

KHAN BANK JSC
2023 PERFORMANCE REPORT

Annual performance report /Form 1/		
Article 20 of the Law on Securities Market stipulates the ongoing obligations of the issuer, and the issuer is responsible for submitting annual performance report to the Financial Regulatory Commission and the exchange as per the below template, and shall disclose to the public through its website.		
Reporting period	From January 1 st to December 31 st of 2023	
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	
Name and date of registration of the audit company registered with the FRC that issued an audit opinion on the year-end financial statements	PricewaterhouseCoopers Audit LLC Date of registration – 2010	
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 annual report	Prepared by: T.Buyanbileg /Investor relations officer, Corporate Secretariat/ Reviewed by: O.Ariuntulga /Corporate Secretary/	
1.	Financial statement for the reporting period	
STATEMENT OF FINANCIAL POSITION		
<i>In thousands of MNT</i>	31 December 2023	31 December 2022
ASSETS		
Cash and cash equivalents	4,957,727,074	4,373,412,201
Mandatory reserves with the Bank of Mongolia	1,090,955,256	969,104,827
Due from other banks	13,728,242	-
Investments in debt securities	1,602,635,724	1,474,096,564
Investments in equity securities	4,970,548	4,267,181

Derivative financial instruments	47,260,829	128,660,248
Loans and advances to customers	9,016,974,855	7,411,064,009
Investment in associates	283,589	283,589
Other assets	107,703,252	76,361,443
Intangible assets	43,529,294	46,286,024
Right-of-use assets	12,115,097	10,202,947
Properties and equipment	452,369,173	455,493,746
Non-current assets classified as held for sale	389,140	3,480,567
TOTAL ASSETS	17,350,642,073	14,952,713,346
LIABILITIES		
Due to other banks	228,123,208	191,080,282
Repurchase agreements	60,182,082	367,267,329
Customer accounts	12,378,271,995	10,930,788,356
Derivative financial instruments	5,698,552	4,896,897
Debt securities in issue	223,998,582	-
Other borrowed funds	2,121,721,870	1,776,932,717
Current income tax liabilities	27,366,766	3,957,990
Deferred income tax liabilities	8,855,501	4,709,251
Lease liabilities	13,036,341	11,231,249
Other liabilities	191,651,815	146,483,209
TOTAL LIABILITIES	15,258,906,712	13,437,347,280
EQUITY		
Ordinary shares	191,219,800	172,097,820
Share premium	164,257,808	-
Retained earnings	1,649,038,593	1,268,756,786
Other reserves	87,219,160	74,511,460
TOTAL EQUITY	2,091,735,361	1,515,366,066
TOTAL LIABILITIES AND EQUITY	17,350,642,073	14,952,713,346
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
<i>In thousands of MNT</i>	2023	2022
Interest income calculated using the effective interest method	1,864,815,193	1,327,391,147
Other similar interest income	43,414,439	39,974,535
Interest expense	(804,766,104)	(475,870,927)
Other similar interest expense	(16,042,582)	(5,213,387)
Net margin on interest and similar income	1,087,420,946	886,281,368
Credit loss allowance	(92,761,247)	(143,514,238)
Net margin on interest and similar income after credit loss allowance	994,659,699	742,767,130
Fee and commission income	281,634,353	263,466,643
Fee and commission expense	(59,690,761)	(47,787,841)
Gains from modification of borrowed fund at AC	-	2,275,457
Net (losses)/gains from financial derivatives	(12,604,013)	15,878,389
Gains less losses from trading in foreign currencies	30,272,682	32,799,045
Foreign exchange translation gains less losses	1,429,362	6,574,939
Net gains/(losses) from debt securities at FVOCI	1,746,029	(900,167)

Gains less losses from debt securities at AC	1,133,461	-
Gains less losses from debt securities at FVTPL	1,010,247	-
Net gains/(losses) from modification of financial assets at AC	5,426,968	(7,225,649)
Losses from financial assets at FVTPL	-	(9,019,495)
Other operating income	3,063,375	4,317,634
Operating expenses	(502,737,833)	(412,043,205)
Other losses, net	(2,585,247)	(269,656)
Profit before tax	742,758,322	590,833,224
Income tax expense	(183,975,449)	(142,061,025)
Profit for the period	558,782,873	448,772,199
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss:		
Investments in debt securities at FVOCI:		
Net gains/(losses) on revaluation	10,956,422	(14,032,658)
Net (losses)/gains reclassified to profit or loss upon disposal	(1,746,029)	900,167
Cash flow hedge reserve	10,253,377	(11,666,472)
Income tax recorded directly in OCI	(4,865,942)	6,199,740
Items that will not be reclassified to profit or loss:		
Gains less losses on investments in equity securities at FVOCI	415,356	1,109,972
Income tax recorded directly in OCI	(103,839)	(277,492)
Other comprehensive income/(loss) for the year	14,909,345	(17,766,743)
Total comprehensive income for the year	573,692,218	431,005,456
Earnings per share for profit attributable to the owners of the Bank, basic and diluted (expressed in MNT per share)	307	261

STATEMENT OF CHANGES IN EQUITY

<i>In thousands of MNT</i>	Ordinary shares	Share premium	Revaluation reserve on investments at FVOCI	Cash flow hedge reserve	Revaluation reserve for premises	Retained earnings	Total equity
At 1 January 2022	172,097,820	-	5,564,266	(1,670,161)	90,384,720	1,018,133,731	1,284,510,376
Profit for the year	-	-	-	-	-	448,772,199	448,772,199
Other comprehensive loss	-	-	(9,016,889)	(8,749,854)	-	-	(17,766,743)
Total comprehensive income	-	-	(9,016,889)	(8,749,854)	-	448,772,199	431,005,456
Dividends	-	-	-	-	-	(200,149,766)	(200,149,766)
Realised revaluation reserve	-	-	-	-	(2,000,622)	2,000,622	-
At 31 December 2022	172,097,820	-	(3,452,623)	(10,420,015)	88,384,098	1,268,756,786	1,515,366,066
At 1 January 2023	172,097,820	-	(3,452,623)	(10,420,015)	88,384,098	1,268,756,786	1,515,366,066
Profit for the year	-	-	-	-	-	558,782,873	558,782,873
Other comprehensive income	-	-	7,219,312	7,690,033	-	-	14,909,345

Total comprehensive income	–	–	7,219,312	7,690,033	–	558,782,873	573,692,218	
Changes in equity	19,121,980	164,257,808	–	–	–	–	183,379,788	
Dividends	–	–	–	–	–	(180,702,711)	(180,702,711)	
Realised revaluation reserve	–	–	–	–	(2,201,645)	2,201,645	–	
As of 31 December 2023	191,219,800	164,257,808	3,766,689	(2,729,982)	86,182,453	1,649,038,593	2,091,735,361	
CASH FLOWS FROM OPERATING ACTIVITIES								
<i>In thousand MNT</i>							2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES								
Profit before tax							742,758,322	590,833,224
Adjustments to reconcile profit before tax to net cash flow:								
Changes in fair value of financial derivatives							12,604,013	(15,878,389)
Expected credit loss (ECL) expense							92,761,247	143,514,238
Net charge /(reversal) impairment for repossessed collaterals							4,228,559	(78,812)
Depreciation of property and equipment							55,676,503	54,489,263
Amortization of intangible assets							18,292,815	20,643,564
Depreciation of rights of use assets							8,438,579	7,623,736
Property and equipment written-off							988,660	749,553
Intangible asset written-off							–	4,349,666
Net (gains)/losses from disposal of property and equipment							(514,314)	71,960
Net (gains)/losses disposal of financial assets at FVOCI							(1,746,029)	900,167
Gains less losses from disposal of debt securities at AC							(1,133,461)	–
Gains less losses from debt securities at FVTPL							(1,010,247)	–
Net (gains)/losses from modification of financial assets at AC							(5,426,968)	7,225,649
Losses from financial assets at FVTPL							–	9,019,495
Gains from modification of borrowed fund at AC							–	(2,275,457)
Gains less losses foreign exchange translation							(1,429,362)	(6,574,939)
Interest and similar income							(1,908,229,632)	(1,367,365,682)
Interest and similar expense							820,808,686	481,084,314
Cash flow used in operating activities before changes in operating assets and liabilities							(162,932,629)	(71,668,450)
Net (increase)/decrease in:								
- mandatory reserves with the BoM							(120,508,368)	(161,373,304)
- loans and advances to customers							(1,994,603,698)	(1,398,527,921)
- due from other banks							(13,300,000)	–
- other assets							(37,972,735)	(4,430,702)
- debt securities at FVTPL							204,952,000	121,988,100
Net increase in:								
- due to other banks							36,721,366	155,142,345
- customer accounts							1,378,733,751	757,138,330
- other liabilities							38,840,691	45,389,272
Net cash used in operating activities before tax and interest							(670,069,622)	(556,342,330)
Interest received							1,884,182,577	1,383,136,022
Interest paid							(630,826,313)	(482,696,702)

Income tax paid	(161,390,205)	(134,218,981)
Net cash flows generated from operating activities	421,896,437	209,878,009
Cash flows from investing activities		
Acquisition of equity securities	(288,011)	-
Proceeds from disposal of associate	-	18,299
Acquisition of debt securities at FVOCI	(76,036,641)	(56,035,308)
Proceeds from disposal of debt securities at FVOCI	146,547,043	92,355,896
Acquisition of debt securities at AC	(745,055,624)	(467,570,524)
Proceeds from redemption of debt securities at AC	682,276,387	281,893,933
Proceeds from disposal of property and equipment	712,739	1,717,306
Acquisition of property and equipment	(53,739,014)	(56,926,734)
Acquisition of intangible assets	(15,536,085)	(16,514,451)
Net cash flows used in investing activities	(61,119,206)	(221,061,583)
Cash flow from financing activities		
Proceeds from repo agreements	958,913,403	3,801,304,742
Repayment of repo agreements	(1,271,488,927)	(4,071,420,232)
Proceeds from drawdown of other borrowed funds	957,358,478	959,412,011
Repayment of other borrowed funds	(616,157,388)	(560,785,101)
Proceed from debt securities issued	226,762,400	-
Repayment of principal portion of lease liabilities	(8,410,670)	(7,633,424)
Issue of ordinary shares and share premium	183,379,788	-
Dividend paid	(180,702,711)	(200,149,766)
Net cash flows used in financing activities	249,654,373	(79,271,770)
Effect of exchange rate changes on cash and cash equivalents	(27,272,253)	(62,181,031)
Credit loss allowance during the year on cash and cash equivalents	1,155,522	(931,403)
Net decrease in cash and cash equivalents	584,314,873	(153,567,778)
Cash and cash equivalents brought forward	4,373,412,201	4,526,979,979
Cash and cash equivalents carried forward	4,957,727,074	4,373,412,201
1.1.	Audit report on annual financial statement	
Page 3-9 on Khan Bank JSC (“Khan Bank”, “Bank”) audited financial statement.		
1.2.	Audit opinion letter	
Page 3 on Khan Bank audited financial statement.		
2.	A brief description of factors affecting the issuer’s financial condition and results of operations during the reporting period, as well as the management’s assessment and the measures to be taken in the future.	
2.1.	Operational performance	
Total assets:		
As of December 2023, total assets reached MNT 17.4 trillion increased by 16% compared to 2022, leading the banking sector and accounted for 30.4% of the total banking system.		
Total loans:		

Compared to previous year end as of December 2023 total loan increased by 21.2% or MNT 1.7 trillion and reached MNT 9.7 trillion.

Total deposits:

Total deposits of Khan Bank increased by 13.2% or MNT 1.7 trillion and reached MNT 15.0 trillion, where 82% are due to customers and 18% are borrowings from IFIs and other liabilities.

Equity:

Compared to previous year end equity increased by 38% or MNT 576 billion and reached MNT 2.1 trillion.

Profitability:

As of Dec 2023, Khan Bank's NPAT was equal to MNT 558.8 billion. Net interest income increased by MNT 201.1 billion or 22.7% and reached MNT 1,087 billion.

ROA was 3.5% and ROE was 31.7%.

2.2. Liquidity ratios and financial resources

As of December 31, 2023, Khan Bank has complied all Regulatory requirements.

CAR (>12%):

CAR capital adequacy ratio increased and reached 18.6%

Tier 1 (>13%):

Tier 1 capital adequacy ratio increased and reached 18.6%

Liquidity (>25%):

Liquidity ratio was 46.5%, well above the regulatory requirement.

NPL ratio:

Non-performing loans equal to MNT 509.98 billion or 5.3% of total loans remained stable from previous year end as 5.3%.

	2022	2023
Income		
ROE	29.36%	31.66%
ROA	3.37%	3.54%
Efficiency ratio	38.05%	40.15%
Loan		
NPL	5.27%	5.29%
LLP	135.13%	127.94%
Bank of Mongolia prudential ratios		
CAR	16.69%	18.63%
TIER 1 ratio	16.69%	18.63%
Liquidity	45.96%	46.54%
Single fc ratio	2.82%	-6.26%
Aggregate fc ratio	2.95%	-6.52%

2.3. The external and internal factors affecting the operations of the issuer, its market share in the operating industry, changes or developments in the range of products and services, and measures planned to be taken by the issuer in response to changes and development.

In terms of the impact of the macroeconomic environment, in 2023, the real economy grew by 7.0 percent due to the recovery of the mining sector due to the full recovery of the Covid-19 pandemic, the improvement of foreign trade conditions, and the impact of the recovery of the transportation sector. In 2024, economic growth is expected to reach 6.2 percent due to the expansion of public expenditure and the growth of household consumption, in addition to the increase in the output of copper and gold in Oyu Tolgoi. Inflation is set to stabilize at the upper limit of the Bank of Mongolia target, so in March 2024, the Bank of Mongolia reduced the policy interest rate by 1 percentage point to 12 percent, and monetary policy is expected to continue to soften in the future.

As for the operating environment, the digitization of government services and the increasing use of electronic signatures have a positive effect on banking operations. The increase in the national average salary and average household income, the purchasing power of citizens increased by 38.4 percent, and the continuous increase in the number of electronic networks and smart phone users have led to a shift in consumer purchasing behavior. As part of the global sustainable development trend, the increase in financing for green and sustainable development tends to have a positive effect on the bank's indicators as well.

The competition of domestic banks takes place within the framework of digital transition, following the trend of electronic development by simplifying the customer's journey, increasing electronic payments, using data analysis and calculation, and automating operations. In accordance with the amendments to the Banking Law approved in January 2021, Top 5 banks of the system and Bogd Bank issued shares to the public, which had an important impact. NBFIs and fintech industry representatives, as well as representatives of the insurance industry, are successfully attracting funds from the public by offering products such as deposit-backed securities and bonds, in addition to offering company shares through IPOs. This event had a major impact on the growth of stock market trading. As of the 4th quarter of 2023, the banking and financial sector accounts for 38.7 percent of the total number of companies included in the TOP-20 index. The market capitalization of systemic banks' stock prices is relatively stable compared to other sectors.

As of December 31, 2023, Khan Bank's market share in the banking sector accounted for 30.4 percent of the total assets, 35.5 percent of total loans, 31.9 percent of total deposits, 33.7 percent of equity, and 43.9 percent of the total profit of banks operating in the system.

The changes in the scope of products and services have seen the transactions fees halved for the transactions within the bank made through internet banking and the Khan Bank application for individual customers. A Mongolian language chatbot, empowered with artificial intelligence, has been introduced on a trial basis, and with the help of AI, we are providing products and services suitable for financial behavior and life cycle of customers. In addition, it is possible to get pension loans and herder loans online. An international debt card with special discounts has been introduced for all teachers working in the education sector. New long-term savings and deposit services for employees of big corporate entities have been launched. Merchant Portal, an integrated service channel for POS devices, and e-business loan products of up to MNT 50 million have been introduced for business owners. Franchise loans and green project business loans were also newly introduced.

Last year, Khan Bank defined its mid-term business strategy for the next 3 years. The Bank's strategy for 2024-2026 is closely aligned with the Sustainable Development Policy, comprehensively supports the 17 Sustainable Development Goals, and sets goals that add more sustainable and accessible future values in all areas of operations. For 2024, the following goals have been proposed for the four main strategic directions: customer experience, business growth and risk management, digital banking, and organizational development.

In terms of customer experience, we aim to provide easy, fast and reliable e-channel experience to customers of all segments, and implement the best process for solving customer issues according to international customer experience standards. Using AI-based chatbots, customer feedback will be resolved, products and services will be improved to increase financial access for all segments, and products tailored to customers will be offered based on data usage and machine learning.

In order to ensure business growth, we will pay attention to the balanced growth of the consumer and business loan portfolios, as well as the growth of the green loan portfolio. In terms of risk management, implement international

financial and risk management standards such as “IFRS S1 & S2, ICAAP, ILAAP” in business operations. In addition, special attention will be paid to digital credit risk, cyber risk, climate risk, and third party risk etc.

As for the digital banking strategy, it aims to simplify the payment experience, develop the electronic payment infrastructure, and provide the best technical and technological services to increase financial access to retail and business customers. In addition, leveraging modern technology, the Bank will continue to automate operations and increase its efficiency.

In the direction of organizational development, Khan Bank’s sustainable development policy will be expanded in line with the ESG and National Development Plans, and measurable goals will be set for the ESG priorities and indicators. Measures are planned to effectively deliver human resource activities to employees, create a happy and productive working ecosystem, and improve organizational efficiency and performance by creating human resource capabilities and functions.

2.4.	Details of off-balance transactions of the balance sheet and information on accounting policies	Pages 64-69 on audited financial statement.
2.5.	Information on loan repayment which received during the reporting period, and loan pledges and guarantees	USD 277.75 million loan received during the reporting period, 2023, with no repayment made. Repayment of loans taken in previous years totaled USD 93.2 million. Total loan balance is USD 567.7 million. All new long-term loans are registered as unsecured loans.
3.	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	

Khan Bank conducts conflict-of-interest and material transactions in accordance with relevant laws and the “Conflict of Interest Policy” and “Related Party Transaction Policy” approved by the Board of Directors. (Khan Bank’s Board of Directors revised and approved these policies on February 15, 2024).

	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	3,566.4	0.17%
1.2	Key management personnel	Loan	25.0	0.001%
1.3	Other related parties	Loan/guarantee	77,196.4	3.69%
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	167,601.4	8.01%
2.2	Key management personnel	Loan	3,719.0	0.18%
2.3	Other related parties	Loan/guarantee	78,395.9	3.75%

There were no significant transactions made during the reporting period.

4.	Information on Remuneration
<p>The total remuneration to the Board Directors in 2023 was MNT 2,010,689,628, while the total remuneration, including bonuses, to the executive management in the same year was MNT 4,884,442,875.</p> <p>The Article 4 of the Human Resources Policy of Khan Bank covers the salary structure, basic salary and the ways to increase it. According to the chapter, taking into account the competitive situation of the Mongolian banking system, Khan Bank will strive to set a salary level that is equivalent to, or slightly higher than, the salary level provided to its employees by other competitor banks. In addition, when determining the salary of the main employee, the salary level of the foreign market, position level, rank, employee's skills and qualifications, foreign language knowledge, business needs of the Bank, economic opportunities, inflation and living cost are taken into account.</p>	
5.	Information related to corporate governance
<p style="text-align: center;">BOARD OF DIRECTORS</p> <p>Khan Bank's Board of Directors consists of nine members. The Khan Bank Board of Directors is elected on an annual basis by Khan Bank shareholders. The Khan Bank Board of Directors 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.</p> <p>Functions of the Board of Directors</p> <ul style="list-style-type: none"> - 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.Darbum was elected as the Board Chair, and Ms. D.Khulan as Deputy chair respectively.

- T.Darbum – Board Chair, independent director

Ms. Darbum was appointed as an Independent Director of Khan Bank JSC in August 2020. She is a highly accomplished professional with over 30 years of experience in business management, financial services and banking in Mongolia and North America. Ms. Darbum has worked for over a decade at TD Bank Group, the second largest bank in Canada and the sixth largest bank in North America. She holds Master of Science in Finance (MSc) degree from Seattle University, USA. Ms. Darbum is Chartered Professional Accountant (CPA).

- D.Khulan – Deputy chair, regular director

Ms. Khulan is an individual shareholder of Khan Bank and has been appointed as a Regular Director of the Khan Bank Board of Directors since March 2003. She is currently elected as a Chairperson Tavan Bogd Group, and is a co-founder of Tavan Bogd Holdings LLC, a major shareholder of Khan Bank. Ms. Khulan holds a bachelor's degree in international economics; a diploma from the Excellence Faculty of International Banking, Moscow Finance University, Moscow, Russia; and received her MBA from the Mongolian National University. Prior to this, Ms. Khulan received a specialized training in Japan. She has also held various roles, including in the Mongolian Ministry of Finance and Trade and Development Bank of Mongolia.

- Hans Aart Jongejans – independent director

Mr. Hans Aart Jongejans was appointed as an Independent Director of the Khan Bank Board of Directors in July 2020. He has a vast experience of more than 50 years in banking risk management. Mr. Aart holds diplomas from the Banking and Finance Institute of the Kingdom of the Netherlands and has previously served in various executive positions at ABN AMRO Bank (Netherlands), BNP Paribas Bank (France), in amongst other countries such as Australia, Thailand, Belgium, Saudi Arabia and Bahrain.

- A.Tamir – independent director

Mr. Tamir, Mongolian certified tax consultant and Mongolian certified accountant, is appointed as an Independent Director of the Khan Bank Board of Directors on July 2020. He is the founder and CEO of PKF-IFS Mongolia LLC, a Mongolian member company of PKF International, which provides consulting services in areas such as auditing, accounting, tax and financial reporting, business planning, analysis, etc. Mr. Tamir possesses more than 29 years of experience of working in diverse financial positions with multiple Government, private and international organizations after receiving his master's degree in economics from the Moscow State University of Economics, Statistics, and Informatics, and Diploma in Economics of Development from the Australian National University. Currently he is the Vice President of the Asia Oceania Tax Consultants' Association (AOTCA) and an elected member of the Global Tax Advisors Platform (GTAP).

- Ts.Baatarsaikhan – regular director

Mr. Baatarsaikhan was appointed as a Board Director of the Khan Bank Board of Directors in March 2009, representing one of the shareholders, Tavan Bogd Holdings LLC. Currently, he holds the position of President in Tavan Bogd Group and is a co-founder of Tavan Bogd Holdings LLC. Mr. Baatarsaikhan has graduated from Mongolian Polytechnic University and the University of Electro-communications, Tokyo, Japan. Previously, he held the positions of Managing Director at Japanese-Mongolian Altai Co., Ltd., Tokyo, Japan, and a Vice-President at MIAT Mongolian Airlines, Mongolian national airline.

- Harada Yasunari – regular director

Mr. Harada Yasunari was appointed as a Board Director of the Khan Bank Board of Directors, representing one of the shareholders H.S. International (Asia) Limited LLC and currently elected as a President & Representative Director of HS Holdings Co.Ltd. He has a Bachelor of Laws from the Kyushu University, Japan. Upon graduation, Mr. Yasunari joined The Industrial Bank of Japan, Limited. After that he has worked in investment banking industry such as Morgan Stanley, BNP Paribas and Société Générale.

- Ishii Kisaburo – regular director

Mr. Ishii Kisaburo was appointed as a Board Director of the Khan Bank Board of Directors, representing one of Bank's shareholders H.S Holdings Co., Ltd, where he works as an Independent Outside Director. He holds a degree in Bachelor of Laws from the Tokyo University. Upon graduation, Mr. Kisaburo joined the Ministry of Construction (current Ministry of Land, Infrastructure and Transport), as he served Director-General, City Bureau, and retired as Vice-Minister of MLIT. Prior to this, he was appointed as Japanese Ambassador Extraordinary and Plenipotentiary to Romania between 2015-2018..

- John Law – regular director

Mr. John Law has extensive experience in corporate and investment banking, with more than 30 years of working in the financial sector. He served as a Principal Banking Specialist of Global Financial Markets at IFC and held several top managerial positions for the Asia-Pacific region at Citibank and J.P. Morgan & Co. Mr. Law holds a MBA degree from Indiana University, Bloomington, IN, USA. Mr. John Law has been appointed as a Regular Director of the Khan Bank Board of Directors since 2016.

- B.Amarsanaa – regular director

Professor Dr. Amarsanaa, Dean and Professor of Law, the School of Law, National University of Mongolia, was appointed as a Board Director of Khan Bank, representing minor shareholders. Prior to this, he acted as an arbitrator, or chairperson of tribunal in number of occasions and as a Mongolian law expert on arbitration cases administered by International Criminal Court (ICC) and Hong Kong International Arbitration Centre (HKIAC). Moreover, he has extensive experience in drafting major statutes in Mongolia as being core member of the Legislative Council (government working group in charge of drafting). Dr. Amarsanaa has involved in developing curriculum for Business Law course (World Bank Legal and Judicial Reform Project under the Ministry of Justice and Home Affairs of Mongolia and

University of Seville, Spain, under TACIS project of EU) for law schools in Mongolia and Commercial law and Commercial transaction law courses for the School of Law, National University of Mongolia.

The Board of Directors shall hold regular meetings at least once a quarter on the dates specified in the full-year schedule approved at the beginning of the year and perform their duties.

No	Board directors	No. of meetings	Attendance	No. of resolutions in 2023	Main issues discussed at the meeting in 2023
1.	T.Daribum (Board chair, independent director)	8	100% (each meeting)	41	<ul style="list-style-type: none"> Approval of IPO Action plan Approval of Bank's 2022 annual operational report and audited financial statement, Khan Bank Recovery plan, 2022 CEO KPI, updated organisational chart. Approval of Green bond program. As part of the implementation program of the corporate governance code, the relevant internal rules and regulations of the Bank were newly approved. The Board discussed and approved loan proposals in accordance with the procedure for monitoring credit decisions by the board of directors. Approval of 2023 NPL write-offs from the relevant risk fund, Digital strategy 2024, Business plan and financial budget/projection for 2024, Mid-term sustainable business and digital strategy 2024-2026, Financial projection for 2024-2028, Risk appetite statement 2024.
2.	D.Khulan (Board deputy chair, regular director)		100% (each meeting)		
3.	Ishii Kisaburo (regular director)		100% (each meeting)		
4.	Yasunari Harada (regular director)		100% (each meeting)		
5.	Ts.Baatarsaikhan (regular director)		100% (each meeting)		
6.	John Law (regular director)		100% (each meeting)		
7.	A.Tamir (independent director)		100% (each meeting)		
8.	Hans Aart Jongejans (independent director)		100% (each meeting)		
9.	B.Amarsanaa (regular director)		100% (each meeting)		

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. 28 of the Board of Directors dated October 25, 2023, 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)	T.Daribum (independent director) Hans Aart Jongejans (independent director) Ishii Kisaburo (regular director)

2	Risk committee	Hans Aart Jongejans (independent director)	A.Tamir (independent director) Ts.Baatarsaikhan (regular director) T.Daribum (independent director)
3	Corporate governance committee	A.Tamir (independent director)	Harada Yasunari (regular director) T.Daribum (independent director) Hans Aart Jongejans (independent director)
4	Human resources committee	D.Khulan (deputy chair, regular director)	John Law (regular director) B.Amarsanaa (regular director) T.Daribum (independent director)

- Audit committee

The Audit committee oversees accounting and internal audit matters and performs related duties as described in its charter. The 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.

No	Committee members	Number of meetings in 2023	Attendance	Main issues discussed at the meeting in 2023
1.	A.Tamir (committee chair, independent director)	5	100% (each meeting)	<ul style="list-style-type: none"> • 2022 IA report, 2023H1 report, implementation of IA 2022, 2023 mid-term strategic plan, 2022 Periodic independent evaluation and evaluation recommendation implementation report, amendments to IA Charter, selection of an external audit organization, and the budgets were approved. • 2022 AFS was reviewed and sent to be discussed at the board of directors and shareholders meetings. • Crow external audit report was discussed. • 2024 IA plan was approved.
2.	Hans Aart Jongejans (member, independent director)		100% (each meeting)	
3.	Ishii Kisaburo (member)		100% (each meeting)	
4.	T.Daribum (member, independent director)		100% (each meeting)	

- 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 Board, providing recommendations on the appointment of new Board members, and oversees the performance of the Board of Directors and its committees.

No	Committee members	Number of meetings in 2023	Attendance	Main issues discussed at the meeting in 2023
1.	A.Tamir (committee chair, independent director)	4	100% (each meeting)	<ul style="list-style-type: none"> • The 2022 Sustainability report was discussed. • Board members' training on governance was approved.

2.	T.Daribum (member, independent director)		100% (each meeting)	<ul style="list-style-type: none"> The Bank's Sustainable development plan performance update for 2023Q1 and the progress report of the Sustainable development action plan were discussed. The action plan for the selection of candidates for regular members of the board of directors was approved and the issue of nominations was discussed. The 2023 ESG Report and the 2024 Bank of Mongolia's Good Governance Assessment were discussed and approved.
3.	Harada Yasunari (member)		100% (each meeting)	
4.	Hans Aart Jongejans (member, independent director)		100% (each meeting)	

- Risk committee

The Risk committee supports the Board 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 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.

No	Committee members	Number of meetings in 2023	Attendance	Main issues discussed at the meeting in 2023
1.	Hans Aart Jongejans (committee chair, independent director)	4	100% (each meeting)	<ul style="list-style-type: none"> Decided to discuss the Khan Bank Recovery Plan at the board meeting. Khan Bank anti-fraud policy, 2022H2 report, risk report of May 2023, compliance report of May 2023 were discussed. 2023H1 loan report, 2023Q3 risk report, 2023Q3 compliance report, and online loan portfolio issues were discussed. 2024 Risk appetite statement, 2023 NPL write-offs from the relevant risk fund, 2023Q3 risk report, 2023Q3 compliance report, and total credit risk limit performance were approved.
2.	A.Tamir (member, independent director)		100% (each meeting)	
3.	T.Daribum (member, independent director)		100% (each meeting)	
4.	Ts. Baatarsaikhan (member)		100% (each meeting)	

- Human resources committee

The Human resources committee was established to provide support to the Board. 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.

No	Committee members	Number of meetings in 2023	Attendance	Main issues discussed at the meeting in 2023
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1.	D.Khulan (committee chair)	4	100% (each meeting)	<ul style="list-style-type: none"> • HR review of 1Q2023, revised bank organizational structure to be discussed at the board meeting, CEO's 2022 KPI was approved. • Approval of the conclusions and recommendations of "PwC Audit" LLC regarding the evaluation of the CEO's performance and compensation structure, approved the revised CEO's performance evaluation for 2023 based on these recommendations. • The proposal to increase the salary of all employees of the bank was discussed and approved. • The 2024-2026 Human Resources Strategy, the Executive Management Committee and Senior Management Succession Planning, CEO's 2022 Q3 KPI, and the CEO's bonus amount were discussed and approved..
2.	John Law (member)		100% (each meeting)	
3.	T.Daribum (member, independent director)		100% (each meeting)	
4.	B.Amarsanaa (member)		100% (each meeting)	

SHAREHOLDERS MEETINGS

During the reporting period, there were 3 extraordinary and 1 annual shareholders meetings held, discussing and approving a total of 22 matters and 8 resolutions such as the Bank's performance 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.

EXECUTIVE MANAGEMENT

The 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. The CEO shall ensure that all decisions and resolutions of the shareholders and the Board are implemented accordingly. The CEO 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). Any Board Director, without decision of the Board, shall be prohibited to review CEO operations or give orders to the CEO.

Executive Management Committee (EMC) is responsible for assisting the CEO in its day-to-day and operational activities. CEO appoints EMC members and specify their rights and duties in the agreement depends on the roles and responsibilities, as well as personal capabilities. EMC members will report to CEO.

According to the Board Resolution No. 18 dated December 24, 2020, Ms. R.Munkhtuya was appointed as the CEO of Khan Bank, and the Bank's Executive Management Committee is working with the following composition as of December 31, 2023.

- MUNKHTUYA Rentsenbat – Chief Executive Officer
- ERDENEDELGER Bavlai – First Deputy CEO

- SACHIN Nair – Deputy CEO
- DUGARBAATAR Dorjnamjil – Chief Auditor Executive
- MUNKHBAYAR Geleg – Vice President, CRO
- ARIUNBAT Dagva – Vice President, Operations
- ARIUNBOLD Buyan-Ulzii – Vice President, CIO
- ULZII-AYUSH Sharavjamts – Vice President, Finance and Administration
- ENKHBAATAR Dorjsuren – Vice President, Retail Distribution
- UUGANBAYAR Terbish – Vice President, Wholesale Banking
- GANBYAMBA Shoovdor – Vice President, HR
- CHINBOLD Chinbat – Vice President, Business Development
- TOVUUDORJ Jamsranjav – Vice President, SME Banking
- ARIUNTULGA Ochirpurev – Corporate Secretary

ASSESSMENT OF IMPLEMENTATION OF THE CORPORATE GOVERNANCE CODE

Khan Bank submitted its implementation report on June 23, 2023 in accordance with the report form with evaluation methodology regarding the implementation of Article 36 of the “Corporate Governance Code”, approved by the Financial Regulatory Commission, dated March 23, 2022. As per the implementation report, Khan Bank is rated 88.9 score. We are working in accordance with the recommendations and directions sent by the Financial Regulatory Commission in order to improve the rating.

INTERNAL AUDIT OPERATIONS

Khan Bank’s internal audit is conducted under the supervision of the Chief Internal Auditor and in accordance with the Banking Law of Mongolia. Its directly subordinated to the Bank’s Board Audit Committee and organized independently of the executive management.

International Professional Practice Framework (IPPF) standards and the code of conduct of the Institute of Internal Auditors (IIA) are followed in audit operations. In the third quarter of 2023, the Bank received an external quality assessment of its internal audit activities by a leading international organization and received a rating of “generally conforming” with international standards and codes of conduct for internal audit.

Internal audit main functions:

- The Branch Audit Department conducts audits on the governance, risk management, and internal controls of Retail Banking branches and sub-branches and the operations of the Head Office departments, units, and credit committees aligned to support them.
- The Head Office Audit Department is responsible for conducting audits on operations, internal control, risk management, the governance system of the Bank’s Head Office departments, units and committees, and projects and programs.
- The Information Technology Audit Department conducts audits on operations, information security, risk management, internal controls, and the governance system of information technology and the Bank’s information system. The department is also responsible for system development, research, and data processing initiatives to enhance the efficiency of internal audit operations.

STAKEHOLDER ENGAGEMENT

- Corporate governance code

Khan Bank respects the interests of stakeholders in its activities and cultivates an organizational culture of collaboration with them. This is reflected in the Corporate Governance Code of Khan Bank JSC.

The Board of Directors approves policy documents on communication and cooperation with stakeholders in the Bank’s operations, correctly defines the interests and needs of stakeholders, and balances them appropriately.

Bank provides transparency to its stakeholders and investors regarding its business, governance, financial indicators, prospective information and non-financial information relevant to the investor stakeholders, and in the annual report of the Bank’s activities, which issues are the main focus of cooperation with stakeholders, and what strategies are followed and how information is provided reflecting on the implementation.

- Code of conduct

Khan Bank’s Code of Conduct was newly approved in 2023, and in accordance with Article 1.2 of the Code, with the goal of protecting the interests of customers, business partners, shareholders, Board directors, and Bank employees and defining the basis of relations between them. The Code of Conduct is intended to strengthen the cherished values set forth in the Declaration of Values of Khan Bank, fulfill official duties and responsibilities to customers, business partners, shareholders, members of the board of directors, employees, protect their interests, establish the basis of relations between them and implement the defined objectives.

In accordance with Article 6.3 of the Code of Conduct of Khan Bank, the Bank works in compliance with the United Nations and International Labor Organization Conventions, which Mongolia is a member of, and other international norms in order to establish effective communication between stakeholders and implement good practices against illegal employment.

- Investor relations policy

As a public company listed on the Mongolian Stock Exchange, the Bank intends to carry out its duty to provide clear, fair and balanced information about its management, operations, financial status, future outlook and vision. In this context, we have approved and implement the Investor relations policy. The purpose of the policy is to provide actual and potential investors with information in making investment decisions, and to represent the Bank fairly and accurately in conveying a balanced understanding of the Bank and its objectives to other stakeholders.

The Bank actively engages with investors during shareholders’ meetings by addressing relevant reports and information within the meeting’s agenda. This includes gathering votes, administering questionnaires, and receiving requests, suggestions, and complaints—online via the Bank’s official website and the Mongolian Stock Exchange SOJSC’s official website—as well as through physical channels. These interactions adhere to the applicable laws and regulations of Mongolia, regulations set forth by relevant regulatory authorities, the Bank’s Charter, and other relevant regulations and procedures.

RISK MANAGEMENT

Khan Bank implements a risk management system through its risk governance, risk appetite statement, and risk management process, underscoring its commitment to robust risk management practices. To enhance this system further and ensure the integrated management of risks, the Bank has adopted the ISO 31000:2018 standard into its operations. The primary objective of the Bank’s risk management is to identify and efficiently mitigate risks that could impact the Bank’s strategy and objectives while operating within the boundaries of its risk appetite. In pursuit of this goal, all potential risk factors are identified, and targeted measures are implemented at every level to minimize their potential consequences.

6.	Information on market risks
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In 2023, Mongolia’s macroeconomic environment began to stabilize due to the recovery of private consumption and the activation of the mining sector due to the reduction of post-pandemic risks, but it was a year that faced a combination of external shocks such as geopolitical risks and the bankruptcy of US and European banks. However, within the framework of market risk management, the Bank has managed the level of risk to accept possible losses from fluctuations in the fair value of financial instruments owned by the Bank and future cash flows due to changes in market variables such as interest rates, foreign exchange rates and price changes.

The Bank measures and manages its risks daily using the “Maximum Risk Method” while meeting the limits of the unit and the total foreign currency open position set by the Bank of Mongolia in order to align possible losses from foreign exchange rate fluctuations with their risk bearing capacity. The Bank’s foreign currency risk assessment software “VaR” calculates the exchange rate risk expected from open foreign currency positions using historical sources, variance-covariance and simulation methods at a 99 percent confidence level, and the Bank has a reliable, accurate and complete management information system and risk assessment while regular developments have been carried out in accordance with standard quantitative and qualitative requirements aimed at ensuring completeness. The Bank also uses long-term and short-term derivative financial instruments to hedge foreign exchange rate risks. As of December 31, 2023, long-term variable and fixed-rate US dollar borrowings from foreign banks and non-bank financial institutions identified as hedged items in hedge accounting had a nominal amount of USD 320,699 thousand.

At the same time, changes in interest rates in the market directly affect the Bank’s net interest income in the short term, and affect the economic value of equity in the long term. The Bank measures its interest rate risk using the methodology developed by the Basel Committee on Banking Supervision and Inspection, the interest rate standards and shock scenarios defined therein, and limits the negative impact by setting limits. These include:

- Based on a liquidity-adjusted maximum risk approach to interest rate risk in the trading book;
- Bank book interest rate risk is measured and managed using income and economic cost approaches.

In addition, the Bank performed quarterly stress test analysis aimed at predicting the risks that may arise due to the characteristics of its operations and economic conditions, maintaining sufficient capital and solvency to withstand them, or how to create the necessary additional resources and implement a plan of measures to reduce the level of risk.

7. Information of shareholders ownership

SHAREHOLDING STRUCTURE

As of December 31, 2023, Khan Bank has 1,912,198,000 ordinary shares issued and 29,061 shareholders. The shareholding structure is shown below:

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

¹ Tavan Bogd Trade LLC changed its name to Tavan Bogd Holdings LLC on February 1, 2024.

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 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 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 Khan Bank in December, 2010 and works as Board regular director and a Deputy chairperson of Bank's Board of Directors.
Public	In accordance with the law on amendment to the Banking Law, Khan 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, Khan 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.
Employee share purchase program participants	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 directors shareholding percentage

Full name	Position	Direct share ownership in Khan Bank
T.Daribum	Board chair, independent director	0%
D.Khulan	Board deputy chair, regular director	13.22%
Hans Aart Jongejans	Independent director	0%
A.Tamir	Independent director	0%
Ts.Baatarsaikhan	Regular director	0%
Harada Yasunari	Regular director	0%
Ishii Kisaburo	Regular director	0%
John Law	Regular director	0%
B.Amarsanaa	Regular director	0.00003%

Executive management shareholding percentage

Full name	Position	Direct share ownership in Khan Bank
R.Munkhtuya	CEO	0.09%
B.Erdenedelger	First Deputy CEO	0.07%
Sachin Nair	Deputy CEO	0.005%
D.Dugarbaatar	CAE	0.009%
D.Enkhbaatar	Vice President, Retail Distribution	0.02%
B.Ariunbold	Vice President, CIO	0.009%
G.Munkhbayar	Vice President, CRO	0.04%
Sh.Ulzii-Ayush	Vice President, Finance and Administration	0.01%
D.Ariunbat	Vice President, Operations	0.03%
T.Uuganbayar	Vice President, Wholesale Banking	0.005%
Sh.Ganbyamba	Vice President, Human Resources	0.02%
Ch.Chinbold	Vice President, Business Development	0.01%
J.Tovuudorj	Vice President, SME Banking	0.02%
O.Ariuntulga	Corporate Secretary	0.001%

During the reporting period, no shareholders sold shares by exercising their right to claim in accordance with the Company Law.

8. 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 during the period from the start of the project to its completion.

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 tugruqs) 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 December 31, 2023, is as follows:

No	Use of proceeds	Percentage	Total amount /MNT/	Total disbursement	Available funding
1	IT investment	16%	29.3 bln	28.1 bln	1.2 bln
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	51.3 bln	11.1 bln
4	Long-term loans /Mortgage and investment loans/	31%	56.9 bln	56.9 bln	0
	Total	100%	183.4 bln	165.5 bln	17.9 bln

The total of available funds as of December 31, 2023 is MNT 17.9 billion.	
9.	<p>Dividend information</p> <p>The Khan Bank 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.</p> <p>As approved by the Board resolution #06 of Khan Bank dated February 17, 2023, on the basis of meeting the conditions for maintaining the Bank's own risk-bearing capacity and appropriate equity ratio, It was decided to distribute dividend amount of MNT 180.7 billion to a total of 1,720,978,200 ordinary shares from the total net profit after tax of 2022 of MNT 448 billion.</p>
10.	<p>Information on the report of activities carried out by the issuer in the field of social responsibility during the reporting period</p> <p>Khan Bank began independently implementing social responsibility through its Khan Bank Foundation in 2007 and acknowledged its social responsibilities to commit to genuinely improving every aspect of life for all. The Khan Bank Foundation has funded 510 projects and programs with a total of MNT 12.7 billion since its founding. Khan Bank implements its policies in the following seven fields to effectively carry out its social responsibility initiatives:</p> <ol style="list-style-type: none"> 1. Supporting the education of children and youth 2. Promoting public health 3. Protecting the environment 4. Supporting vulnerable groups 5. Promoting arts and culture 6. Supporting local development 7. Contributing to the UN's 17 Sustainable Development Goals <p>We increased our efforts and implemented following projects and programs in 2023 with funding MNT 2.7 billion. Highlights are:</p> <ul style="list-style-type: none"> • Women Development Program: Trained and empowered 120 secondary school teachers • Khan Bank Scholarship Program: It granted tuition scholarships to 59 high school graduates • National campaign against cancer: In the provinces Dornod and Uvs, 3052 people were screened • Para Boccia sport: Khan Bank Foundation supported Mongolian Paraboccia Association and provided funding in two competitions • Campaign Against Hypertension: Implemented in the provinces Dundgovi, Uvurkhangai, Zavkhan and Darkhan-Uul. A total 22,300 people were screened • Rise Freshman Development program: There were about 800 freshman students participated • 3x3 basketball courts: At 15 different locations, 3x3 basketball competition was held. • Khan Bank Forest: Planted 13,900 trees and bushes and contributed to the Billion Tree Fund <p>Competition for new project on corporate social responsibility: Organized competition among all employees and 3 projects were selected as winners.</p> <p>Signature of the person who prepared and submitted the information and the date:</p>

Full name: R.Munkhtuya

Position: CEO

Signature: 

