



*Appendix 1 to Resolution No 13 of the
Shareholders' Meeting of Trade and
Development Bank dated 7 July 2023
[stamped]*



TRADE AND DEVELOPMENT BANK

**THE CHARTER OF
TRADE & DEVELOPMENT BANK JOINT STOCK COMPANY**

Ulaanbaatar city
Mongolia
2023

THE CHARTER OF TRADE & DEVELOPMENT BANK JSC

ONE. GENERAL PROVISIONS

- 1.1. The charter (the **“Charter”**) of Trade and Development Bank JSC (the **“Bank”**) shall constitute the Bank’s legal status and operations, the Bank and management structure, organizational structure, rights, obligations, responsibilities of the shareholders and establish control over its activities, obligations and responsibilities of authorized persons, and regulate relationships related to reorganization and liquidation of the Bank.
- 1.2. The Bank is established in accordance with the laws of Mongolia, has independent financial statements, has a current account with the Bank, has the right to own, use and dispose of, has special assets, enjoys rights and obligations through its activities, is responsible for the obligations arising from its activities with its assets, is a legal entity that participates in courts and arbitration on its own behalf.
- 1.3. The Bank shall be an open joint-stock company holding a special license from the Bank of Mongolia and the Financial Regulatory Commission (**“FRC”**) which capital is invested by shareholders and divided into shares that are registered with the Mongolian Securities Trading Organization, and it is freely traded to the public, performs the common for-profit banking activities within the framework of the Charter in compliance with the Banking Law of Mongolia, the Civil Code, the Law on Deposits, Money Transfers and Loan Operations of Bank and Authorized Legal Entity, the Company Law, the Securities Market Law, and other relevant laws and legislations.

TWO. NAME, ADDRESS, AND LEGAL STATUS OF THE BANK

- 2.1. The name of the Bank shall be **“Худалдаа, хөгжлийн банк” ХК** in Mongolian (abbreviated as **“ХХБ”**) and **“Trade and Development Bank” JSC** in English (abbreviated as **“TDB”**).
- 2.2. Address of the Bank:

Trade and Development Bank,
14210, Peace Avenue 19,
Sukhbaatar district, 1st khoroo
Ulaanbaatar, Mongolia
Tel: (976) 19001977, 18001977, 75111977, 70161977,
Fax: +976 70161988
E-mail: info@tdbm.mn
Website: www.tdbm.mn
- 2.3. The Bank shall have its own corporate seal and the corporate seal shall contain the full and official name of the Bank in Mongolian and English. The Bank shall have its trademark and trademark, service mark, and symbol shall be used upon the registration and authorization of the respective authority.
- 2.4. The Bank shall use an official letterhead that contains the trademark, symbol, and official address of the Bank.
- 2.5. The number of units to be established in accordance with the bank's budget and plan for the current year shall be determined by the Board of Directors (**“Board”**), and operations will commence based

on the approval granted by the Bank of Mongolia. A bank unit shall be understood in the following sense:

- 1.5.1. **“Branch of the Bank”** means a unit engages in all or part of activities approved to the Bank by the Bank of Mongolia. A branch may have a settlement center or cash settlement counter within its management;
 - 1.5.2. **“Settlement center of the Bank”** means a unit operates under the management of a banking center or branch and engages in placing current bank accounts or savings of citizens and legal entities and conducts settlement activities, and loan activities within the limits of credit authority set by the center and branch of the Bank;
 - 2.5.3. **“Cash Settlement Counter of the Bank”** means a unit under the management of the branch of the Bank that engages in placing current bank accounts or savings of citizens and legal entities, conducts foreign currency sales and purchases within the framework of ordinary permission for foreign payment settlement and settlement services;
 - 2.5.4. **“Representative Office of the Bank”** means a unit that is located in a place other than the location of the Bank and does not perform any banking activities, but only performs legal representative activities such as protecting the legal interests of the Bank and entering into transactions on behalf of the Bank.
- 2.6. The unit of the Bank shall not have the rights of a legal entity.
 - 2.7. The Bank shall conduct its operations abroad in accordance with the international agreements signed by Mongolia and civil law, and adhere to the general principles of international business relations that apply to banking operations.

THREE. SCOPE OF THE ACTIVITIES OF THE BANK

- 3.1. **Scope of the activities of the Bank.** “Trade and Development Bank” JSC shall carry out the banking activities under a license issued by the Bank of Mongolia.
- 3.2. The Bank shall carry out the following activities under a license issued by the Bank of Mongolia:
 - 3.2.1. deposit;
 - 3.2.2. loan;
 - 3.2.3. settlement services;
 - 3.2.4. providing guarantees and warranties to the third party on its own behalf;
 - 3.2.5. selling, purchasing, depositing and placing on deposit of foreign currency;
 - 3.2.6. selling, purchasing, depositing and placing on deposit of precious metals and stones;
 - 3.2.7. receiving valuables into custody;
 - 3.2.8. conducting foreign remittance services;
 - 3.2.9. issuing, selling and purchasing securities;
 - 3.2.10. providing financial leasing services;
 - 3.2.11. selling and purchasing loans and other financial instruments; and
 - 3.2.12. activities permitted by the Law on the National Payment System.
- 3.3. The Bank shall carry out the following activities under a license issued by the FRC:

- 3.3.1. providing consultancy service and information on investment and finance;
 - 3.3.2. trust services;
 - 3.3.3. insurance intermediation;
 - 3.3.4. underwriting services;
 - 3.3.5. custodian services;
 - 3.3.6. specific securities registration activity; and
 - 3.3.7. factoring services.
- 3.4. The Bank shall conduct its activities for an indefinite period of time unless otherwise stated in the related laws and legislations.

FOUR. SHARE CAPITAL OF THE BANK

- 4.1. The Bank shall have a total of 55,000,000 (fifty-five million) authorized common shares with a nominal value of MNT6,736.10 (six thousand seven hundred thirty-six togrog and 10 mungu) . The Bank has issued a total of 50,600,927 (fifty million six hundred thousand nine hundred twenty-seven) common shares. The Bank shall be entitled to issue preferred shares.
- 4.2. The share capital of the Bank shall comprise of the monetary contribution made by the shareholders and its total amount shall be MNT340,852,904,364.70 (three hundred forty billion eight hundred fifty-two million nine hundred four thousand three hundred sixty-four togrog and 70 mungu) which is equal to the number of common shares issued within the limit of the authorized shares.
- 4.3. In the event of a change in the share capital and/or shareholding structure of the Bank, it shall notify the relevant authority in advance and obtain approval according to the relevant laws and regulations.
- 4.4. In the event of the following changes in the share capital and/or shareholding structure of the Bank, prior approval from the Bank of Mongolia and/or FRC shall be obtained from time to time:
- 4.4.1. Issuing shares and/or other securities classified as shares;
 - 4.4.2. Regorganizing the Bank by merger, acquisition, division, separation, or re-organizing;
 - 4.4.3. Increase or decrease the nominal value of a share of the Bank;
 - 4.4.4. Any person becomes an influential shareholder of the Bank individually or together with related persons;
 - 4.4.5. An influential shareholder of the Bank acquiring additional shares of 1 (one) percent or more of the total issued shares of the Bank;
 - 4.4.6. Repurchase of shares and securities classified as shares of the Bank.
- 4.5. Any other changes in the amount of share capital or shareholding structure other than those specified in Clause 4.4 of the Charter shall be notified to and registered with the Bank of Mongolia, FRC, and the Stock Exchange of Mongolia in accordance with the relevant laws and legislations.

FIVE. SHARES, SECURITIES CLASSIFIED AS SHARES, AND OTHER SECURITIES OF THE BANK

- 5.1. Unless otherwise provided in the Charter of the Bank or relevant laws and legislations, shareholders shall have the right to freely dispose of their shares.
- 5.2. The Bank can issue securities classified as shares and other securities stated in the Company Law under the decision of the Board in accordance with the relevant laws and legislations.

- 5.3. Shareholders of common and preferred shares are prohibited to pledge shares and other securities classified as shares and sell their shares back to the Bank without the approval of the Bank of Mongolia.
- 5.4. The preemptive right to purchase shares or securities classified as shares can be not exercised under the decision of an overwhelming majority which is 66.66% of votes of shareholders eligible to vote to attend the shareholders' meeting.
- 5.5. The Bank shall get performed its shareholders' registration by entering an agreement with the central securities depository authority in accordance with the relevant laws and legislations of the Bank of Mongolia, FRC and Mongolian Stock Exchange.

SIX. RIGHTS AND OBLIGATIONS OF THE SHAREHOLDERS

- 6.1. A person who purchased the shares of the Bank in accordance with the relevant regulations shall be considered a shareholder of the Bank and obliged to notify the registrar of the securities of any changes in his/her name, address of the residence, and a number of securities held in compliance with the relevant procedure.
- 6.2. An influential shareholder shall meet the requirements stated in the Banking Law and be obliged to meet the requirements set forth in the Banking Law, other relevant laws and regulations constantly during his/her tenure as a shareholder.
- 6.3. A shareholder of the Bank shall be prohibited to disclose the Bank's and its confidential information to others, use the Bank's name for personal gain, and conduct activities that may harm the Bank's reputation and property.
- 6.4. In the event a shareholder of the Bank transferred its shares in accordance with the relevant laws and legislations except for selling its shares through authority of securities dealers, such shareholder shall be obliged to notify the registrar which is the central securities depository authority.
- 6.5. A common shareholder of the Bank shall have the right to vote for all matters where he/she is eligible to vote on "registration date" determined by the Board and one share shall have one vote.
- 6.6. A common shareholder of the Bank shall be entitled to the following rights including but not limited to which are stipulated in the Company Law and Securities Market Law:
 - 6.6.1. participate (in person or by proxy) in the shareholders' meeting who holds the shares of the Bank on "registration date" determined by the Board and vote on all issues proposed at such meeting in proportion to the number of shares held by such shareholder;
 - 6.6.2. receive dividends distributed by the Bank in accordance with the relevant regulations and demand to pay a fine if the Bank fails to pay the dividend within the time period specified in the relevant laws and regulations after the declaration of the dividend;
 - 6.6.3. to receive a proportionate share of proceeds from the sale of the remaining assets following its liquidation;
 - 6.6.4. get information on annual financial and operational statements, the name of the related party of the Bank, type and number of shares held by such person, and any other information stipulated in the relevant laws and legislations upon request;
 - 6.6.5. demand the Bank to redeem its shares upon approval of the Bank of Mongolia, if the shareholder voted against the decision of the shareholders' meeting or did not participate in the voting in accordance with the Company Law;



Translated from Mongolian

- 6.6.6. have a preemptive right under certain conditions to purchase additional common and preferred shares issued by the Bank, a certificate guaranteeing such right for the purchase and securities convertible into them in proportion to the number of common shares held by it, and transfer such right to other persons entirely or partially without prejudice to the restrictions stipulated in Article 36 of the Banking Law;
 - 6.6.7. demand to pay the damage with his/her own funds, if an authorized officer of the Bank caused damage to the Bank, shareholders and creditors due to illegal actions or non-actions in accordance with Article 85.2 of the Company Law;
 - 6.6.8. other rights stipulated in the law or the Charter.
- 6.7. The Bank shall not be obliged to present to the shareholders the documents that go beyond the basic information of operations of the Bank or contain highly confidential trade information, customer and client information, or other business-related information.
 - 6.8. The Bank shall issue shares, options, and securities convertible into shares in accordance with the effective laws and legislations and the relevant regulations of the Bank of Mongolia, FRC, securities central depository authorities and other relevant regulatory authorities.
 - 6.9. As a shareholder of the Bank, the shareholder shall comply with the Banking Law, Securities Market Law, and other relevant laws and legislations, and legal requirements by the officials of the Bank of Mongolia, FRC, Stock Exchange of Mongolia and other authorized organizations and officials.
 - 6.10. A shareholder is obliged to exercise his/her right to vote reasonably and honestly.
 - 6.11. If an influential shareholder of the Bank (in other words, a person holding 5 or more percent of the shares solely or together with a person defined in the Banking Law and its individual beneficial owner, or a shareholder that can influence the policy, decision, and management of the Bank and its individual beneficial owner) is a legal entity, the accurate information related to its beneficial owner, person/legal entity with a common interest or related person shall be notified to the Bank of Mongolia through the Bank. An influential shareholder of the Bank shall notify and request authorization from the Bank for any changes in the detailed description of an influential shareholder of the Bank stipulated in the Banking Law and relevant regulation of the Bank of Mongolia.
 - 6.12. An influential shareholder of the Bank and its beneficial owner shall comply with relevant laws and legislations, regulations of the Bank of Mongolia, FRC, other regulatory authorities, requirements set forth in the Charter and effective decision of the competent authorities of the Bank when transferring their shares to others.
 - 6.13. The Bank shall not be liable for the obligations of the shareholders. Shareholders shall not be liable for the obligations of the Bank and only be liable to the extent of their shares.

SEVEN. SHAREHOLDERS' MEETING

- 7.1. The shareholders' meeting shall be the highest governing authority of the Bank.
- 7.2. The shareholders' meeting shall discuss and resolve the following matters:
 - 7.2.1. to approve the Charter of the Bank, amend and approve the amended and restated Charter;
 - 7.2.2. to reorganize the Bank by merger, acquisition, division, separation, and transformation;
 - 7.2.3. to convert the Bank's debts into shares, issue new shares and determine their number;

- 7.2.4. to change the form of the Bank;
 - 7.2.5. to liquidate the Bank and appoint a commission of liquidation;
 - 7.2.6. to consolidate or split shares of the Bank;
 - 7.2.7. to determine and modify the number of authorized shares;
 - 7.2.8. to change the structure or amount of the share capital of the Bank;
 - 7.2.9. to discuss and approve the conclusion by the Board on the annual operational report and audited financial statements;
 - 7.2.10. to elect the director of the Board upon the receipt of the notification that the member meets the requirements from the Bank of Mongolia. Terminate and dismiss the director's power and authorities prior to the term of expiration, if necessary;
 - 7.2.11. to approve the annual budget of the Board;
 - 7.2.12. to decide whether the shareholders of the Bank exercise their preemptive right to purchase shares and securities related to shares in accordance with the Company Law and the Charter;
 - 7.2.13. to authorize major transactions and conflict-of-interest transactions, if the Board fails to resolve under the Company Law;
 - 7.2.14. to approve to repurchase of its shares by the Bank in accordance with the relevant laws and legislations;
 - 7.2.15. other matters submitted by a decision of the Board for discussion at the shareholders' meeting;
 - 7.2.16. other matters required to be submitted to the shareholders' meeting for approval as provided in the relevant laws or in the Charter.
- 7.3. A shareholders' meeting shall be either regular or special. Regular or special shareholders' meetings can be organized in the following manner by the decision of the Board:
- 7.3.1. in the conference hall, in other words, shareholders' participation in person;
 - 7.3.2. from distance by using a technical device, in other words, online participation;
 - 7.3.3. mixed form of a conference hall and a distance;
 - 7.3.4. special meeting by external voting.
- 7.4. The regular shareholders' meeting shall be called by the Board decision and held within 4 months following the end of each fiscal year.
- 7.5. The Board shall call the special shareholders' meeting under the grounds provided in the Company Law and the Banking Law.
- 7.6. The Bank shall be responsible for the expenses related to calling and convening the shareholders' meeting.
- 7.7. The decision to call either regular or special shareholders' meeting shall include the following information:
- 7.7.1. the place, date, and time of the meeting;
 - 7.7.2. agenda of the meeting;
 - 7.7.3. a list of documents that will be made available to the shareholders prior to the meeting;
 - 7.7.4. content of the voting ballots;
 - 7.7.5. the registration date for determining the shareholders who have a right to attend the meeting;
 - 7.7.6. form of the meeting;
 - 7.7.7. if there is to be prior voting by ballots, the date and place by which all ballots must be submitted to be effective;
 - 7.7.8. name and position of the chairperson of the meeting and other information stated in Article 60.2 of the Company Law.

- 7.8. The regular and special shareholders' meeting shall be convened after no less than 40 days after the decision to call the meeting.
- 7.9. If a decision to call the special shareholders' meeting is made as demanded by two or more independent directors of the Board or shareholders holding 10 percent or more shares with voting right, such meeting shall be convened within 45 days following receipt of the demand.
- 7.10. All matters related to organizing shareholders' meetings and delivering notifications to shareholders and relevant authorities through media shall be regulated in detail by "Procedures for Delivering Notifications of Shareholders' Meetings" of the Bank.
- 7.11. The list of names of shareholders who have the right to participate in the shareholders' meeting shall be issued by the person authorized to maintain the register of holders of securities of the Bank on the registration date specified in the decision to convene the meeting by the Board.
- 7.12. The shareholders' meeting shall be led by the chairperson of the meeting whose name is specified in the decision of calling the meeting. The decision of the shareholders' meeting shall be in the form of a resolution. Resolutions and minutes of the shareholders' meeting shall be written in accordance with the procedure prescribed by laws and legislations and shall be signed by the chairperson of the meeting.
- 7.13. Shareholders included in the list of shareholders will participate in the meeting, and the registration date cannot be earlier than the date of the decision to convene the meeting.
- 7.14. If necessary, shareholder who holds 5% or more of common shares with voting rights has the right to make proposals to add matters that are not included in the agenda of the shareholders' meeting but subject to the authority of the shareholders' meeting, and the majority of shareholders with voting rights participating in the shareholders' meeting shall decide whether to discuss additional matters. In other cases, matters that are not included for discussion at the shareholders' meeting will not be discussed at the meeting.
- 7.15. Shareholder who holds 5% or more of the Bank's common shares with the voting right can submit the additional matters to be included in the agenda of the shareholders' regular meeting and nominations for the chairperson and members of the Board or census commission within 60 days after the end of the previous fiscal year to the Board or Executive management. The Executive management shall submit such a proposal to the Board within 3 working days.
- 7.16. The secretary of the Board shall be responsible for the preparation of the meeting, including the preparation and delivery of the notice of the meeting in accordance with the relevant procedures.
- 7.17. The quorum of a shareholders' meeting shall be satisfied with the attendance of shareholders who hold more than 50 (fifty) percent of the shares of the Bank with voting rights in the shareholders' meeting. A shareholder who voted through the ballots shall be considered to be attended the shareholders' meeting.
- 7.18. It is forbidden to convene the regular meeting of shareholders by external voting.
- 7.19. Shareholders of the Bank shall deliver their votes to the census commission of the shareholders' meeting by ballot in accordance with the established procedure during the decision-making at the shareholders' meeting or by external voting.

- 7.20. If a quorum provided in Clause 7.17 of the Charter has not been satisfied, the shareholders' meeting shall be considered as invalid, and a date for a postponed meeting shall be set. The postponed meeting shall be arranged in the following manner:
- 7.20.1. the postponed shareholders' meeting shall be held within 20 (twenty) business days following the initial date of the meeting. The place, date and time of the meeting shall be announced within no less than 7 (seven) days prior to the holding of such meeting. The agenda of such postponed meeting shall not be changed;
 - 7.20.2. in the event of the agenda of the postponed meeting remains the same, the postponed meeting shall be valid with the attendance of the shareholders with 20 (twenty) or more percent of the voting rights;
 - 7.20.3. the postponed meeting to discuss the matters specified in Article 62.1.1 - 62.1.6 of the Company Law shall become effective with the attendance of shareholders holding at least one-third of the voting rights;
 - 7.20.4. ballots submitted for voting at the previous shareholders' meeting shall be counted for the purpose of quorum and voting at the postponed meeting;
 - 7.20.5. if the postponed meeting is not held within 20 (twenty) business days following the initial date of the meeting, a new meeting shall be announced and the quorum for this new meeting shall meet the quorum requirement provided in Clause 7.17 of this Charter.
- 7.21. A shareholder may vote through the authorized representative on the decision of the meeting. The power of attorney shall meet the requirements specified in the Civil Code and shall be in writing and notarized, and contain the full names, citizen identity cards, and registration numbers of the principal and the agent, and the rights granted under the power of attorney. The agent shall notify the Board about the power of attorney prior to the shareholders' meeting, submit the power of attorney to the secretary of the meeting prior to the vote, and it shall be kept together with the relevant documents of the meeting. Power of attorney is valid only for a specific meeting. In the event, the shareholders' meeting is postponed, but the agenda remained the same, the power of attorney shall be valid for the next meeting.
- 7.22. The matters specified in Clauses 7.2.1-7.2.6 of the Charter shall be resolved by 66.66% of the shareholders participating in the meeting with voting rights which is an overwhelming majority. The members of the Board shall be elected cumulatively in accordance with the Company Law and this Charter, and other matters shall be resolved by the majority of the shareholders participating in the meeting with voting rights.

EIGHT. BOARD OF DIRECTORS

- 8.1. The Board is the governing body of the Bank between shareholders' meetings. The Board shall consist of 9 (nine) directors including 6 (six) ordinary members and 3 (three) independent members. The members of the Board shall be elected by the Shareholders' meeting by cumulative voting. The form of the Board's activities shall be a Board meeting.
- 8.2. The authority of the member of the Board shall begin on the date of his/her election and expire on the date of release.
- 8.3. If the Board failed to call the regular shareholders' meeting within four months following the end of the fiscal year, the authority of the Board provided by law and the Charter except for the authority to call the shareholders' meeting shall be terminated.

- 8.4. The chairperson of the Board shall be elected from among the members of the Board by a majority vote of all the members with voting rights. A candidate for the chairperson of the Board shall not vote for himself/herself. In the absence of the chairperson of the Board, his/her powers shall be exercised by the person appointed by the chairperson or the Board meeting.
- 8.5. The ordinary and independent members of the Board of the Bank shall meet the professional, educational, ethical and other requirements set forth in the Banking Law, Company Law, other related laws, and legislations and the Charter and ensure the satisfaction of it during his/her authority.
- 8.6. In the event of long-term incapacity or submission to be released from the post, or due to other valid reasons of a member of the Board, the Board may appoint a person to hold this position until the election of a replacement member by the next shareholders' meeting.
- 8.7. The election, nomination, appointment, release of the independent member of the Board, or issues related to the reporting obligation of the independent member shall be regulated by the Banking Law, "Regulation on the nomination, appointment and release of the independent member of the Board of the Bank" approved by the The Bank of Mongolia and Corporate governance codex approved by the FRC.
- 8.8. The independent member of the *Board* shall be obliged to notify the Board in the event of failure of his/her independence.
- 8.9. The independent member of the Board shall be a member of the Audit Committee, Remuneration and Nomination Committee, and Risk Management Committee. The independent member shall participate in and vote for approving any matter addressed to the above-mentioned Committees and conflict of interest transactions under the Company Law.
- 8.10. The Board shall report to the shareholders' meeting on its activities at least once a year. The chairperson and members of the Board shall have the following obligations in accordance with the Banking Law:
 - 8.10.1. to perform duties actively and duly within the powers granted under laws and legislations, and the Charter;
 - 8.10.2. to prioritize the Bank's and its clients' interests over its own and the one who elected him/her and perform duties honestly in the favor of Bank's interest;
 - 8.10.3. not to benefit from profits secretly;
 - 8.10.4. to avoid a conflict of interest and notify the Board in case of the occurrence of a conflict of interest;
 - 8.10.5. not to interfere with the daily operations of the Bank;
 - 8.10.6. not to use confidential and non-disclosed information that became known to him/her when performing duties for own interest or another person's interest;
 - 8.10.7. to participate in Board meetings actively, mobilize work experience, knowledge, workmanship, and potential, and report to the shareholders' meeting.
- 8.11. With the exception of matters within the authority of the shareholders' meeting, the Board shall have authority with respect to the following matters:
 - 8.11.1. to determine, review and amend the strategy of the Bank and approve the risk management policy, annual budget, business plan, and indicators of operational performance;
 - 8.11.2. to determine the general management and the organizational structure of the Bank;
 - 8.11.3. to appoint the Executive management of the Bank with the approval of the Bank of Mongolia;

- 8.11.4. to determine the authorities and responsibilities of the Executive management of the Bank and supervise his/her activities, suspend and dismiss his/her authority;
 - 8.11.5. to determine the terms and conditions of the contract to be entered with the Executive management and determine the extent of rights, duties, responsibilities, salary, and remuneration;
 - 8.11.6. to call and convene for a regular or special shareholders' meeting;
 - 8.11.7. to establish an internal auditing unit of the Bank independent from the executive management, approve its budget and the number of employees, appoint its managers and officers, determine their salary or remuneration, and establish the regulation of practice;
 - 8.11.8. to determine the agenda of a shareholders' meeting, the date of the registration of shareholders with voting rights, and other matters with respect to convening a shareholders' meeting;
 - 8.11.9. to prepare the annual operational and financial report of the Bank and present to the shareholders' meeting for discussion;
 - 8.11.10. to determine the market price of the Bank's property and property rights;
 - 8.11.11. to determine the price of a share;
 - 8.11.12. to issue shares within the limit of the authorized number and type of shares by the Bank;
 - 8.11.13. to issue securities classified as shares and other securities stipulated in the Charter;
 - 8.11.14. to repurchase or redeem shares and other securities issued by the Bank;
 - 8.11.15. to select auditors and establish the terms and conditions of the contract to be concluded with it;
 - 8.11.16. to make decision on distribution of dividends;
 - 8.11.17. to make decision on establishing branches in foreign country;
 - 8.11.18. to prepare draft resolutions of a shareholders' meeting with respect to the reorganization of the Bank and implement the decision;
 - 8.11.19. to approve major transactions in accordance with the Company Law;
 - 8.11.20. to approve conflict of interest transactions in accordance with the Company Law;
 - 8.11.21. to approve the governance policies, regulations, code of conduct, and monitor the implementation;
 - 8.11.22. to create a proper control system with respect to the bank's accounting and financial reporting system, external and internal audit, risk management, financial and operational control, and the implementation of laws and standards;
 - 8.11.23. to monitor the process of public disclosure of financial statements and other information in accordance with the laws and legislations;
 - 8.11.24. to elect, dismiss the members of Committees of the Board and approve the operational regulations;
 - 8.11.25. to monitor whether the Bank complies with prudential requirements of the Bank and requirements set by the Bank of Mongolia, FRC and other competent authorities;
 - 8.11.26. other matters authorized under laws and legislations and the Charter.
- 8.12. An independent member of the Board shall participate in resolving the matters stipulated in Articles 8.11.10, 8.11.15, and 8.11.20 of the Charter.
- 8.13. The chairperson of the Board shall have the following obligations:
- 8.13.1. to provide the members of the Board with the environment to perform their duties, to establish and strengthen business relationships based on mutual respect and trust between the Board and the executive management;
 - 8.13.2. to organize the operations of the Board, convene meetings, preside at its meetings, and supervise the preparation of minutes of such meetings;
 - 8.13.3. to base on the conclusion of the relevant Committees under the Board to make a decision;
 - 8.13.4. to monitor the operations of the Committees under the Board;

- 8.13.5. to conclude a contract with the Executive management on behalf of the Board;
- 8.13.6. to let members of the Board to participate in the good governance training, approve and implement the career development curriculum.
- 8.14. The matters related to convening the Board meeting shall be subject to the Regulation on the operations of the Board.
- 8.15. Regular Board meetings shall be held not less than once a quarter and a special meeting may be held, if necessary.
- 8.16. A special meeting may be held at the initiative of the chairperson or member of the Board, Executive management, or other person stipulated in laws and legislations and the Charter.
- 8.17. A member of the Board shall attend the meeting in person but if unable to attend in person, he/she can make a decision by external voting and may exercise the right to vote by voting ballot.
- 8.18. Participation of an overwhelming majority, 66.66% of all members of the Board, constitutes a quorum for a meeting of the Board.
- 8.19. Unless otherwise stated in the laws or the Charter, the decision of the Board meeting shall be effective with an overwhelming majority of the votes which is 66.66% of all participating members of such Board meeting.
- 8.20. A decision of the Board shall be a resolution. The resolution shall be signed by the chairperson of the Board and affixed with the stamp of the Bank. The minutes of the meeting shall be signed by all Board members who attended the meeting. If any member refuses to sign, such member shall provide a written explanation.
- 8.21. A member can participate in the meeting of the Board by telephone or using technology. However, all the people participating in the meeting can listen to him/her and talk to him/her. A member of the Board participating in such a manner shall be counted as the main attendance of the meeting and shall be considered to have attended the meeting to discuss the matter in person. In the event that a member of the Board has participated in the meeting by phone or technology, his/her speech and opinions will be recorded and strengthened, and the minutes of the meeting shall be presented to him/her and confirmed by his/her signature, if necessary.
- 8.22. A member of the Board may participate in the meeting by submitting a written vote on the matters to be discussed and resolved at the meeting. The written vote submitted by the member of the Board shall be presented by the chairperson during the meeting, and the ballot shall be attached to the minutes of the meeting and kept according to the relevant procedure. The member of the Board who delivered the vote on the main matters announced to be discussed at the board meeting shall be considered as the main attendance of the meeting and personally participated in the discussion of the matters.

NINE. COMMITTEES UNDER THE BOARD

- 9.1. The Board shall have three (3) committees which include Audit Committee, Remuneration and Nomination Committee, and Risk Management Committee. The Board may establish permanent or *ad hoc* committees with other functions. Committees shall have the authority to make conclusions on

matters within their scope of responsibilities, present them to the Board, and make decisions on certain matters stipulated in the Company Law.

9.2. The Audit Committee shall consist of a chairperson and members, and at least two-thirds of it shall be independent members of the Board. The chairperson and members of the Audit Committee shall have appropriate knowledge and experience in financial reporting. The chairperson of the Audit Committee shall not have any connection with the Bank's independent auditor, have not worked for the independent auditing company in the last 3 years, is not the chairperson of the Board, and is an independent member of the Board. The committee's functions shall be as follows and issue a conclusion and present it to the Board:

- 9.2.1. to ensure the compliance of accounting or bookkeeping of the Bank with international standards, monitor the accuracy and truth of internal audit and risk management operations, financial statements and other information related to finance and economy;
- 9.2.2. to monitor the implementation of the Charter and decision of the shareholders' meeting;
- 9.2.3. to review the financial activities of the Bank at the request or complaint of shareholders;
- 9.2.4. to demand a special shareholders' meeting of the Bank as per the grounds and procedures stated in the Company law;
- 9.2.5. to monitor major transactions and conflicts of interest transactions and issue a report;
- 9.2.6. to develop a proposal for choosing independent auditing company and determining its fee and chairperson of the Audit Committee shall not have any connection with the company's independent auditor, have not worked for the independent auditing company in the last 3 years;
- 9.2.7. to develop a proposal for the appointment of management of the internal audit, its employees and determining their remuneration;
- 9.2.8. other matters required under the relevant laws, Charter, Corporate governance codex and requested by the Board.

9.3. Remuneration and Nomination Committee shall consist of a chairman and members, and at least two-thirds of it shall be independent members of the Board. The chairperson of the Remuneration and Nomination Committee shall not be the chairperson of the Board and shall be an independent member of the Board. The committee's functions shall be as follows and issue a conclusion and present it to the Board:

- 9.3.1. to develop and get approved the remuneration policy for authorized bank officers by the Board and monitor its implementation;
- 9.3.2. to publicly disclose the remuneration policy, regulations on the Committee, details of its composition, frequency of meetings, its quorum etc in the annual operational statement of the Bank, and on the website of the Bank;
- 9.3.3. to identify and nominate potential candidates for members of Board, Chief Executive Officer, Secretary of the Board and other officers who are appointed by the shareholders' meeting or the resolution of the Board, in the event of vacancy on those positions and/or for succession;
- 9.3.4. to decide the matters related to the employment contract with special terms and remuneration of the Board members, Chief Executive Officer, Secretary of the Board and other officers who are appointed by the the shareholders' meeting or the Board resolution within the budget approved by the shareholders and Board meetings;
- 9.3.5. to regularly monitor whether the policy, criteria and amount of remuneration of the Bank are meet with the development strategy, market position of the Bank, and labor market situation;
- 9.3.6. to monitor whether member of Board and Executive management are meet the requirements set by laws and legislations, and present to the Board;
- 9.3.7. to get approved the succession policy by the Board;

- 9.3.8. to publicly disclose the succession policy, operating regulations of the Committees, frequency of the meetings and its quorum in the annual operational statement of the Bank, and on the website;
 - 9.3.9. to establish the criteria for evaluating the knowledge, skills, education, and work experience of the Bank's authorized officers, determine whether they meet the requirements of the workplace, whether there is a conflict of interest, and the independence of the independent members of the Board and to be responsible for training and specialization, evaluation and providing conclusion on them;
 - 9.3.10. to define and implement gender policy for employees of the Bank;
 - 9.3.11. other matters required under the relevant laws, Charter, Corporate governance codex and requested by the Board.
- 9.4. Risk management committee shall consist of the chairperson and members of the Committee and the chairperson of the Committee shall be an independent member of the Board. The committee's function shall be as follows:
- 9.4.1. to determine the risk management policy, risk trends, risk endurance of the Bank, and prepare recommendation on introduction of the international risk management structure, principle requirements, and practice to Bank;
 - 9.4.2. to determine main parts of the risk management of the Bank, calculate their risk level, prevent from risks, monitor and decrease the risk, evaluate the implementation of risk management, and approve the step-by-step program on improvement of risk management;
 - 9.4.3. to direct or recommend the relevant committee of the Bank to make necessary amendments to risk management norms of the Bank within the business goal of the Bank on the basis of the evaluation of risk endurance of the Bank;
 - 9.4.4. other matters required under the relevant laws, Charter, Corporate governance codex and requested by the Board.
- 9.5. The operations of the Audit Committee, Remuneration and Nomination Committee and Risk management Committee shall be regulated by the respective procedures approved by the Board.
- 9.6. The election and release of members of the Audit Committee, Remuneration and Nomination Committee, and Risk Management Committee, as well as the rights and responsibilities of the committees, shall be reflected in the respective rules and regulations of the committees, and such rules and regulations shall be in compliance with the Company Law, Banking Law, and the Rules and Regulations of the Bank of Mongolia, and other relevant regulations of the FRC.

TEN. SECRETARY OF THE BOARD OF DIRECTORS

- 10.1. The secretary of the Board shall be appointed by the meeting of the Board on the recommendation of the chairperson of the Board. The chairperson of the Board shall appoint the person to replace the secretary of the Board in his/her absence.
- 10.2. The secretary of the Board shall be responsible for handling the matters in relation to all shareholders and the Board, providing operational corresponds between Board and Executive management, organizing shareholders' and Board meetings, recording minutes of the meetings, ensuring the implementation of the meeting resolutions, keeping the records of the Board, and any other duties obliged to perform under the laws and legislations, assigned by the shareholders' meeting or the Board in accordance with the Company Law, the Charter, and the operational procedures of the Board.

- 10.3. The Secretary of the Board shall receive and keep information from relevant persons, present it to authorized persons, and transfer it to the archive in accordance with the operational procedures of the Board.

ELEVEN. EXECUTIVE MANAGEMENT

- 11.1. The Chief Executive Officer appointed by the Board shall exercise the executive management of the Bank.
- 11.2. The Chief Executive Officer shall be an individual approved by the Bank of Mongolia who meets the requirements of the Banking Law, the Company Law and related laws and legislations.
- 11.3. The Chief Executive Officer shall manage the day-to-day operations of the Bank within the scope of the authority stipulated by laws, the Charter, the agreement with the Board, and the regulation of the executive management, and report to the Board.
- 11.4. The Chief Executive Officer can be a member of the Board. However, the Chief Executive Officer cannot be the chairperson of the Board.
- 11.5. The rights and obligations, the extent and limits of liability of the Chief Executive Officer, grounds for exemption from liability, salary, bonus, compensation, and liability shall be determined by the Board and included in the agreement.
- 11.6. The powers of the Chief Executive Officer shall be specified in the agreement to be entered into with the Chief Executive Officer and the Chief Executive Officer shall have the following rights and duties:
- 11.6.1. to present the bank's strategy, annual business plan, and budget to the Board, and implement the plans, budgets, and decisions approved by the Board;
 - 11.6.2. to approve internal policies, guidance, procedures and any legal documents of the Bank within the authority granted under the relevant laws and legislations in the form of the order, ensure their enforcement and oversee the implementation.
 - 11.6.3. to manage and organize day-to-day operations of the Bank and issue an order and ensure its implementation;
 - 11.6.4. to organize and ensure implementation of decisions and tasks assigned by this Charter, relevant laws and legislations, resolutions of the shareholders' meeting of the Bank, the business plan of the Bank for the fiscal year, and tasks given by Bank of Mongolia in line with the Banking Law, or FRC in line with the Securities Market Law and relevant laws and legislations, as well as the tasks assigned by decision of the Board;
 - 11.6.5. to perform his/her duties before shareholders and customers, and implement policies and activities aimed at improving the financial performance and reputation of the Bank;
 - 11.6.6. to place the interest of the Bank, its depositors and customers above his/her own personal interests and commit all his/her professional skills and work experience, manage the operations of the Bank, its branches, settlement centers, cash settlement centers and appoint and release their management;
 - 11.6.7. to keep the confidentiality of information regarding the Bank and the Bank's customers obtained during his/her course of service and restrain from using such information for personal or third parties' interest;
 - 11.6.8. to ensure the condition that the employees of the Bank perform their duties without conflict of interest;

- 11.6.9. to establish an internal monitoring structure to ensure the normal operation of the Bank, provide evaluations and conclusions on it;
- 11.6.10. to determine the number of employees of the Bank, and their base and additional salaries, allowances, bonuses and other incentives within the limit of budget approved by the Board;
- 11.6.11. to define job descriptions of employees, appoint and dismiss an employee and conclude an employment contract with employee;
- 11.6.12. to issue guarantees and warranties, sign contracts on behalf of the Bank within the limits of authority granted;
- 11.6.13. to issue an order in relation to the operations of the Bank, and ensure their implementation;
- 11.6.14. to train and re-train professional staff;
- 11.6.15. to decide matters on establishing and reorganizing and liquidating the units of the Bank in accordance with Article 2.5 of the Charter;
- 11.6.16. to fulfill the duties stated in this Charter and the agreement concluded with the Board in person;
- 11.6.17. to issue guarantees for financing and loans, obtain relevant information and reports from customers as per contracts concluded with them, review and inspect their financial statements, and get collateral over a property and temporarily suspend bank accounts in compliance with laws and legislations;
- 11.6.18. to submit a claim to the court for protecting legitimate interests and restoring of violated rights of the Bank, represent the Bank in civil, administrative cases where the Bank acts as a plaintiff, a defendant or a third party, in criminal cases as a victim or a civil plaintiff or a defendant or appoint an authorized representative to participate in such cases;
- 11.6.19. not to attend in discussions of matters related to his/her personal interests;
- 11.6.20. to determine the required reserve ratio of the Bank's unit and the maximum amount of the loans granted to one person, limit and monitor the balance of the loan;
- 11.6.21. to undertake and implement measures such as adoption of specific rules and regulations for branch and units and set specific limitation on their activities in order to protect the interests of depositors, customers and the shareholders, if such action is deemed necessary;
- 11.6.22. to perform the obligations stated in the operational procedures of the executive management, the Charter and the agreement with the Board in person;
- 11.6.23. if the counterparty to the transaction with the Bank, or the person participating as an intermediary or representative, is a person with a common interest or relationship with the Chief Executive Officer, notify the Board about this and comply with the regulation on the Bank's major and conflict of interest transactions and related laws and legislations;
- 11.6.24. to comply with the Code of Conduct of the Bank during working or non-working hours;
- 11.6.25. to sign the receipt of payment for the disposal of the funds by the Bank;
- 11.6.26. to approve work plans and special regulations in the event of an emergency, disaster, dangerous phenomenon, or technical issues and issue orders and supervise measures to be taken in the aforementioned emergency;
- 11.6.27. Has the right to sign the following agreements to obtain funding from foreign and domestic bank and financial market upon consent of Board except subordinated debt that has feature to be converted into shares:
 - 11.7.27.a. Issuing securities;
 - 11.7.27.б. Obtaining a loan and equivalent financial service;
 - 11.7.27.в. Obtaining Payment guarantee and warranties;
 - 11.7.27.г. Selling and purchasing loan portfolios and other financial instruments.
- 11.6.28. to ensure the compliance of mandatory prudential ratios and other requirements set by the Bank of Mongolia, FRC and other authorized regulatory authorities.
- 11.6.29. to enter into conflict of interest transactions within the framework of the permission and defined conditions granted by the Board in advance.
- 11.6.30. Other rights and obligations stated in the laws, agreement and granted by the Board.

- 11.7. In the event that the Chief Executive Officer is unable to perform his/her work and duties personally due to regular vacations, foreign and domestic assignments, or other valid reasons, he/she shall transfer his/her rights and duties in whole or in part to the First Deputy of the Chief Executive Officer or the Deputy of the Chief Executive Officer by power of attorney.
- 11.8. The general terms and conditions of the products and services of the Bank, interest rates of loans and deposits, service fees and charges shall be determined by the order of the Chief Executive Officer.

TWELVE. AUTHORIZED OFFICER OF THE BANK

- 12.1. The following officers who are directly and indirectly involved in making official decisions of the Bank and entering into agreements and transactions are considered as the authorized officers of the Bank. The authorized officers can be determined in detail by the Chief Executive Officer's order considering the duties and activities. It includes:
 - 12.1.1. Chairperson and members of the Board;
 - 12.1.2. Chief Executive Officer;
 - 12.1.3. President;
 - 12.1.4. First Deputy of Chief Executive Officer;
 - 12.1.5. Head of Internal Audit Department;
 - 12.1.6. Head of Financial Management and Control;
 - 12.1.7. Secretary of the Board.
- 12.2. The authorized officers shall perform the duties specified in the laws and legislations, the Charter and regulations approved by the Board and work in good faith for the best interest of the Bank.
- 12.3. The authorized officers shall be personally responsible for any damage caused to the Bank due to the following illegal actions:
 - 12.3.1. to conduct business activities using the Bank's name for personal gain;
 - 12.3.2. to provide false information to shareholders, creditors or other customers;
 - 12.3.3. failure to fulfill his/her obligation to provide information;
 - 12.3.4. failure to keep the documents of the Bank in accordance with the procedures prescribed by laws and legislations;
 - 12.3.5. the information specified in Article 98 of the Company Law was not provided to the person authorized to obtain information, or was provided late;
 - 12.3.6. failure to comply with the Charter and internal procedures approved by the Bank, transmitted the Bank's confidential information to third party in violation of laws and legislations, the Bank's rules, regulations, and guidance, or uses it for personal purposes;
 - 12.3.7. exceeding the right to dispose of property granted under the Charter, the agreement with the Bank, and the Bank's decision;
 - 12.3.8. serious violation of laws and legislations applicable to banking activities.
- 12.4. The matter of imposing responsibility on the authorized officers and determining its amount shall be determined by the agreement concluded with the Bank and the Bank's internal procedures. If it cannot be resolved according to them, it shall be resolved by the court.
- 12.5. An authorized officer of the Bank shall prepare a list of his affiliated persons within 10 (ten) days after being appointed to the position and submit it to the Bank, and shall also notify within 10 (ten) days of any changes in the list.

THIRTEEN. DISTRIBUTION OF DIVIDENDS

- 13.1. The Board shall discuss and decide whether to distribute dividends prior to the regular meeting of the shareholders. Dividend distribution shall be carried out within the period determined by the Board. A reserve fund can be established from profits before distribution of dividends.
- 13.2. The resolution of the Board shall specify the amount of dividend per share, the "registration date" of the list of shareholders entitled to receive dividends, and the determined date on which dividends shall begin to be paid and the shareholders shall be informed about this.
- 13.3. The per share value of dividends with respect to shares of the same class shall be equal in amount. Dividends can be paid in cash, property, as well as securities of the Bank and other persons.
- 13.4. The detailed regulations related to the distribution of dividends shall be governed by the "Dividend Policy" approved by the Bank's Board.

FOURTEEN. BANKING FINANCIAL ACCOUNTS AND STATEMENTS

- 14.1. The Bank's financial year begins on January 1 of each year and ends on December 31 of the same year.
- 14.2. The Bank shall prepare and verify its financial report in accordance with Accounting Law, Auditing Law and other laws and legislations and present to the shareholders and other authorized officers.
- 14.3. The Bank shall prepare financial and non-financial reports in accordance with the basic principles of corporate governance, and they shall be balanced, clear and factual.
- 14.4. Financial statements consist of balance sheets, income and statement of results, statement of retained earnings, statement of cash flows and additional explanations and disclosures.
- 14.5. The Chairperson of the Board, the Chief Executive Officer, and the Chief Accountant are responsible for the accuracy of the financial statements.
- 14.6. It is prohibited to appoint affiliated persons, authorized officers of the Bank, persons affiliated with them, hired employees of bank or affiliated companies as auditors.

FIFTEEN. MISCELLANEOUS

- 15.1. Reorganization and liquidation of the Bank shall be carried out in accordance with the Banking Law, regulations issued within the framework of the law, other laws and legislations, and the grounds, procedures and forms specified in the Charter.
- 15.2. The Charter shall be executed in 4 copies in Mongolian, affixed the Bank's seal, and deposited one copy each with the Registrar, the Bank of Mongolia, the FRC, and the Secretary of the Board.
- 15.3. Amendments to the Charter shall be resolved in accordance with the laws and the legislations, and the amendments executed in this way shall be valid as of the date of registration with the Mongolian State Registration Authority.



- 15.4. The Charter are interpreted and regulated according to the laws of Mongolia. Disputes shall be resolved by the courts of Mongolia.
- 15.5. – Matters not regulated in detail by the Charter shall be resolved in accordance with the provisions of the Company Law, the Banking Law and other relevant laws and legislations.

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