

**KHAN BANK JSC 2023 SEMI-ANNUAL
OPERATIONAL REPORT**

Semi-annual operational report /Form 2/																																																																			
Article 20 of the Securities Market Law stipulates the ongoing obligations of the issuer, and the issuer is responsible for submitting annual operational report to the Financial Regulatory Commission and the exchange in accordance with the below form, and shall disclose to the public through its website.																																																																			
Reporting period	From January 1 st to June 30 th , 2023																																																																		
Issuer's information	Name: KHAN Bank JSC SRCN: 000283102 Registration number: 2693321 Securities symbol: MN0KHAN05637 Address: Chinggis Avenue-6, Stadium Orgil-1, Khan-Uul District, 15 khoroo, Ulaanbaatar 17010, Mongolia Tel: 1800-1917, 7515-3333/3221/, 7507-1917 E-mail: secretariat@khanbank.com Website: www.khanbank.com																																																																		
Name of listed exchange	Mongolian Stock Exchange JSC																																																																		
Sector of business operation	Banking, financial sector																																																																		
Total number of shares issued by the issuer	1,198,912,000 ordinary shares																																																																		
Names of the specialist who prepared and the official who reviewed the report	Prepared by: T. Buyanbileg /Investor relations officer, Board Secretariat/ Reviewed by: O. Ariuntulga /Corporate Secretary/																																																																		
1.	The semi-annual financial report /fill out the summary report indicators and attach the financial statement/																																																																		
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The Board of Directors Audit Committee has discussed and approved the 2023 semi-annual financial report of Khan Bank at the online meeting of the Audit Committee that held on July 19, 2023.																																												
3.	External and internal factors affecting the issuer's financial operations during the reporting period, management reports and opinions based on analysis of financial statements, income, expenses, and profit indicators																																											
3.1	Operational performance /financial ratios/	<p>Total assets: As of June 2023, total assets reached MNT 16.0 trillion increased by 7.1% compared to 2022, leading the banking sector and accounted for 32.4% of the total banking system.</p> <p>Total loans: Compared to previous year end as of June 2023 total loan increased by 16.2% or MNT 1.3 trillion and reached MNT 9.3 trillion.</p> <p>Total deposits: Total deposits of KHAN Bank increased by 5.6% or MNT 0.7 trillion and reached MNT 14.0 trillion, where 82% are due to customers and 18% are borrowings from IFIs and other liabilities.</p> <p>Equity: Compared to previous year end equity increased by 18.5% or MNT 280 billion and reached MNT 1.8 trillion.</p> <p>Profitability: As of June 2023, Khan Bank's NPAT was equal to MNT 272 billion. Net interest income increased by MNT 81.3 or 20.3% billion and reached MNT 498.2 billion. ROA increased to 3.5% and ROE increased to 32.7%.</p>																																										
3.2	Liquidity ratios and financial resources	<p>As of June 2023, KHAN Bank has complied all Regulatory requirements.</p> <p>CAR (>12%): CAR capital adequacy ratio increased and reached 16.8%</p> <p>Tier 1 (>13%): Tier 1 capital adequacy ratio increased and reached 16.8%</p> <p>Liquidity (>25%): Eventough due to rapid loan growth liquidity decreased to 42.6%, well above the regulatory requirement.</p> <p>NPL ratio: Non-performing loans equal to MNT 481.4 billion or 5.2% of total loans decreased from previous year end as 5.3%.</p> <table border="1"> <thead> <tr> <th></th> <th>2022</th> <th>2023Q2</th> </tr> </thead> <tbody> <tr> <td colspan="3" style="text-align: center;">Income</td> </tr> <tr> <td>ROE</td> <td>29%</td> <td>33%</td> </tr> </tbody> </table>		2022	2023Q2	Income			ROE	29%	33%																																	
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3.	External and internal factors affecting the issuer's financial operations during the reporting period, management reports and opinions based on analysis of financial statements, income, expenses, and profit indicators																																											
3.1	Operational performance /financial ratios/	<p>Total assets: As of June 2023, total assets reached MNT 16.0 trillion increased by 7.1% compared to 2022, leading the banking sector and accounted for 32.4% of the total banking system.</p> <p>Total loans: Compared to previous year end as of June 2023 total loan increased by 16.2% or MNT 1.3 trillion and reached MNT 9.3 trillion.</p> <p>Total deposits: Total deposits of KHAN Bank increased by 5.6% or MNT 0.7 trillion and reached MNT 14.0 trillion, where 82% are due to customers and 18% are borrowings from IFIs and other liabilities.</p> <p>Equity: Compared to previous year end equity increased by 18.5% or MNT 280 billion and reached MNT 1.8 trillion.</p> <p>Profitability: As of June 2023, Khan Bank's NPAT was equal to MNT 272 billion. Net interest income increased by MNT 81.3 or 20.3% billion and reached MNT 498.2 billion. ROA increased to 3.5% and ROE increased to 32.7%.</p>																																										
3.2	Liquidity ratios and financial resources	<p>As of June 2023, KHAN Bank has complied all Regulatory requirements.</p> <p>CAR (>12%): CAR capital adequacy ratio increased and reached 16.8%</p> <p>Tier 1 (>13%): Tier 1 capital adequacy ratio increased and reached 16.8%</p> <p>Liquidity (>25%): Eventough due to rapid loan growth liquidity decreased to 42.6%, well above the regulatory requirement.</p> <p>NPL ratio: Non-performing loans equal to MNT 481.4 billion or 5.2% of total loans decreased from previous year end as 5.3%.</p> <table border="1"> <thead> <tr> <th></th> <th>2022</th> <th>2023Q2</th> </tr> </thead> <tbody> <tr> <td colspan="3" style="text-align: center;">Income</td> </tr> <tr> <td>ROE</td> <td>29%</td> <td>33%</td> </tr> </tbody> </table>		2022	2023Q2	Income			ROE	29%	33%																																	
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	ROA	3%	3%
	Efficiency ratio	38%	42%
	Loan		
	NPL	5%	5%
	LLP	110%	119%
	Bank of Mongolia prudential ratios		
	CAR	17%	17%
	TIER 1 ratio	17%	17%
	Liquidity	46%	43%
	Single fc ratio	3%	-4%
	Aggregate fc ratio	3%	-4%

3.3

The external and internal factors affecting the activities of the issuer, changes in the range of its products and services, and measures planned to be taken by the issuer in response to these changes

Regarding the global environment, the inflation rate has persistently remained higher than the target level. This situation has created conditions that necessitate the continuation of a strict monetary policy in the global economy. Furthermore, the ongoing geopolitical tensions between Russia and Ukraine have heightened uncertainty in the global economic landscape. This situation has made foreign payments challenging for customers, prompting the need for us to digitize foreign payment operations, establish new channels, and continuously enhance our control mechanisms.

The economic condition of Mongolia has shown improvement compared to the same period last year. Notably, the inflation rate has been steadily decreasing and reached 10.6% during the second quarter of 2023. At the same time, the policy interest rate has been maintained at 13%. The stability of the policy interest rate has played a significant role in driving an increase in the average interest rate of the current deposits newly attracted to the system. This stability of the policy interest rates has, in turn, enabled Khan Bank to maintain a stable rate for its deposits.

In the banking system, regulatory bodies and commercial banks are collaborating to implement campaigns and incentive programs aimed at promoting financial education and supporting savings initiatives. These joint efforts seek to empower individuals with better financial knowledge and encourage responsible saving practices. Khan Bank has been organizing the annual "World Money Week" event for local customers in both 2022 and 2023 with the primary objective of enhancing the financial and economic education of children and youth. The event aims to instill in them the importance of prudent money management and encourage them to share their financial knowledge with their families and society. Additionally, this initiative also serves as a means to promote the capital market, especially considering that the Bank has transformed into a public company. By fostering financial literacy and awareness, Khan Bank aims to contribute to the growth and development of the capital market and empower individuals to make informed financial decisions.

During the 2nd quarter, a savings incentive campaign was launched among herders and herder families in 21 provinces. The campaign aimed to motivate and encourage citizens to save by using the slogan "Virtuous herdsman, your endowment is rich." The goal of the initiative was to promote a culture of saving and financial security among the herding community, emphasizing the potential benefits of building a stable and prosperous future through prudent financial practices.

Within the framework of the 17 sustainable development goals approved by the United Nations, the Mongolian government has introduced two key documents: "Vision-2050 Mongolian long-term development policy" and "Sustainable development goals-2030." In alignment with these national initiatives, Khan Bank has developed and implemented its own sustainable development policy since 2020. In line with its sustainable development policy, Khan Bank is dedicated to promoting sustainable financing and supporting the growth of the green economy. As a testament to this commitment, Mongolia's first green bond was successfully issued in the international market in March 2023. Furthermore, Khan Bank obtained permission from the Financial Regulatory Commission in June 2023 to issue the first "Green Bond" in the domestic capital market.

As of the second quarter of 2023, green loans make up 2.6% of KHAN Bank's total loan portfolio, indicating the bank's commitment to supporting environmentally sustainable projects and initiatives. To further promote green initiatives, KHAN Bank has introduced new green loan products to the market. These products are specifically designed to finance various green projects and programs, including initiatives related to electric cars, as well as the purchase of energy-efficient homes and apartments.

Khan Bank has taken significant steps to support and empower various segments of the economy in Mongolia. To bolster SMEs and encourage business investment, the bank introduced a groundbreaking supply chain financing factoring service, a first of its kind in the country. This innovative service aims to provide better cash flow management and financial flexibility for businesses operating in diverse supply chains. Furthermore, Khan Bank launched specialized business loan products targeting women entrepreneurs in the market. Thanks to these strategic initiatives, the business loan portfolio of Khan Bank experienced substantial

growth, rising by 13% from the end of the previous year. This growth can be attributed, in part, to the success of the traditional business loan campaign organized during the second quarter of 2023.

Indeed, the global banking landscape is witnessing a significant shift towards digital transformation, and Mongolian banks are no exception to this trend. The focus of competition among Mongolian banks lies in embracing and implementing digital technologies to cater to their customers' evolving needs and preferences. The digital transition in banking encompasses a wide range of initiatives, including Simplifying Customer Journey, Increasing Electronic Payments, Leveraging Data Analytics, AI-driven Customer Service, Automating Back-End Operations and Metaverse and Blockchain Solutions etc.

Khan Bank has made remarkable strides in its digital transformation journey, bringing significant convenience to its customers. By creating the option to update personal information remotely, the bank witnessed an impressive response, with 366,000 customers taking advantage of this feature as of the second quarter of 2023.

Through the simplification of payments and the promotion of online transactions, Khan Bank achieved an outstanding milestone, with 99% of all transactions being conducted online. This shift towards digital payments not only offers greater convenience but also contributes to a more efficient and secure banking experience. The bank's emphasis on e-banking has paid off, as the active usage of e-banking reached 52% by the second quarter of 2023. Additionally, by intensifying the offering of consumer and small business loans through online channels, the bank has witnessed substantial growth in online loans. As of the second quarter of 2023, online loans accounted for 21.4% of the total loan portfolio.

With the ongoing digitalization of products and services and the introduction of new offerings, Khan Bank recognizes the importance of ensuring robust risk management practices and fostering a strong risk culture. As part of its commitment to maintaining a secure and reliable banking environment, the bank regularly implements activities aimed at improving risk management. To address potential threats and vulnerabilities in the digital realm, Khan Bank places significant emphasis on managing and continuously improving information security risk, credit risk and operational risk in line with international standards and best practices. By adhering to international risk management standards and constantly refining its risk management processes, Khan Bank demonstrates its dedication to providing a secure and reliable banking experience for its customers and stakeholders.

3.4 Details of off-balance sheet transactions and information on accounting policies

Contingent liabilities and obligations

The Bank undertakes various contingent liabilities and obligations for the financial needs of its customers. Although these liabilities are not reflected in the statement of financial position, they carry a certain amount of risk and are considered part of the Bank's overall risk.

<i>In MNT. thousand</i>	As of June 30, 2023			As of December 31, 2022		
	Total account value	Cost of borrowing hedge funds	Account value	Total account value	Cost of borrowing hedge funds	Account value
Contingent Liabilities						
Guarantee issued by the bank	136,994,032	(674,361)	136,319,671	109,875,380	(493,937)	109,381,443
Letter of credit	22,871,541	(117,812)	22,753,729	24,667,537	(143,760)	24,523,777
Unused Line of Credit	613,760,885	(6,484,766)	607,276,119	640,182,957	(4,954,504)	635,228,453
Unused credit card	58,976,816	(930,982)	58,045,834	61,741,646	(614,748)	61,126,898
Total Contingent Liabilities	832,603,274	(8,207,921)	824,395,353	836,467,520	(6,206,949)	830,260,571
Capital duties						
Fixed assets	2,213,149	-	2,213,149	2,585,144	-	2,585,144
Total	834,816,423	(8,207,921)	826,608,502	839,052,664	(6,206,949)	832,845,715

Funding costs for expected exposure to off-balance sheet liabilities:

<i>In MNT. thousand</i>	Unused Line of Credit	Unused credit card	Guarantee issued by the bank	Letter of credit	Total amount
Account value as of January 1, 2023	640,182,957	61,741,646	109,875,380	24,667,537	836,467,520
Issued and acquired/increase during the reporting year	1,256,718,251	61,286,175	288,116,759	22,263,157	1,628,384,342



Not accepted or paid	(1,283,140,323)	(64,051,005)	(260,998,107)	(24,059,153)	(1,632,248,588)
As of June 30, 2023 (non-audited)	613,760,885	58,976,816	136,994,032	22,871,541	832,603,274
Expected risk loss fund as of January 1, 2023	4,954,504	614,748	493,937	143,760	6,206,949
Newly issued and purchased	10,858,869	1,145,795	1,297,493	117,653	13,419,810
Not accepted or paid	(9,420,434)	(881,889)	(1,117,069)	(143,601)	(11,562,993)
Expected risk loss transition effect	91,827	52,328	-	-	144,155
Net expenses for the reporting period	1,530,262	316,234	180,424	(25,948)	2,000,972
As of June 30, 2023 (non-audited)	6,484,766	930,982	674,361	117,812	8,207,921

Duty

Obligation refers to the Bank's contractual obligations to grant loans and open credit lines. Such obligations have fixed expiration dates or other types of termination provisions. The amount specified in the contract is not intended to represent future cash requirements, as the loan obligation may have expired before it was fulfilled.

4. Information on conflict of interest and significant transactions conducted by the issuer during the reporting period, the importance and the purpose of the transaction, and information about the person with a conflict of interest /all conflicts of interest transactions made during the reporting period shall be included/

In the first half of 2023, Khan Bank concluded a total of 64 transactions to a related party. It includes:

No.	Related parties	Purpose	Number of parties	Total amount
1	Shareholder of the Bank and its related parties	Loan	7	17,948,791,570
		Credit	26	37,061,043,530
		Goods and services	16	30,076,926,014
2	Key management personnel	Loan	8	1,525,653,077
		Credit	7	133,728,771

There were no significant transactions in the reporting period.

5. If the Issuer had an IPO for the purpose of implementing a project, a report on the progress of project implementation and the use of funds raised from the public

Khan Bank has raised a total of MNT 183,379,788,200 (one hundred eighty three billion three hundred seventy nine million seven hundred eighty eight thousand two hundred) by offering 191,219,800 ordinary shares each with par value of MNT 959 to the public between April 13-19, 2023.

Bank planned to invest 35 percent of its proceeds in information technology investment, digital product development and innovation to accelerate the digital transition of banking products and services, 34 percent in green projects and 31 percent in long-term investment loans and mortgages.

No.	Use of proceeds	Percentage	Total amount /MNT/	Disbursement	Available funding
1.	Digital product development and innovation, IT investment	35%	64.1 billion	5134.3 million	58.9 billion
2.	Funding for green projects and programs	34%	62.4 billion	0	62.4 billion
3.	Long-term loans /Mortgage and investment loans/	31%	56.9 billion	56.9 billion	0

As of June 30, 2023, MNT 5,134.3 million was spent on information technology and digital transition, new loans related to energy-efficient green projects and programs have been approved, but financing has not been committed yet, while for long term loans on funding for mortgage and investment, MNT 56.9 billion or the 31 percent of the total raised capital, has been fully spent.

6. Information related to corporate governance

Khan Bank is truly committed to good corporate governance principles in both form and substance. By implementing substantive corporate governance practices, the Bank builds on its position as the leading bank in Mongolia, reduces its capital costs, and



improves its efficiency and reputation with rating agencies. As one of Mongolia's leading banks, we aim to further enhance the Bank's corporate governance practices and maintain our position as a market leader.

SHAREHOLDING STRUCTURE

On April 13, 2023, Khan Bank offered 10 percent of its shares to the public and the Bank's shareholding structure has changed as follows:

No.	Shareholders of Khan Bank	Country	Percentage of ownership	Number of shares
1	H.S. Holdings Co., Ltd	Japan	40.99%	783,882,300
2	H.S. International (Asia) Limited	Hong Kong, China	8.78%	167,856,050
3	Tavan Bogd Trade Co., Ltd	Mongolia	22.78%	435,653,100
4	Ms. D. Khulan (individual)	Mongolia	13.22%	252,738,000
5	Khan Bank employees	Mongolia	4.23%	80,848,750
6	Public	Mongolia	10%	191,219,800
Total:			100.00%	1,912,198,000

Shareholders info:

H.S. Holdings Co., Ltd	HS Holdings Co., Ltd., listed on the Tokyo Stock Exchange (8699), holds shares of companies primarily engaged in the financial sector and has equity in 7 consolidated companies, including Gaitame.com Co., Ltd., H.S. International (Asia) Ltd. (HSIA), H.S. Securities Co., Ltd., H.S. Servicer Co., Ltd., JSC Solid Bank, KHAN Bank JSC, and OJSC Kyrgyzkommerts bank.
H.S. International (Asia) Limited	H.S. International (Asia) Limited is a 100 percent subsidiary of HS Holdings Co., Ltd based in Hong Kong. The company is focused implementation of HS Holdings' strategy in the Asian market based on opportunities for the high growth of the Chinese economy and Asian economy and conducts market research in the region.
Tavan Bogd Trade Co., Ltd	Tavan Bogd Trade Co., Ltd. (TBT) is the flagship company of Tavan Bogd Group, including 22 subsidiaries and four affiliated companies. Tavan Bogd Trade is Mongolia's leading company, working to improve the lifestyles of Mongolians with support from its 12,000 employees. Founded in 1995 and headquartered in Ulaanbaatar, TBT and its subsidiaries and affiliates are engaged in trade and services, manufacturing, tourism and hospitality, mining equipment supply, and banking. In addition to Khan Bank, well-known TBT businesses include Gobi Cashmere, Goyo Cashmere, Ulaanbaatar Flour, Kempinski Hotel, and Khan Palace. It is the official Mongolian distributor of Toyota, Volkswagen, Toto, Bridgestone, and Xerox, as well as KFC, Pizza Hut, and Little Sheep franchising.
Ms. D. Khulan	Ms. D. Khulan, a citizen of Mongolia, is a founder, Board chairperson and a shareholder of Tavan Bogd Group and has been working as the Executive Vice President since 2003. Ms. D. Khulan is a Board director and a deputy chairperson of the Bank's Board of Directors and has been an independent shareholder since December, 2010.
Public	In accordance with the Banking Law, Bank has been preparing to become public with the launch of an initial public offering since February 2021, within the timeframe specified in the relevant laws and regulations. On July 27, 2022, the Bank of Mongolia, on September 9, 2022, the Mongolian Stock Exchange, and on December 9, 2022, the Financial Regulatory Commission approved the listing of ordinary shares of Khan Bank as securities for an initial public offering. On April 13, KHAN Bank offered its shares to the public and opened the initial trading. Bank's IPO became the highest-valued, most-subscribed, most-invested, and most accessible primary market transaction in the Mongolian capital market. Also, with the start of secondary market trading, we became the first joint-stock company in Mongolia whose market capitalization on MSE exceeded MNT 2 trillion.
Khan Bank employees	As approved by the shareholders' resolution #9 dated September 30, 2021, and the Bank of Mongolia's approval received on January 28, 2022, the Bank carried out "Employee Share Purchase Program" (ESPP) and the Bank's 4,136 employees became shareholders of the Bank. By implementing the ESPP, the Bank creates an advantage of building more robust and stable human resources to enhance the Bank's business growth, profitability, and social responsibility as a public company.



BOARD OF DIRECTORS

Khan Bank's Board of Directors (BoD) consists of nine members with experiences in financial services, blending local expertise and understanding with knowledge and experience in international markets. The Khan Bank Board is elected on an annual basis by Khan Bank shareholders. The Khan Bank Board of Directors operates by implementing corporate governance and complies with the laws and regulations of Mongolia, including the Law on Companies, the Law on Banking, regulations, and instructions approved by the Bank of Mongolia, the Khan Bank Charter, the Corporate Governance Code, the Board of Directors' operating procedures, and other relevant legal documents.

Functions of the Board of Directors

The Board of Directors of the Bank exercise the following powers under Article 31.3 of the Banking Law of Mongolia, Article 9.13 of the Bank's Charter, the Board Operational Procedure, the Corporate Governance Procedure, and the Corporate Governance Code of KHAN Bank. These include:

- Defining and reviewing the Bank's strategy, approving its organizational structure, risk management policy, annual budget, business plan, and operational performances;
- Convening regular and extraordinary shareholders meetings;
- Resolving matters by external voting of shareholders without convening an extraordinary shareholder meeting;
- Resolving matters to be discussed at shareholders meeting, date of registration to make the list of voting shareholders, and other matters related to convening of shareholders meeting;
- Issuing shares within the type and number of shares approved by shareholders meeting;
- Issuing securities other than those specified in the Bank's Charter within the type and number approved by the shareholders meeting;
- Determining market value of property and property rights under Article 55 of the Company Law;
- Deciding whether to purchase or buy back its shares or other securities;
- Appointing executive management of the Bank and determining its powers in consultation with Governor of the Bank of Mongolia;
- Establishing powers and responsibilities of the executive management, monitoring its activities, and determining its salaries and bonuses;
- Organizing the Bank's internal audit unit independently from the executive management, approving its budget and staffing, appointing its executive management and staff, establish its operating procedures, and set salaries and bonuses;
- Selecting external auditing firm and determining the terms of the contract;
- Making conclusions on the Bank's annual operations and financial statements and presenting them to the shareholders meeting for approval;
- Unless otherwise provided in the Bank's Charter, determining number of dividends and the procedure of its payment;
- Establishing, and monitoring implementation of, policies and procedures for the activities of the Board of Directors, the executive management, and corporate governance of the Bank;
- Establishment of branch and/or representative office of the Bank;
- Preparing draft resolutions of shareholders meeting on reorganization of the Bank and implementing the decisions;
- Permitting major transactions;
- Permission to enter a conflict-of-interest transaction;
- Other matters specified in the Company Law, Banking Law, and the Company Charter.

Each director of the Board of Directors of the Bank shall have on top of the obligations specified in the Company Law and the Banking law, the following obligations:

- Perform duties responsibly within the authority provided by laws, regulation and the Charter;
- Prioritize the Bank's interest over interest of own and of shareholders who appointed him/her;
- Not accept hidden benefit;
- Avoid conflict of interest and, notify the Board if it's occurred;
- Not to involved in day-to-day activities of the Bank;
- Monitor CEO of the Bank, and discuss performance report of CEO at least once in a quarter, to treat shareholders equally;
- Protect interests of shareholders, customers and deposit holders;
- Determine the Bank's policy, strategy and risk appetite and make decision which is beneficial for the Bank;
- Monitor CEO activities on matters such as the Bank's accounting and financial reporting system, independent and internal audits, risk management, financial and operational control, implementation of laws and regulations and the Bank's reorganization etc.
- Fully reflect the monitoring and reporting system over rights, duties and responsibilities in the agreement to be signed between the Board and CEO, and assess implementation of the agreement on a quarterly basis;
- Approve the plan to select the Bank's management and prepare their successors, to reflect professional requirements applicable to each of executive management positions clearly and sufficient preparation required to perform the duties efficiently;
- Approve CEO bonus in line with implementation of the Bank's mission, long term purpose, strategic plan, code of conduct and the duties specified in the agreement;
- Perform and strictly obey the job duties responsibly and honestly within the authority given under laws, regulations and the Bank Charter;
- Not make any action or inaction that may interrupt proper implementation of obligations due to conflict of interest;

- Select entity that meet the requirements specified in laws and regulations of Mongolia as well as international standard for independent auditing;
- Discuss inspection acts, materials, and audit reports of the internal audit unit of the Bank on a timely manner, to give orders to CEO with regard to improve corporate governance and internal auditing system and to assess results of the actions taken;
- Work with full effort, and all of his/her knowledge and capability, to implement the duties given.

Independent director of the Board of Directors of the Bank shall have on top of the obligations specified in the Company Law and the Banking Law, the following obligations:

- Ensure and review whether activities and decisions by the Board and the Executive Management have no negative impact to the Bank's interest, to notify the shareholders;
- Review whether activities of the Board and the Executive Management comply with laws and regulations;
- Protect interest of customers and deposit holders of the Bank;
- Involve in discussion of conflict-of-interest transactions, related-party transactions and major transactions, which are specified in the Company Law, and give vote on a mandatory basis;
- If either any activity, policy or decision of the Board or Executive Management is found as affected the Bank's operations or caused breach of law or regulation, Independent Director of the Board shall demand related person to eliminate the breach and, if the demand is not performed, to raise the matter to the Board for resolution, and moreover, submit a demand to the Board to convene shareholders meeting;
- Notify the Bank of Mongolia on each case where any activity, policy or decision of the Board or Executive Management affected the Bank's operations or caused breach of law or regulation, and moreover, to request inspection on the Bank;
- Each Independent Director of the Board shall report his/her performance and implementation of the main obligations to the Bank of Mongolia and shareholders meeting not less than once every year;
- Join in composition of the Board Audit and Risk Committees, mandatorily.

The Board of Directors shall be prohibited to be involved in the Bank's operations:

- Attend in a Board meeting with voting right if the Director, or business entity or organization represented by the Director has any duty or payment, which is under loan, guarantee or warranty agreement signed with the Bank, classified non-performing.

In case where CEO is appointed as a Board Director, CEO shall be prohibited to be involved in the Board operations in following ways:

- Join in Audit Committee and/or Risk Committee with a voting right;
- Approve power and responsibility of CEO or to monitor CEO activities or to approve salary and remuneration of CEO;
- Assess CEO performances.

BOARD OF DIRECTORS STRUCTURE:

Daribum Tudev – Chairperson, Board Independent Director
 Khulan Dashdavaa – Deputy chairperson
 Baatarsaikhan Tsagaach – Board Director
 Harada Yasunari – Board Director
 Ishii Kisaburo – Board Director
 John Law – Board Director
 Amarsanaa Batbold – Board Director
 Hans Aart Jongejans – Board Independent Director
 Tamir Amarbayasgalan – Board Independent Director

BOARD COMMITTEES:

To enhance the Board's overall effectiveness by ensuring focus, oversight, and monitoring of sensitive areas, the Board has created four committees: the Audit Committee, Risk Management Committee, Human Resources Committee, and the Corporate Governance Committee.

№	Board Committees	Chairperson	Members
1	Audit Committee	A. Tamir (Independent director)	D. Khulan Hans Aart Jongejans Ishii Kisaburo
2	Risk Management Committee	Hans Aart Jongejans (Independent director)	Harada Yasunari Ts. Baatarsaikhan John Law
3	Corporate Governance Committee	T. Daribum (Independent director)	Harada Yasunari D. Khulan B. Amarsanaa
4	Human Resources Committee	D. Khulan	Harada Yasunari T. Daribum



- **Audit Committee**

The Audit Committee oversees accounting and internal audit matters and performs related duties as described in its charter. The Audit Committee reviews the Bank's financial position and makes recommendations on a myriad of financial matters, including assessing the integrity and effectiveness of accounting methods, compliance, and other control systems. The Audit Committee ensures that all processes within Khan Bank are undertaken with the greatest consideration for profitability, accountability, and transparency.

- **Corporate Governance Committee**

The Corporate Governance Committee assists the Board in developing comprehensive principles and a code of conduct for the Bank's corporate governance to ensure a healthy corporate culture. The committee is responsible for identifying potential candidates for the BoD, providing recommendations on the appointment of new board members, and oversees the performance of the BoD and its committees.

- **Risk Management Committee**

The Risk Management Committee supports the BoD by monitoring the Bank's overall potential risk exposure. In addition, the committee makes appropriate recommendations based on the measurement, quantification, limitation, and amelioration of diverse elements of risk encountered in the Bank's operations and business. The Risk Management Committee reviews the monthly reports submitted by the Compliance Committee and ensures the implementation of the risk appetite and risk exposure limits set by the BoD.

- **Human Resources Committee**

The Human Resources Committee was established to provide support to the BoD. It reviews the performance and participation of the BoD and the Bank's executive management appointed by the Board. The committee supports the sustainable and profitable operations of the Bank by providing recommendations on the appointment of executive management, establishing key performance indicators, and identifying skilled and experienced candidates for management.

EXECUTIVE MANAGEMENT

The Bank's executive management is carried out by the CEO, who is appointed by the Board of Directors. CEO manages and supervises the day-to-day operations of the Bank within the authority set by the Board of Directors. In addition, the Chief Executive Officer ensures the proper implementation of decisions and resolutions of shareholders and the Board of Directors. EMC is responsible for assisting the CEO in its day-to-day and operational activities.

EMC Structure:

- R. Munkhtuya – CEO
- B. Erdenedelger – First Deputy CEO
- Nair Sachin – Deputy CEO
- D. Dugarbaatar – Chief Internal Auditor
- D. Enkhbaatar – VP, Chief Risk Officer
- B. Ariunbold – VP, Chief Information Officer
- G. Munkhbayar – VP, Operations
- Sh. Ulzii-Ayush – VP, Finance and Administration
- D. Ariunbat – VP, Retail Distribution
- T. Uuganbayar – VP, Wholesale Banking
- Sh. Ganbyamba – VP, Human Resources
- B. Bayanbat – VP, Business Development
- J. Tovuudorj – VP, SME Banking
- O. Ariuntulga – Corporate Secretary

7.	Reports and information related to issuer governance
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In accordance with amendments to the Banking Law adopted by the Parliament of Mongolia on June 3, 2022, to become a publicly traded company by launching an IPO in the domestic market by June 30, 2023, Khan Bank offered its shares to the public and opened the initial trading on April 13, 2023, after receiving permission from regulatory bodies such as the Bank of Mongolia, the Mongolian Stock Exchange (MSE), and the Financial Regulatory Commission (FRC).

Khan Bank's IPO became the highest-valued, most-subscribed, most-invested, and most accessible primary market transaction in the Mongolian capital market. Also, with the start of secondary market trading, we became the first joint-stock company in Mongolia whose market capitalization on MSE exceeded MNT 2 trillion. On June 29, 2023, in accordance with relevant laws, Khan Bank has registered as a joint-stock company in the General Authority for State Registration. Thus, the Bank is engaged in the revision of the documents regulating the internal activities and the corporate governance system after the transition to the form of a joint-stock company.

SHAREHOLDERS MEETINGS

During the reporting period, there were held 4 extraordinary and 1 annual shareholders meetings, discussing and approving a total of 22 issues and 8 resolutions such as the Bank's operational and financial reports, and dividend distribution.

Khan Bank as a public company held its first Extraordinary Shareholders Meeting on June 24, 2023, in hybrid form (in-person and online) and discussed the following matters with a quorum of 86.66 percent of voting shareholders.

1. The Shareholders Meeting increased share capital of Khan Bank by MNT 19,121,980,000 and set it at MNT 191,219,800,000 in total.
2. "Khan Bank" JSC's Charter is approved as proposed to the Shareholders Meeting.
3. The regular and independent nominees were elected Board Directors in a cumulative manner within the framework of relevant laws and regulations.

BOARD MEETINGS

During the first half of 2023, the Board of Directors of KHAN Bank conducted 3 regular and special meetings with a quorum of 100 percent, in-person and online forms, where a comprehensive range of 23 issues were discussed and 20 resolutions were approved.

INFORMATION TRANSPARENCY

As Khan Bank has transitioned into an open joint-stock company, it is working to learn and implement good governance practices, to diligently uphold its commitment to public disclosure, adhering to the regulations set forth by the regulatory bodies, providing and publishing necessary information to its shareholders on the Bank's and MSE's website.

CORPORATE GOVERNANCE



In accordance with the Banking Law and the Regulation on Implementation of Corporate Governance Principles for Banks of the Bank of Mongolia, KHAN Bank evaluates its corporate governance on an annual basis and gets it validated by BOM. The Bank of Mongolia evaluated the corporate governance of Khan Bank as "a bank with normal management operations" with the score **87.3** as of December 31, 2022.

Signature of the person who prepared the information, the person who confirmed the accuracy of the information and the date:

Full name: R. Munkhtuya

Position: CEO, Khan Bank JSC

Signature:

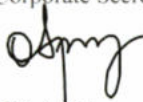
Date: July 20, 2023

Signature of the person who prepared and submitted the information and the date:

Full name: O. Ariuntulga

Position: Corporate Secretary, Khan Bank JSC

Signature:



Date: July 20, 2023