

VIETINBANK INSURANCE

SOCIALIST REPUBLIC OF VIETNAM

Independence – Freedom – Happiness

No. : /BC-BKS

Hanoi, March 2021

**REPORT OF THE SUPERVISORY BOARD ON THE OPERATION
RESULTS IN 2020 AND ORIENTATION IN 2021**

Pursuant to:

- The Law on Enterprises No. 59/2020/QH14 approved by the 13th National Assembly of the Socialist Republic of Vietnam dated June 17, 2020;
- Law on Insurance Business No. 24/2000/QH10 dated December 9, 2000 and the Law amending and supplementing some articles of the Law on Insurance Business No. 61/2010/QH12 dated November 24, 2010;
- Decree No. 73/2016/ND-CP dated July 1, 2016 of the Government detailing the implementation of the Law on Insurance Business and the Law amending and supplementing some articles of the Law on Insurance Business;
- The Charter on organization and operation of VietinBank Insurance Joint Stock Corporation; Regulations on organization and operation of the Supervisory Board promulgated with the Decision No. 03/QD-BKS dated April 26, 2018;
- The 2020 financial statements of VietinBank Insurance Joint Stock Corporation, audited by Ernst & Young Vietnam Limited;

The Supervisory Board ("**SB**") would like to report the General Meeting of Shareholders of VietinBank Insurance Joint Stock Corporation ("**VBI**") its operations and results of the implementation of the assigned tasks and powers of the Supervisory Board during its term in 2020 as follows:

I. OPERATION SITUATION OF SUPERVISORY BOARD

In 2020, the Supervisory Board consists of 3 members, including a full-time member and 2 part-time members.

The Supervisory Board has hold its regular meetings at least once a quarter in accordance with VBI's Charter. In addition, the Supervisory Board regularly organizes exchanges and assessments of issues related to the management and operation of operating activities of VBI for control purposes.

With the role on behalf of the shareholders to supervise the operation of VBI, in 2020, the Supervisory Board fully implements the functions and tasks of monitoring, inspecting, and supervising the administration, management and operating operations of the Corporation assigned by the General Meeting of Shareholders, specifically:

- i) Supervise the implementation of resolutions of the General Meeting of Shareholders, resolutions of the Board of Directors;
- ii) Supervise the administration and operation of the Board of Directors and the Board of Management;
- iii) Appraise VBI's 2020 financial statements audited by Ernst & Young Vietnam Limited;
- iv) Evaluate the reasonableness, legality, honesty and prudence in financial management, investment, business administration and accounting organization to ensure the operation of the Board of Directors and the General Director fully complied with the provisions of Law and the Charter of the Corporation;
- v) Perform other duties in accordance with the Law on Enterprises, the Charter of the Corporation, Regulations on operation of the Supervisory Board and Resolutions of the General Meeting of Shareholders;

The coordination between the Supervisory Board, the Board of Directors and the General Director is basically in accordance with the provisions of Law and VBI's Charter.

The Supervisory Board in 2020 has not received any request from a shareholder or group of shareholders to review accounting books, other documents or request for inspection related to operating activities, management and operation of VBI.

II. IMPEMENTATION RESULTS OF SOME SPECIFIC TASKS

In 2020, the Covid-19 pandemic is complicated and has a significant impact on all aspects of socio-economic life, including the insurance sector. The implementation of anti-epidemic measures, including social isolation and isolation in the first time, has affected new exploitation activities as well as serving customers of insurance companies. Insurance demand also decreases when a series of economic activities reduce in the field of road transport, aviation, sea, inland waterways, construction and many other professions ... In that situation, The Board of Directors and the Board of Management closely follow the actual situation, directing the whole system to overcome difficulties and maintaining the growth momentum. A series of solutions are implemented such as: designing work-at-home programs for employees, training sales staff and online agents, online meetings, and implementing premium collection via banks, receiving insurance claims, settling online insurance benefits, building customer care systems, Telesale sales team etc. With the entire system's efforts, 2020 operating activities of VBI continue to grow compared to 2019, ensuring safe and smooth operations, improving the quality of governance and supervision, and ensuring the interests of shareholders and employees.

1. Assessment of management and administration of VBI

Based on the inspection and supervision results of operating activities in 2020, the Supervisory Board found that the Board of Directors and General Director directed the Corporation's operations in accordance with the functions, duties, powers specified by the law and resolutions of the General Meeting of Shareholders. At the same time, operating activities have strictly implemented the policies and regimes prescribed by law;

In 2020, the Board of Directors issues 97 Resolutions and Decisions to direct the responsibilities and duties of the Board of Directors to implement the Corporation's business strategy, and evaluate supervising the activities of the Board of Directors;

The General Director has closely followed the set objectives, orientations and fully implemented the tasks assigned by the General Meeting of Shareholders and the Board of Directors, specifically:

- Concretize targets and take measures to implement business plans to affiliates, orient synchronous solutions to ensure revenue growth and control compensation, risk management;

- Focus on promoting digital transformation, improving service quality and customer experience, enhancing advertising and building VBI image in the market;

- Continue to promote Bancas channel, focusing on the retail segment while promoting multi-channel distribution, constantly searching and developing sales partners;

- In the briefings, the General Director periodically evaluates the implementation according to the direction of the Board of Directors, evaluates the performance of each month in terms of: insurance premium revenue, compensation ratio, fee debt ratio, the results of implementing business plans of the whole system by professional groups and each affiliate, considering recommendations from affiliates ..., thereby giving the focus of the work in the following month, specific instructions for the TSC Boards and affiliates;

2. Inspection and inspection of the State authorities

In 2020, the Inspector of the Hanoi Tax Department conducted the tax inspection at the Corporation for the period from January 1, 2019 to December 31, 2019. The Inspector of the Hanoi Tax Department has inspected the compliance with the tax law, checked invoices, checked the deduction and payment of social insurance and trade union funds. The inspection results show that VBI has fully complied with the tax law, appropriated and paid off all of social insurance, trade union fees and had no material violations.

3. Results of the implementation of the Resolution of the General Meeting of Shareholders

In 2020, continue to promote digital transformation in many aspects such as sales, compensation, human resource management etc. operating results in 2020 have exceeded those in 2019. However, under the impact of the Covid 19 pandemic, the basic targets have not yet met the planned targets assigned by the General Meeting of Shareholders, as follows:

N o.	Item	Unit	Impleme ntation in 2020	Plan in 2020 assigned by the General Meeting of Sharehold ers	Percenta ge of impleme ntation against the plan
1	Insurance revenue		2,223,239	2,500,000	88.93%
	- Core insurance	VND million	2,069,285	2,350,000	
	- Reinsurance	VND million	153,954	150,000	
2	Compensation rate	%	45.20%	43%	105.12%
3	Profits before tax	VND million	151,829	160,404	94.65%

(Source: Audited Financial Statements 2020)

- Total revenue of core insurance and reinsurance in 2020 has reached VND 2,223,239 billion, equivalent to 88.93% of the plan assigned by the General Meeting of Shareholders, an increase of 9.44% compared to 2019 (higher than the average growth of 8% of the non-life insurance enterprises) in

which core insurance premium revenue is VND 2,069,285 billion, reinsurance premium revenue is VND 153,954 billion;

- The compensation ratio under the Corporation's retaining liability level in 2019 is 45.2%, higher than the target compensation ratio of 43% assigned by the General Meeting of Shareholders.

- Profit before tax in 2020 has reached VND 151,829 billion, accounting for 94.65% of the plan assigned by the General Meeting of Shareholders, growing 16.62% compared to 2019. In which: gross profit from insurance business has reached VND352,816 billion, growing 10 , 23% compared to 2019, and profit from financial activities reached 144,285 billion, growing 30.41% compared to 2019.

- VBI has paid remuneration to the Board of Directors and the Supervisory Board in 2020, not exceeding 1% of the annual profit after tax;

- Ernst & Young Vietnam Limited is selected by the Board of Directors as the independent auditor of the 2020 financial statements as determined in the Resolution.

- With regard to the profit distribution in 2019, VBI has appropriated the compulsory reserve funds, bonus and welfare funds in accordance with the Resolution of the Annual General Meeting of Shareholders. At the same time, on June 22, 2020, VBI has paid cash dividends to shareholders at the rate of 11% per par value of shares, equivalent to the amount of VND 73.333 billion in accordance with the Resolution of the General Meeting of Shareholders.

4. Appraisal results of Financial Statements

The 2020 financial statements ended on December 31, 2020 are audited by Ernst & Young Vietnam Limited, including:

- Balance sheet as at December 31, 2020
- Income Statement for fiscal year 2020
- Cash flow statement for fiscal year 2020
- Notes to the financial statements

The Supervisory Board has appraised VBI's financial statements audited by Ernst & Young Vietnam Limited and agreed with the auditor's opinion “The financial statements have reflected truthfully and reasonably on the material aspects of the Corporation's financial position as at December 31, 2020, as well as the operating results and cash flows for the year then ended in accordance with the accounting standards of Vietnam, Business accounting system of Vietnam and accounting instructions for insurance businesses and legal regulations related to the preparation and presentatin of the Financial Statements.”

BASIC INDICATORS

Unit: VND

million

N O .	Item	31/12/2020	31/12/2019	Growth rate in 2020 compared to 2019
1	Total assets	3,677,363	3,156,559	16.50%
2	Owner's equity	1,272,610	1,246,963	2.06%
3	Provisions	2,042,531	1,657,794	23.21%

BASIC INDICATORS IN OPERATING RESULTS

Unit: VND million

N O .	Item	In 2020	In 2019	Growth rate in 2020
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				compar ed to 2019
1	Insurance premium revenue	2.223.239	2.031.393	9,44%
	In which:			
	- Core insurance	2.069.285	1.891.599	9,39%
	- Reinsurance	153.954	139.794	10,13%
2	Net revenue from insurance business	1.883.019	1.531.334	22,97%
3	Total compensation expenses	827.916	639.087	29,55%
4	Gross profits from insurance business	352.816	320.062	10,23%
5	Gross profits from financial activities	144.285	110.636	30,41%
6	Profit before tax	151.829	130.189	16,62%
7	Profit after tax	121.032	103.752	16,66%
	- Return on Assets (ROA)	3,29%	3,29%	
	- Return on Equity (ROE)	9,51%	8,32%	

(Source: Financial statements in 2020 after auditing)

Following the growth momentum from previous years, the total insurance premium revenue in 2020 has reached VND 2,223,239 billion, an increase of 9.44% compared to 2019 and higher than the general growth of the non-life insurance market. Gross profit from insurance business reaches VND352,816 billion, growing 10.23% compared to 2019. Total profit before tax reaches VND 151,829 billion, growing 16.62% compared to 2019.

In general, although the target set by the General Meeting of Shareholders has not been achieved, the basic financial targets of VBI in 2020 such as Total assets, reserve fund, revenue and profit have all increased compared to 2019.

For safety indicators, through periodic review, the Supervisory Board found that in 2020, VBI has complied with regulations on safety limits in non-

life insurance business according to provisions of the law. The solvency margin is always maintained above the minimum solvency margin. The amounts used for regular insurance compensation in the period ensures at 25% of the total provisions and is deposited at credit institutions operating in Vietnam.

III. OPERATIONAL ORIENTATION OF THE SUPERVISORY BOARD IN 2021

Pursuant to the functions and duties of the Supervisory Board in accordance with the law, the Charter of VBI, and pursuant to the personnel situation and business plan, the operational orientation of VBI, the Supervisory Board identifies the important tasks in 2021, as follows:

- Supervise the implementation of resolutions of the General Meeting of Shareholders, resolutions of the Board of Directors;
- Organize the appraisal of interim financial statements and financial statements in 2021;
- Supervise investments, fixed assets purchase, capital construction, information technology and supervise system risk management;
- Monitor and supervise the implementation of proposals and conclusions of the state inspection and examination teams;
- Enhance the qualification of the Supervisory Board's personnel in order to meet the increasing requirements for risk supervision and control in the constantly developing environment of the insurance industry;
- Perform other duties according to the Enterprise Law, the Charter of VBI, Resolutions of the General Meeting of Shareholders and relevant regulations.

The above is the full content of the report of the Supervisory Board on the implementation and control results of Vietinbank Insurance Joint Stock Corporation.

**ON BEHALF OF SUPERVISORY
BOARD
THE HEAD**

Nguyen Ngoc Tu

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