

KHAN BANK JSC 2024 SEMI-ANNUAL OPERATIONAL REPORT

Semi-annual operational report /Form 2/			
Reporting period	From January 1 st to June 30 th , 2024		
Issuer's information	Name:	Khan Bank JSC	
	SRCN:	000283102	
	Registration No.:	2693321	
	Securities symbol:	MN0KHAN05637	
	Address:	Khan Bank Tower, Chinggis Avenue-6, Stadium Orgil-1, Khan-Uul District, 15 khoroo, Ulaanbaatar 17010, Mongolia	
	Tel:	1800-1917, 7515-3333/3221/, 7507-1917	
	E-mail:	investor_relations@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	1,912,198,000 ordinary shares		
Names of the specialist who prepared and the official who reviewed the report	Prepared by: T. Buyanbileg /Investor relations officer, Corporate Secretariat/ Reviewed by: O. Ariuntulga /Corporate Secretary/		
1.	The semi-annual financial report /fill out the summary report indicators and attach the financial statement/		
1.1	Balance sheet		
Statement of financial position			
<i>In MNT</i>			
	Балансын зүйл	31 Dec 2023 /audited/	30 Jun 2024 /non-audited/
1	ASSETS		
1.1	Cash and cash equivalents	4,893,765,124,731.80	6,255,784,140,058.64
1.2	Due from other banks and financial institutes	1,108,415,858,389.79	1,295,116,101,740.40
1.3	Investment	1,668,119,450,256.37	1,355,073,790,789.89
1.3.1	Trading securities	-	-
1.3.2	Ready to sell securities	566,917,146,468.88	355,035,112,350.82
1.3.3	Held-to-maturity securities	997,631,604,481.65	861,985,160,280.40
1.3.4	Other securities classified as loan and receivable	6,992,034,776.94	-
1.3.5	Investment to affiliate, associate or subsidiary companies	-	-
1.3.6	Pledged security	68,104,991,830.46	116,534,713,018.19
1.3.7	Interest receivable accrued for securities	41,414,529,936.67	32,847,887,649.71

1.3.8	Provision for security	(12,940,857,238.23)	(11,329,082,509.23)
1.4	Loan (net amount)	9,016,974,854,640.46	10,628,265,722,403.89
1.4.1	Performing loan	8,938,214,949,869.21	10,558,586,829,629.10
1.4.2	Past-due loan	186,288,214,554.17	223,411,109,319.85
1.4.3	Sub-standard loan	123,998,884,160.04	90,577,990,938.47
1.4.4	Doubtful loan	82,652,114,083.62	69,041,841,848.02
1.4.5	Bad loan	303,334,333,077.43	344,686,205,192.48
1.4.6	Deferred loan repayment	(83,126,295,985.89)	(93,738,011,816.60)
1.4.7	Interest receivable accrued for loan	118,062,549,835.40	145,126,335,453.46
1.4.8	Loan loss provision	(652,449,894,953.52)	(709,426,578,160.89)
1.5	Derivative financial instruments	46,521,649,848.03	12,853,464,991.28
1.6	Other financial assets	6,820,398,576.79	12,708,787,269.41
1.7	Other non-financial assets	101,622,031,869.62	120,956,952,924.87
1.8	Fixed assets	464,484,270,540.76	465,948,510,013.18
1.9	Real estates for investment purpose	-	
1.10	Assets for sale	389,139,573.48	215,529,891.10
1.11	Intangible assets	43,529,293,922.69	39,015,223,282.98
1.12	Total assets	17,350,642,072,349.80	20,185,938,223,365.64
2	LIABILITIES		
2.1	Current	4,490,351,136,888.14	5,693,453,974,665.98
2.2	Deposits	7,638,617,568,980.25	9,014,541,042,444.33
2.3	Due to banks and financial institutes	2,417,172,739,165.79	2,522,714,797,833.51
2.4	Other fundings	444,611,686,238.96	543,324,790,065.21
2.5	Derivative financial liabilities	721,212,990.00	-
2.6	Other financial liabilities	185,222,890,984.49	221,125,746,090.55
2.7	Other non-financial liabilities	82,209,478,725.80	72,447,813,828.31
2.8	Secondary payables	-	-
2.9	Preferred stock (liability)	-	-
	Total liabilities	15,258,906,713,973.40	18,067,608,164,927.89
3	EQUITY		
3.1	Share capital	191,219,800,000.00	191,219,800,000.00
3.2	Paid-in capital	164,257,808,200.00	164,257,808,200.00
3.3	Treasury shares	-	-
3.4	Revaluation addition	86,182,451,827.22	85,256,019,299.54
3.5	Accrued profits and losses	1,649,038,590,069.83	1,669,389,812,605.67
3.6	Other equity	1,036,708,279.28	8,206,618,332.54
3.7	Total equity	2,091,735,358,376.33	2,118,330,058,437.75
4	Total equity and liabilities	17,350,642,072,349.80	20,185,938,223,365.64

1.2 Income statement
In MNT

	Income & expense items	Starting balance 31 Dec 2023	Ending balance 30 Jun 2024
1	Interest income	2,052,185,427,491.23	1,209,997,947,020.55

2	Interest expenses	998,485,157,774.27	622,151,888,371.93
3	Net income interest [(1)-(2)]	1,053,700,269,716.96	587,846,058,648.62
4	Loss provision expenses	85,928,621,468.68	66,282,788,738.51
5	Net income after loss provision [(3)-(4)]	967,771,648,248.28	521,563,269,910.11
6	Other income	472,189,685,708.19	216,722,738,358.81
7	Other expenses	697,203,015,848.74	358,989,545,065.75
8	Pre-tax profit and loss (5+6-7)	742,758,318,107.73	379,296,463,203.17
9	Income tax expense	183,975,449,096.69	88,855,850,655.01
10	After tax profit and loss (8-9)	558,782,869,011.04	290,440,612,548.16
11	Net income/expense of terminated activities	-	
12	Net profit and loss of the reporting period (10+11)	558,782,869,011.04	290,440,612,548.16
13	Other comprehensive income	12,707,700,092.74	6,243,477,525.58
14	Total comprehensive income of the reporting period (10+11)	571,490,569,103.78	296,684,090,073.74
1.3	Statements of change in equity		

	Equity items	Share capital	Paid-in capital	Treasury shares	Revaluation reserve for premises	Other components of equity	Retained earnings	Total equity
1	At December 31, 2022	172,097,820,000.00	-	-	88,384,096,825.57	(13,872,636,804.80)	1,268,756,787,060.44	1,515,366,067,081.21
2	Accounting changes and error correction							-
3	Corrected balance	172,097,820,000.00	-	-	88,384,096,825.57	(13,872,636,804.81)	1,268,756,787,060.44	1,515,366,067,081.20
4	Net profit/loss of the reporting period	-	-	-	-	-	558,782,869,011.04	558,782,869,011.04
5	Other comprehensive income					14,909,346,091.09		14,909,346,091.09
6	Changes in equity	19,121,980,000.00	164,257,808,200.00					183,379,788,200.00
7	Dividend distributed	-		-	-	-	(180,702,711,000.00)	(180,702,711,000.00)
8	Realized amount of revaluation addition	-	-	-	(2,201,644,998.35)		2,201,644,998.35	-
9	At December 31, 2023	191,219,800,000.00	164,257,808,200.00	-	86,182,451,827.22	1,036,708,279.28	1,649,038,590,069.83	2,091,735,358,376.33
10	Accounting changes and error correction							-
11	Corrected balance	191,219,800,000.00	164,257,808,200.00	-	86,182,451,827.22	1,036,708,279.28	1,649,038,590,069.83	2,091,735,358,376.33
12	Net profit/loss of the reporting period	-	-	-	-	-	290,440,612,548.16	290,440,612,548.16
13	Other comprehensive income					7,169,910,053.26		7,169,910,053.26
14	Changes in equity							-
15	Dividend distributed	-		-	-	-	(271,015,822,540.00)	(271,015,822,540.00)
16	Realized amount of revaluation addition	-	-	-	(926,432,527.68)		926,432,527.68	-
17	At June 30, 2024	191,219,800,000.00	164,257,808,200.00	-	85,256,019,299.54	8,206,618,332.54	1,669,389,812,605.67	2,118,330,058,437.75

1.4	Cash flow statement		
<i>In MNT</i>			
	Items	Starting balance	Ending balance
1	Cashflows from operating activities	***	***
1.1	Adjustments to profit and losses:	742,758,318,107.73	379,296,463,203.17
1.2	Adjustments to Assets and liabilities:	(800,165,567,911.19)	(473,782,384,918.30)
1.3	Other adjustments:	(39,648,177,498.17)	730,427,783,874.94
1.4	Net cash flows from operating activities	960,611,236,296.92	603,393,515,045.65
1.5	Cash flows from investing activities	863,555,808,995.29	1,239,335,377,205.46
2	Cash from investing activities	***	***
2.1	Cash used in investing activities	(1,385,405,326.81)	328,408,046,950.26
2.2	Net cashflows from investing activities	(69,275,098,605.00)	(33,448,175,225.28)
2.3	Cashflows from financing activities	(70,660,503,931.81)	294,959,871,724.98
3	Cash from financing activities	***	***
3.1	Cash used in financing activities	183,379,788,200.00	98,739,588,936.40
3.2	Net cashflows from financing activities	(274,843,253,797.72)	(271,015,822,540.00)
3.3	Effect of exchange rate changes on cash and cash equivalents	(91,463,465,597.72)	(172,276,233,603.60)
4	Net increase/(decrease) in cash and cash equivalent		-
5	Cash and cash equivalents at the beginning of the period	701,431,839,465.76	1,362,019,015,326.84
6	Cash and cash equivalents at the end of the period	4,192,333,285,266.04	4,893,765,124,731.80
7	Cashflows from operating activities	4,893,765,124,731.80	6,255,784,140,058.64
2.	The Audit Committee opinion on the semi-annual financial statement, which was reviewed and confirmed		
The Board of Directors Audit Committee has discussed and approved the 2023 semi-annual financial report of Khan Bank (“Bank”) at the online meeting of the Audit Committee that held on July 04, 2024.			
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		
<p>Total assets: As of the first half of 2024, total assets reached MNT 20.2 trillion increased by 16.3% compared to 2023, leading the banking sector and accounting for 30.5% of the total banking system in the first quarter of 2024.</p> <p>Total loans: Compared to the end of the previous year, total loans increased by 17.2% or MNT 1.7 trillion and reached MNT 11.3 trillion as of June 2024.</p> <p>Total deposits: Total deposits of KHAN Bank increased by 18.6% or MNT 2.8 trillion and reached MNT 17.8 trillion, where 83% are due to customers and 17% are borrowings from IFIs and other liabilities.</p> <p>Equity:</p>			

Compared to the end of the previous year, equity increased by 1.3% or MNT 27 billion and reached MNT 2.1 trillion.

Profitability:

As of the first half of 2024, Khan Bank's NPAT was equal to MNT 290.4 billion. Net interest income increased by MNT 105.9 billion or 22% and reached MNT 587.8 billion.

ROA was 3.4% and ROE was 28.5%.

3.2 Liquidity ratios and financial resources

As of 30 June, 2024, Khan Bank has complied all Regulatory requirements.

CAR (>12%):

CAR capital adequacy ratio decreased by 2.9% from the end of the previous year and reached 15.7%.

Tier 1 (>13%):

Tier 1 capital adequacy ratio decreased by 2.9% from the end of the previous year and reached 15.7%.

Liquidity (>25%):

Liquidity ratio was 45.2%, well above the regulatory requirement.

NPL ratio:

Non-performing loans equal to MNT 504.31 billion or 4.5% of total loans, decreased by 0.8% from the end of the previous year.

	2023	2024.06
Profitability ratios		
ROE	31.7%	28.5%
ROA	3.5%	3.4%
Efficiency ratio	40.2%	41.9%
Loan quality ratios		
NPL	5.3%	4.5%
LLP	127.9%	140.7%
Bank of Mongolia Prudential ratios		
CAR	18.6%	15.7%
TIER 1 ratio	18.6%	15.7%
Liquidity	46.5%	45.2%
Single foreign currency open position ratio	-6.3%	-4.9%
Aggregate FC open position ratio	-6.5%	-5.2%

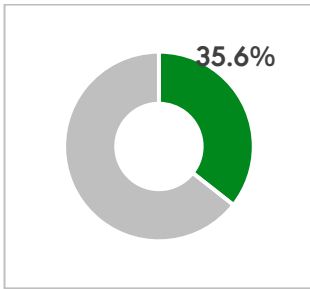
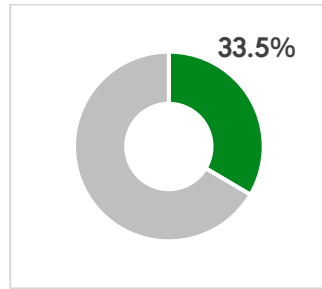
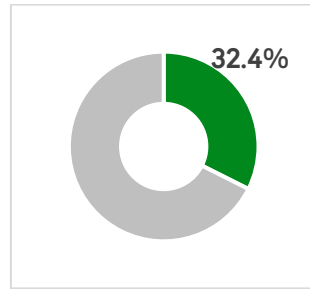
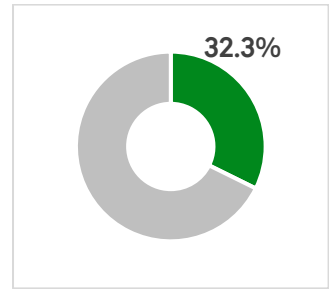
3.3 The external and internal factors affecting the activities of the issuer, changes in the range of its products and services, and measures planned to be taken by the issuer in response to these changes

1. Macroeconomic review

As for the impact of the macroeconomic environment, the recovery of mining sector has continued, as resulted to the recovery of transport sector, which led to increase the real economy to the 7.8%, and the nominal GDP has reached MNT 16.5 trillion in the first quarter of 2024. In 2024, it is expected to the amount of coal exports will be maintained at a high level, the output of Oyutolgoi copper and gold will increase, and the real economic growth will reach 6.2 percent due to the expansion of public expenditure and the growth of household consumption. In May 2024, national inflation continued to decline to 5.7%, mainly due to the stabilization of the exchange rate and the decrease in imported inflation. Due to stabilization of the inflation at the target level, the Bank of Mongolia reduced the policy interest rate by 2 percentage points to 11% in 2024, and the outlook for monetary policy is expected to continue to soften in the future.

2. Market share

As of May 2024, Bank's customer deposits increased by 3.7 percent to 35.6%, total loans decreased by 2 percent to 33.5%, total assets increased by 2 percent to 32.4%, and total equity decreased by 1.4 percent to 32.3% from the end of the year.

Customer deposits

Loan

Total asset

Equity


3. The main focus of business plan

Bank's medium-term business strategy is closely aligned with the bank's Sustainable Development policy, supports the 17 Sustainable Development Goals as a comprehensive strategy, adheres to the United Nations Global Compact principles, and aims to add value to a more sustainable and inclusive future in all areas of operations.

As part of these objectives, the bank's strategy defines the following main directions as its top priorities. These include:

3.1 Customer experience

Focus on delivering a simple, fast, and reliable digital channel experience to customers across all segments, maintaining relationships with stakeholders through effective partnerships and leadership, and implementing the best customer issue resolution process in accordance with international customer experience standards. Additionally, provide financial education and advice using AI-based chatbots to create the best customer service, improve products and services aimed at increasing financial inclusion across all segments, and prioritize strategies to offer personalized products to customers based on data utilization and machine learning.

3.2 Business growth and Risk management

The strategy aims to achieve a balanced growth in consumer and business loan portfolios, increase the green loan portfolio to 10 percent of total loans by 2025, and improve personal banking products and services through investment, financial planning, and insurance products.

As for the risk management, optimization of integrated risk management of the organization, improvement of quality loan growth by managing risks effectively (non-performing loans below 5%), implementation and evaluation of international standards (ICAAP and ILAAP), improvement on cybersecurity systems and operations and expansion of green investment by improving environmental and social management system and establishing climate risk management.

3.3 Digital bank strategy

It aims to enhance financial access for individuals and business customers by delivering superior technological services. This involves simplifying the purchase and payment process, modernizing the business model for digital wallets and digital payments, and creating a payment ecosystem that supports customers' lifestyles and business activities. Additionally, a strategic objective is to increase efficiency by automating bank operations through business process automation technology, utilizing a modern no-code and low-code development platform.

3.4 Organizational development

Bank aims to expand its sustainable development policy in alignment with the SDGs and NDP, setting measurable goals for its priority areas and indicators in ESG. In terms of human resources, the bank focuses on employee experience, positive work environment, satisfaction, and equal employment opportunities to maintain its position as a leading employer. It also strives to continuously develop employees' digital mindset and data utilization, improve productivity, and implement a sustainable HR experience to achieve business success.

4. Re-structure

Bank has revised its structure in order to comply with the strategy of the next 3 years, to increase the efficiency of operations and changes in the market conditions. According to the Board Resolution No. 13 dated April 22, 2024, the following departments and units were established. Therein:

1. Strategy Planning and Portfolio Management Department
2. Credit Product Development and Green Banking Department
3. Data Management Department
4. Business Operations Excellence Department
5. Credit Data Analytics Department

6. Risk Administration Units
7. Enterprise Risk Management Department
8. Branding and Public Relations Department
9. Data Governance and Quality Department
10. HR Business Partnership Department

Please see detailed organizational chart on Bank's website. /<https://www.khanbank.com/en/personal/about/about-structure/>

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 thousands of MNT</i>	30-Jun-24			31-Dec-23		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Contingent Liabilities						
Guarantees issued	169,246,132	(943,485)	168,302,647	142,011,464	(751,531)	141,259,933
Letters of credit	43,198,768	(374,214)	42,824,554	27,347,449	(185,163)	27,162,286
Undrawn credit lines	1,126,094,859	(12,370,020)	1,113,724,839	636,504,815	(10,317,573)	626,187,242
Undrawn credit cards	36,324,027	(241,949)	36,082,078	52,416,065	(1,279,543)	51,136,522
Factoring receivable	1,734,369	(7,405)	1,726,964	200,000	(1,054)	198,946
Total contingent liabilities	1,376,598,155	(13,937,073)	1,362,661,082	858,479,793	(12,534,864)	845,944,929
Capital related commitments						
Property and equipment	1,362,866		1,362,866	1,025,293		1,025,293
Total	1,377,961,021	(13,937,073)	1,364,023,948	859,505,086	(12,534,864)	846,970,222

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

<i>In thousands of MNT</i>	Undrawn credit lines	Undrawn credit cards	Guarantees issued	Letters of credit	Factoring receivable	Total
At 01 January 2024	636,504,815	52,416,065	142,011,464	27,347,449	200,000	858,479,793
New originated or purchased/increases	2,452,574,025	47,542,792	324,416,143	42,438,398	2,699,676	2,869,671,034
Exposures derecognized or matured/lapsed	(1,962,983,981)	(63,634,830)	(297,181,476)	(26,587,081)	(1,165,307)	(2,351,552,675)
At 30 June 2024 (unaudited)	1,126,094,859	36,324,027	169,246,132	43,198,768	1,734,369	1,376,598,155
At 01 January 2024 credit loss allowance	10,317,573	1,279,543	751,531	185,163	1,054	12,534,864
New originated or purchased/increases	23,774,410	686,302	1,629,541	421,532	16,849	26,528,634
Exposures derecognized or matured/lapsed	(20,780,366)	(1,819,007)	(1,437,587)	(232,481)	(10,498)	(24,279,939)
Transfers between stages	(941,597)	95,111	-	-	-	(846,486)
Net charge for the period	2,052,447	(1,037,594)	191,954	189,051	6,351	1,402,209

At 30 June 2024 (unaudited)	12,370,020	241,949	943,485	374,214	7,405	13,937,073
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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
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The Bank adheres to applicable laws and the Conflict-of-interest and Material Transactions policy, which was updated and approved by the Board of Directors on February 15, 2024, while conducting conflicts of interest and material transactions.

	Bank related party	Category of assets	Balance (MNT mln)	Share to capital
1	Loans and other loan-equivalent assets to the Bank's related parties and employees (less than 5% of capital)			
1.1	Bank shareholders	Loan/guarantee	10,693.1	0.50%
1.2	Key management personnel	Loan	5,022.5	0.24%
1.3	Other related parties	Loan/guarantee	76,537.8	3.61%
2.	Total loans and other loan-equivalent assets to the Bank's related parties and employees (less than 20% of capital)			
2.1	Bank shareholders	Loan/guarantee	201,727.7	9.52%
2.2	Key management personnel	Loan	10,598.2	0.50%
2.3	Other related parties	Loan/guarantee	76,537.8	3.61%

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
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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 tugrugs*) by offering 191,219,800 pcs of ordinary shares with par value of MNT 959 each to the public between April 13-19, 2023.

The Bank planned to invest 16 percent of its proceeds in information technology investment, 19 percent in digital product development and innovation to accelerate the digital transition of banking products and services, 34 percent in green projects and the remaining 31 percent in long-term investment loans and mortgages.

Also, in the medium term, the Bank aims to increase customer satisfaction, expand the range of remote delivery services, implement its digital transformation goals to improve its competitiveness and maintain and expand its market position.

The disbursement of the funds raised from IPO as of June 30, 2024, is as follows:

No	Use of proceeds	Percentage	Total amount /MNT/	Total disbursement	Available funding
1	IT investment	16%	29.3 bln	29.3 bln	0

2	Digital products development and innovation	19%	34.8 bln	29.2 bln	5.6 bln
3	Financing for green projects and programs	34%	62.4 bln	62.4 bln	0
4	Long-term loans /Mortgage and investment loans/	31%	56.9 bln	56.9 bln	0
	Total	100%	183.4 bln	177.8 bln	5.6 bln

The total of available funds is MNT 5.6 billion.

6. Information related to corporate governance

BOARD OF DIRECTORS

Bank's Board of Directors ("BoD", "Board") consists of nine members. The Board is elected on an annual basis by Khan Bank shareholders. The Board runs its operations by implementing corporate governance principles and complies with the laws and regulations of Mongolia, including the Company Law, the Banking Law, regulations and instructions approved by the Bank of Mongolia, the Khan Bank Charter, the Corporate Governance Code, the Board of Directors' operating procedure, and other relevant legal documents.

Functions of the Board of Directors

- set out, review and amend the operational strategy of the Bank and approve the organizational structure, risk management policy, annual budget, business plan, and performance targets;
- call annual or an extraordinary shareholders meetings;
- submit to the shareholders any matter to resolve by way of an external voting instead of conducting a extraordinary shareholders meeting in person;
- establish the agenda of a shareholders meeting and the list of the shareholders who have the voting rights at such meeting, and resolve other matters with respect to the convening of the shareholders meeting;
- issue the shares within the quantity and of the type authorized by the shareholders at a shareholders meeting;
- issue the securities, provided such securities are not convertible to shares, within the quantity and of the type authorized by the shareholders at a shareholder meeting;
- determine the market value of tangible and intangible assets of the Bank in accordance with article 55 of the Company Law;
- approve a decision to buy back or redeem the Bank's own shares and other securities;
- appoint the executive management of the Bank upon the approval of the Governor of the BoM and set his/her powers;
- define the powers and responsibilities of the executive management, oversee its activities and approve its salary and bonuses;
- establish an internal audit unit of the Bank independently from the executive management, appoint the unit's management and staff, approve its budget and staffing, outline its operational rule(s), and approve its salary and bonuses;
- appoint the external auditor and establish the terms of the contract to be entered into with the external auditor;
- assess, and submit to the shareholders meeting for approval, the annual business operations and financial statements of the Bank;
- unless otherwise provided in the Bank's Charter, approve a decision whether to distribute a dividend, determine the amount of dividend payouts and the procedures for payments thereof;
- adopt operational as well as governance policies and procedures of the Bank, the Board and the executive management of the Bank, approve succession policy of them and oversee implementation thereof;
- establish branch(es) or representative office(s) of the Bank;
- prepare the draft of shareholders' resolution with respect to reorganization of the Bank and implement the approved resolution;
- approve a major transaction;
- approve a conflict of interest transaction;

- other matters specified in the Company Law, the Banking Law, the regulations of regulatory bodies and the Bank's 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 involve 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 the Board Audit and Risk Committees, mandatorily.

The Board of Directors shall be prohibited to be involved in the Bank’s operations in following ways:

- 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;
- participate in the day-to-day operations of the bank.

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 COMPOSITION

According to Board resolution No. 28, dated October 25, 2023, Ms. T.Daribum was elected as the Board chair, and Ms. D.Khulan as Board deputy chair respectively.

Board independent directors:

- T.Daribum – Board chair, independent director
- Hans Aart Jongejans – independent director
- A.Tamir – independent director

Board regular directors:

- D.Khulan – Board deputy chair, regular director
- Ishii Kisaburo – regular director
- Ts.Baatarsaikhan – regular director
- Harada Yasunari – regular director
- B.Amarsanaa – regular director
- John Law – regular director

BOARD COMMITTEES

Functions, activities, structure, members’ rights, requirements and other issues of each Board committee are regulated in detail by their respective charters, the Bank’s Charter and the Board of Directors’ operational procedure. In order to maintain the appropriateness of the relevant regulations and instructions, the committees review their charters and, if necessary, submit proposals for amendments and revisions to the Board of Directors.

According to Resolution No. 07 of the Board of Directors dated March 13, 2024, the composition of the committees under the Board of Directors was newly approved. This includes:

No	BOARD COMMITTEES	COMMITTEE CHAIR	MEMBERS
1	Audit committee	A.Tamir (independent director)	Hans Aart Jongejans (independent director) Ishii Kisaburo
2	Risk committee	T.Daribum (independent director)	Ts.Baatarsaikhan Hans Aart Jongejans (independent director)
3	Governance and Remuneration committee	A.Tamir (independent director)	Harada Yasunari T.Daribum (independent director)
4	Nomination and Human resources committee	Hans Aart Jongejans (independent director)	A.Tamir (independent director) D.Khulan

ANNUAL SHAREHOLDERS MEETING

Bank held its 2024 Annual Shareholders Meeting at Khan Theatre in Bank’s Khuukhdiin 100 sub-branch on April 23, 2024, with in-person and online participation with a quorum of 87.77 percent of voting shareholders.

The following matters were discussed and approved during the meeting:

- Endorsement of the Board of Directors assessment of Khan Bank JSC’s performance and financial report for 2023;
- Presentation of the 2023 performance report and the Board’s 2024 expenditure budget;
- A draft of the Khan JSC Board’s operational procedures.

EXECUTIVE MANAGEMENT

As stated in Article 13.1 of the Bank’s Charter executive management of the Bank shall be exercised by the CEO, who is appointed by the Board. The CEO shall be responsible for the management and the day-to-day activities of the Bank and ensure that all decisions and resolutions of the shareholders and the Board are implemented accordingly. Therefore shall perform his/her duties pursuant to the terms of an agreement (clause 83.1 of the Company Law) entered into with and the PoA granted by the Board. The Bank’s Executive management shall be appointed by the Board with the approval of the Bank of Mongolia (clause 31.3.2 of the Banking Law).

According to the Board Resolution No. 18 dated December 24, 2020, Ms. R.Munkhtuya was appointed as the CEO of Khan Bank. Executive management team is responsible for assisting the CEO in its day-to-day and operational activities.

As stated by the Company Law and Banking Law of Mongolia, Board of Directors shall determine the terms of the contract, define the powers and responsibilities of executive body, oversee its activities and approve its compensation package, the Board evaluates CEO’s KPI on an annual basis thus the next year’s salary and bonus amount is determined based on the proposal of the Board Governance and Remuneration Committee.

According to the Board Resolution No.13 dated April 22, 2024, Bank’s organizational structure is updated, and the Executive management team is working with the following composition as of June 30, 2024.

- MUNKHTUYA Rentsenbat – Chief Executive Officer
- ERDENEDELGER Bavlai – First Deputy Chief Executive Officer of Business
- SACHIN Nair – Deputy Chief Executive Officer of Technology and Operations
- MUNKHBAYAR Geleg – Deputy Chief Executive Officer of Risk
- ENKHBAATAR Dorjsuren – Executive Vice President of Retail Banking
- TOVUUDORJ Jamsranjav – Executive Vice President of SME Banking
- UUGANBAYAR Terbish – Executive Vice President of Wholesale Banking
- CHINBOLD Chinbat – Executive Vice President of Business Development
- ARIUNBOLD Buyan-Ulzii – Executive Vice President of IT
- ARIUNBAT Dagva – Executive Vice President of Operations
- ULZIIJARGAL Dashzeveg – Executive Vice President of Financial Risk
- TURMUNKH Yura – Executive Vice President of Strategy
- ULZII-AYUSH Sharavjamts – Executive Vice President of Finance
- GANBYAMBA Shoovdor – Executive Vice President, Human Resources
- DUGARBAATAR Dorjnamjil – Chief Auditor Executive
- ARIUNTULGA Ochirpurev – Corporate Secretary

7. Reports and information related to issuer governance

SHAREHOLDING STRUCTURE

As of June 30, 2024, Bank has 1,912,198,000 ordinary shares issued and 30,757 shareholders. The shareholding structure is shown below:

No	Shareholder name	Percentage in the Khan Bank’s share capital	Number of shares
1	H.S. Holdings Co., Ltd	40.99%	783,882,300
2	H.S. International (Asia) Limited LLC	8.78%	167,856,050
3	Tavan Bogd Holdings LLC	22.78%	435,653,100
4	Khulan.D (individual)	13.22%	252,738,000

5	Public	13.22%	272,068,550
Total:		100.00%	1,912,198,000

About shareholders:

H.S. Holdings Co., Ltd	H.S. Holdings Co., Ltd., listed on the Tokyo Stock Exchange (8699), holds shares of companies primarily engaged in the financial sector and has equity in its consolidated companies, including H.S. International (Asia) Ltd. (HSIA), H.S. Securities Co., Ltd., H.S. Servicer Co., Ltd., JSC Solid Bank, Khan Bank JSC, and OJSC Kyrgyz kommerts bank.
H.S. International (Asia) Limited LLC	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 Holdings LLC	Tavan Bogd Holdings LLC is the parent company of Tavan Bogd Group and was established in 1997 with the purpose of defining the Group's strategies and management, developing new businesses, and providing investment and management support to its subsidiaries. Tavan Bogd Group operates in the fields of trade and services, manufacturing, tourism and hotel, mining equipment preparation and supply, banking, and finance.
Ms.Khulan Dashdavaa (individual)	Ms. Khulan D., a citizen of Mongolia, is a founder, Board chairperson and a shareholder of Tavan Bogd Group since 2003. Ms. Khulan became one of the shareholders of Bank in December, 2010 and works as Board regular director and a Deputy chairperson of Bank's Board of Directors.
Public	<p>In accordance with the law on amendment to the Banking Law, Bank has been preparing to become a public company starting from February 2021, within the time frame specified in the relevant laws and regulations, and with the relevant approvals from the regulatory authorities, on April 2023, Bank offered its shares to the public and opened the initial trading. The Bank offered 10 percent of its total shares or 191,219,800 shares to the public, which became highest-valued, most-subscribed, most-invested, and most accessible primary market transaction in the Mongolian capital market, where the stock is now publicly traded on the Mongolian Stock Exchange.</p> <p>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. According to the agreement with the participants of the program the shares are now traded openly from December 31, 2023.</p>

DIVIDEND INFORMATION

The Bank's Dividend Policy is purposed to determine the dividend policy, dividend distribution terms and procedure of the Board of Directors of Khan Bank JSC in compliance with the Banking Law, the Company Law, other respective legislation, and relevant regulations approved by regulatory bodies. According to the policy, if it is decided to distribute dividends, amount of dividend distribution shall be preferred to be more than 40 percent of the net profit after tax. As a regulated company, the Bank will have the right to distribute dividends to its shareholders after obtaining permission from the Bank of Mongolia.

The Bank distributed MNT 271,015,822,540 (two hundred seventy-one billion fifteen million eight hundred twenty-two thousand five hundred and forty tugruks), which is 48.5 percent of the Bank's net profit after tax (NPAT) for 2023, totaling MNT 558,782,869,011 (five hundred fifty-eight billion seven hundred eighty-two million eight hundred sixty-nine thousand and eleven tugruks) at a rate of MNT 141.73 (one hundred and forty-one tugruks and seventy-three mungu) per share. This distribution was made in cash to 29,865 shareholders, who held the Bank's shares as of April 05, 2024, the registration date of the Bank's annual shareholders meeting. The distribution was executed in

- Төв банкны аудитын газар нь Төв банкны харьяа газар, хэлтэс, алба, хороодын үйл ажиллагаа болон төсөл, хөтөлбөрүүдийн засаглал, эрсдэлийн удирдлага болон хяналтын тогтолцоонд аудитыг хийж гүйцэтгэнэ.
- Мэдээлэл технологийн аудитын газар нь банкны мэдээллийн технологи, мэдээллийн системийн үйл ажиллагаа, тэдгээрийн эрсдэлийн удирдлага, мэдээллийн аюулгүй байдлыг хамарсан аудитыг хийж гүйцэтгэнэ. Мөн Дотоод аудитын үйл ажиллагааг сайжруулахад чиглэсэн систем хөгжүүлэлт, судалгаа шинжилгээ, мэдээлэл боловсруулалтыг хариуцна.

Мэдээлэл бэлтгэж, хүргүүлсэн этгээдийн гарын үсэг, огноо:

Овог, нэр: Р. Мөнхтуяа

Албан тушаал: ХААН Банк ХК- Гүйцэтгэх захирал

Гарын үсэг:

Огноо: 2024 он 7 сар, 19 өдөр

