by the total number of Board members<sup>1</sup>, which is currently set at 12 pursuant to the Bank Charter. These 12 board members consist of 8 regular directors and 4 independent directors.

### Formula:

$$\text{Number of voting rights} = \text{Shares held by You on the Record Date} \times 12$$

Shareholders can allocate their votes to one or more candidates, with the option to give multiple votes to a single candidate if they wish. This allows voters to express their preferences and support for multiple candidates or concentrate their votes on a single candidate.<sup>2</sup> Once all votes have been cast, the candidates with the highest total number of votes are elected to fill the available seats. Votes for regular and independent directors are tallied separately. Nominees with the highest number of votes in each tally category (Regular Directors and Independent Directors) will be elected.<sup>3</sup>

### Example of Allocation of Votes:

Shareholder A owns 100 common shares of XY JSC. According to the rules of the company, the board of directors has 12 members, 4 of which are independent members. Accordingly,

<sup>1</sup> Company Law, Clause 72.1.3; FRC Policy on Cumulative Voting Methods for Board Directors' Election (FRC-2020/09/09-#880) Clause 2.1

<sup>2</sup> FRC Policy on Cumulative Voting Methods for Board Directors' Election (FRC-2020/09/09-#880) Clause 3.1

<sup>3</sup> FRC Policy on Cumulative Voting Methods for Board Directors' Election (FRC-2020/09/09-#880) Clause 4.1



Shareholder A's 100 common shares will have a total of 1200 votes when voted cumulatively. Shareholder A may:

- Assign all 1200 votes to a single candidate, irrespective of whether the candidate is running for a regular or independent board position; or
- Distribute 600 of the 1200 votes among up to 8 candidates for regular board positions, and allocate the remaining 600 votes to up to 4 candidates for independent board positions; or
- Allocate their votes in any desired manner among multiple candidates, regardless of whether the candidate is running for a regular or independent board position.

**PLEASE REMEMBER:** Regardless of how you distribute your votes, your total number of votes must be equal to your voting rights determined according to the above Formula. If the number of votes cast is greater than the number of your voting rights, your vote will be considered invalid.

No.	Names of candidates for the Board	Number of votes for the candidates
<b>For regular members</b>		
1.	Tselmuun Nyamtaishir	
2.	Suzannah Herring Carr	
3.	Albertus Bruggink	
4.	Andrzej Witak	
5.	Dominique Jacques	
6.	Michael Madden	
7.	Sanjay Gupta	
8.	Tsevegjav Gumenjav (per the XacBank Charter, Clause 8.39)	
<b>For Independent Non-Executive Members</b>		
1.	Ulbayar Bayansan	
2.	Niraj Vedwa	
3.	Amy Choi	
4.	Lawrence Tsong	
5.	Stewart Donald Hall	

Name and signature of the shareholder: \_\_\_\_\_ / \_\_\_\_\_

Registered by (securities company): \_\_\_\_\_

Name and signature of the authorized person who received the ballot:

\_\_\_\_\_ / \_\_\_\_\_

2024 [...] [...]

Notes/Remarks:

1. You may submit your vote through a broker-dealer company, or through the

designated branches of XacBank situated in Ulaanbaatar city and local areas, on paper or electronically within the specified period.

2. If you're submitting your vote through a Proxy, it shall be considered valid only if the Proxy submits the vote with a Power of Attorney as well, in accordance with the laws of Mongolia.
3. The ballots are considered invalid if corrected, marked multiple times, or incorrectly marked.

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*This section shall be completed by the Tabulating Committee of the Shareholders' Meeting.*

*Whether or not the ballot is considered valid and counted (underline): Yes / No*

*Name and signature of the Chair of the Tabulating Committee:* \_\_\_\_\_ /

*Grounds for invalidating the ballot:* \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

