BIDV INSURANCE CORPORATION

SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness

Hanoi, April 03rd 2019

REPORT ON BUSINESS MONITORING IN 2018 AND OPERATION ORIENTATION OF BOARD OF SUPERVISORS IN 2019

To: **GENERAL MEETING OF SHAREHOLDER – BIDV INSURANCE CORPORATION**

Pursuant to the Charter of BIDV Insurance Corporation issued with Decision No. 018/QĐ-HĐQT dated 29/02/2016 of Board of Directors of BIDV Insurance Corporation, Board of Supervisors (BOS) reports to the General Shareholders of BIDV Insurance Corporation on the operating results from the Annual General Meeting of Shareholders (AGM) 2018 to the AGM 2019 as follow:

A. PERFORMANCE RESULTS OF 2018

I. General assessment

With the role of representing shareholders to supervise the operation of BIDV Insurance Corporation, in 2018, the Board of Supervisors fully implemented its functions, the task of monitoring, inspecting and supervising the management, administration and business activities of the Corporation as assigned by the General Meeting of Shareholders, specifically:

- Assigning specific tasks to members of the Board of Supervisors, appointing representatives to attend meetings of the Board of Directors.
- Researching and issuing the Regulation on organization and operation of the BOS in Decision No. 2313/QĐ-BKS dated October 9th, 2018 and replacing Decision No. 0337/QĐ-BKS dated October 1st, 2010.
- Supervising the management and administration of the Board of Directors and General Director.
- Supervising the implementation of Resolutions of the General Meeting of Shareholders / Resolution of the Board of Directors.
- Reviewing audited financial statements every year (06-months and 01 fiscal year).
- Quarterly, analyzing financial data, assessing the rationality, legality, honesty and the degree of caution in business management, financial management and accounting activities... proposing recommendations to the Board of Directors and the Board of Management.

- In addition to discussing via email between the members of the Board of Supervisors, the Board of Supervisors held 2 meetings in 2018. Members of the Board of Supervisors fully implemented, completed the assigned tasks, attended all periodic meetings, participated in the discussions and voted on issues and contents under the functions and tasks of the Board of Supervisors.
- The BOS has operated in accordance with the rights and duties stipulated in the BIC's Charter. Decisions and documents of the BOS are issued in accordance with the order and procedures of the Law on Enterprise, BIC's Charter.

II. Specific performance results

1. Results of implementation of the Resolution of the General Meeting of Shareholders in 2018

The Board of Directors and the Board of Management fully implemented the targets assigned by the Resolution of the General Meeting of Shareholders in 2018 assigned, specifically:

- Regarding the implementation of the business plan in 2018: Exceeded the targets assigned by the General Meeting of Shareholders. Specifically, the revenue exceeded the plan by 3.2% and the consolidated profit exceeded the plan by 6.66%.
- Regarding profit distribution:
  - ✓ Funds appropriation: BIC fully appropriated the compulsory reserve fund (VND 8,740 million), Development and Investment fund (VND 43,700 million), and Bonus and welfare fund (VND 23,000 million) as approved in the Resolution.
  - ✓ Dividends payment: BIC paid dividends to shareholders in 2017, the rate of payment as approved by the Resolution is 7%, and the total amount of cash to pay dividends was VND 82,094 million.
- Remuneration for the Board of Directors and the Board of Supervisors:
  - ✓ For non-specialized members: VND 252 million, lower than the approved level of the General Meeting of Shareholders (0.35% of profit before tax).
  - ✓ For full-time members: implemented on the basis of approval of the Board of Directors for each specific personnel.
- Allowances for the Secretariat were paid according to the norm approved (3 million VND /person/meeting session of the Board of Directors, Board of Supervisors). Total spending in the year was 28 million VND.

2. Supervision of executive management

2.1. For the Board of Directors

- In 2018, the Board of Directors held periodic meetings in accordance with the Law and the Charter of the Corporation. The meetings of the Board of Directors were chaired by the Chairman of the Board to ensure the seriousness and responsibility; the members of the Board of Directors participated fully in these meetings and had a high sense of responsibility for discussing on the meeting contents.
- The Board of Directors followed the orientation of the Resolution of the General Meeting of Shareholders; the goals set and implemented Resolutions. In 2018, the Board of Directors held 4 meetings, 27 times of collecting written opinions of members, issued 04 resolutions and 82 decisions to decide the contents within the responsibilities and duties of the Board.

2.2. For the General Director

On the basis of the resolutions of the Board of Directors, the General Director has closely followed the objectives and orientations to implement the tasks assigned by the General Meeting of Shareholders and the Board of Directors:

- Specified goals, had measures to implement the business plan, strengthen financial management, claim management ... to achieve the goal of the Board of Directors to continue to grow safely, effectively and sustainably, shifting to prioritizing retail market segment, especially developing bancas channel with BIDV and expansion to other banks;
- Developed and implemented business plan, assigned KPIs to each division at HO, branches. Gradually assign KPI to each individual, expected to be officially applied from 2019.
- Continued to improve the organizational structure and governance, decentralized authority towards increasing autonomy for the branches, regularly adjust/supplement the authority level on underwriting, claim settlement, financial management in accordance with the management capabilities of the Directors of branches.
- During the monthly meetings, the General Director regularly carried out the evaluation on implementation of the BOD's guideline, evaluated the business results in terms of premium revenue, loss ratio, combined ratio, debt ratio, results of the implementation of the whole business plan according to lines of businesses and branches, considered the request/proposals of branches... to produce the work focus in the following months and specific instructions for each member of

the Board of Management, Divisions at HO and branches.

2.3. Evaluation on the implementation of objectives and operational orientations of the BOD (approved by the General Meeting of Shareholders)

The BOD has directed the BOM to implement and complete most of the goals, but there are some projects that have been implemented but have not yet achieved results in 2018.

+ Investment in new information technology platform

+ Investment in new headquarters for Head Office

+ Plan to improve organizational structure, operation and management mechanism. To build and implement claim model based on Hanoi and Ho Chi Minh city.

3. Internal inspections assessment

- Internal inspections were carried out regularly and in accordance with the annual internal inspection plan. In 2018, Risk Management Division carried out inspection work at 2 divisions at Head Office and 15 branches. The contents of inspections of branches were mainly focused on the following areas: executive management, insurance activities, claims settlements, financial accounting, retail business, agency management. Through inspection results, no frauds and serious errors affecting BIC's business performance, capital or creating individual responsibilities were detected; mainly detected some errors in business operations (sales, claim settlement, and accounting).
- On the basis of the inspection results at the branches, the Corporation has issued decisions on sanctioning violations and reducing sales salary for branches with violations in 2018.
- All branches that were subject to inspection in 2018 did report on the results of completion and making good errors/violations recorded in the internal inspection minutes. However, the inspections of results of making good errors/violations were mainly based on checking the adjusted data on the system and reports of the units being inspected, not checking the actual documents. Thus it did not ensure errors/violations were thoroughly corrected and would not repeat.
- The results of internal inspection and review at the branches were summarized by the internal inspection teams to promptly report to the Board of Management and divisions of the Head Office for instructions / corrections / reminders/monitoring / control the recidivism as well as coordinate with the branches to resolve / handle the proposals / problems of the unit during the operational process. In addition, the Corporation also issued specific instructions/request for the corrective measures to be performed after inspection for each branch that was inspected.

- In order to strengthen the inspection/supervision further, especially the remote control/inspection to prevent/ detect timely new signs of violation or violations repeated, from 2018 the Corporation issued regulations on remote control and handle violations in operational activities.
- Periodically, the Corporation issued a Risk Management Bulletin, which regularly gives notes/recommendations after the internal inspection results to recommend and the branches that were inspected as well as disseminate information to help avoid violation/recidivism.

4. Inspection results of state authorities

- In 2018, the inspection team of the General Department of Taxation conducted an inspection at the Corporation from August to September 2018. Inspection results show that the Corporation fully complied with the provisions of the State and the Law, there were no serious violations.

5. Coordination of activities between the Board of Supervisors and the Board of Directors, General Director

- For the Board of Directors and the General Director: the members of the Board of Supervisors or the Board of Supervisors appointed representatives fully attended the Board meetings. Head of the Board of Supervisors was invited to attend operational meetings of the Corporation.
- For shareholders: Between two General Meeting of Shareholders in 2018 and 2019, the Board of Supervisors did not receive a request letter or complaint of shareholders or a group of shareholders whose ownership and holding time are compliant with Laws and BIC's Charter.

B. ASSESSING 2018 FINANCIAL STATEMENTS

The Board of Supervisors reviewed the financial statements of BIDV Insurance Corporation in 2018 which was audited by Ernst & Young Vietnam Limited and would report as below:

1. The implementation of accounting and financial reporting regime:

- The separate financial statements of the head office and the consolidated financial statements for 2018 has been prepared based on appropriate accounting policies and reasonable accounting estimates, which comply with the regulations, accounting standards and Vietnamese accounting regime.
- The separate and consolidated financial statements of 2018 present fairly, in all material respects, the company's separate and consolidated financial position, separate and consolidated business result , consolidated and separate cash flows for the fiscal year ended 31/12/2018.

- The separate and consolidated financial statements of 2018 clearly present the information and events in the fiscal year 2018 in accordance with the accounting standards and the Vietnamese accounting system. The separate and consolidated financial statements of 2018 were audited by EY and there was no qualified opinion.

2. **Business performance figures:**

- The BOS agreed with the data presented on the separate and consolidated financial statements 2018 according to Vietnamese accounting standards and audited by EY.

  CONSOLIDATED (BIC & LVI) FINANCIAL STATEMENTS; financial indicators in the Consolidated Financial Statements:

  + Indicators in the Balance Sheet:

Indicator	Unit	2018	2017
Total assets	Million VND	**5,133,418**	**4,716,494**
Current assets	Million VND	4,675,064	4,143,219
Non-current assets	Million VND	458,353	573,275
Total Capital	Million VND	**5,133,418**	**4,716,494**
Liabilities excluding technical reserves	Million VND	761,883	609,309
Technical reserves	Million VND	2,243,316	2,012,036
Equity	Million VND	2,128,219	2,095,148
Of which: Minority	Million VND	28,908	*33,854*
Capital structure			
Liabilities excluding technical reserves / Total capital	%	14.84%	12.92%
Technical reserves /	%	43.70%	42.66%
Owner's equity / Total	%	41.46%	44.42%
Profitability			
Profit after tax	Million VND	144,027	143,230
ROE	%	6.77%	6,8%

ROA	%	2.81%	3,04%

+ Business performance figures:

Unit: million VND

Indicator	2018	2017
Income from Insurance business	**299,530**	**299,029**
Premium revenue of insurance	2,262,738	2,064,846
Reinsurance premium ceded	(775,756)	(684,352)
Total expense of insurance business	(1,187,452)	(1,081,464)
Profit from financial activities	**238,723**	**199,015**
Income of financial activities	263,773	219,694
Expense of financial activities	(25,051)	(20,680)
General and Administrative expenses	**(337,673)**	**(315,297)**
Income from other activities	**1,898**	**3,708**
Other income	3,341	4,324
Other expense	(1,443)	(617)
Profit before tax	**202,478**	**186,455**
Profit after tax	**144,027**	**143,230**

- SEPERATE (BIC on stand-alone basis) FINANCIAL STATEMENTS; financial indicators in the Separate Financial Statements:

+ Indicators in the Balance Sheet:

Indicator	Unit	2018	2017
Total assets	Million VND	**4,900,627**	**4,501,475**
Current assets	Million VND	4,506,728	3,936,027
Non-current assets	Million VND	393,899	565,447
Total Capital	Million VND	**4,900,627**	**4,501,475**
Liabilities excluding technical reserves	Million VND	705,994	550,777
Technical reserves	Million VND	2,107,588	1,906,137
Equity	Million VND	2,087,045	2,044,561

Capital structure			
Liabilities excluding technical reserves / Total capital	%	14.40%	12.24%
Technical reserves / Total capital	%	43.01%	42.34%
Owner's equity / Total capital	%	42.59%	45.42%
Profitability			
Profit after tax	Million VND	147,578	174,802
ROE	%	7.07%	8.55%
ROA	%	3.01%	3.88%

+ Business performance figures:

Unit: million VND

Indicator	2018	2017
Income from Insurance business	**281,268**	**280,509**
Premium revenue of insurance activities	2,068,810	1,871,533
Reinsurance premium ceded	(646,479)	(555,479)
Total expense of insurance business	(1,141,063)	(1,035,545)
Profit from financial activities	**238,012**	**230,206**
Income of financial activities	254,967	247,913
Expense of financial activities	(16,956)	(17,707)
General and Administrative	**(316,617)**	**(297,899)**
Income from other activities	**(84)**	**353**
Other income	1,298	470
Other expense	(1,383)	(117)
Profit before tax	**202,577**	**213,169**
Profit after tax	**147,578**	**174,802**

C. RECOMMENDATIONS OF THE BOS

On the basis of the monitoring results in 2018, the Board of Supervisors has recommendations as follows:

1. The Board of Directors and General Director to direct/implement to fulfill the targets set by the General Meeting of Shareholders in 2019.
2. Promote and further strengthen technical support projects from Fairfax, especially IT, products development, reinsurance, helping BIC increase its competitiveness in

the market.

3. It is recommended that the Board of Directors and the Board of Management take measures to ensure the Time-schedule of the IT project
4. Continue to improve the organizational model, review, supplement and adjust the functions and actual operations to improve the operational efficiency of the Divisions / Center to better suit the new management requirements, meet business development requirements.
5. To complete the establishment of the Internal Audit Division following the current legal regulations (Decree No. 73/2016 /ND-CP dated July 01, 2016 of the Government on the details of the implementation of the Law on Insurance Business, Decree No. 05/2019 / ND-CP dated January 22, 2019 of the Government, on the Internal Audit)
6. Regarding internal inspection/risk management: Continue to implement effective work on risk management and internal inspection to achieve compliance and sustainable development. In addition to recommending branches to be inspected. It is recommended that there should be recommendations on inappropriate regulations in BIC internal processes and regulations, proposal for adjustments and supplements to make internal procedures and regulations rigorous and suitable to meet business requirements at each period.

D. ORIENTATION OF ACTIVITIES OF THE BOARD OF SUPERVISORS IN 2019

Based on the functions and duties of the Board of Supervisors in accordance with the Law, BIC's Charter, the orientation of the Board of Supervisors between the two Annual General Meetings of 2019-2020 is as follows:

- Focus on monitoring the implementation of the Resolution of the General Meeting of Shareholders; Board of Directors; management of operation and internal control system of BIC to detect risks, give quarterly recommendations for the Board of Directors and the Board of Management.
- Coordinate with independent auditors to assess financial statements every 6 months and annually.
- Monitor, evaluate and organize internal audit activities at BIC, thereby control compliance with laws and regulations.
- Prepare periodic reports of the Board of Supervisors.
- Coordinate with the inspection team of the State authorities (State Audit) to conduct an inspection at BIC in 2019.
- Perform other tasks according to BIC's Charter, Regulations on organization and operation of the Board of Supervisors and other relevant regulations.

Above is the entire content of the monitoring results and recommendations of the Board of Supervisors in 2018 and orientation of the Board of Supervisors in 2019 Respectfully submit to the AGM to consider and approve./.

ON BEHALF OF BOARD OF SUPERVISORS

Lại Ngan Giang