

BOARD OF CONTROL

Hanoi, March 2022

Ref: ____/VNR-BKS

REPORT OF THE BOARD OF CONTROL

(Submit to 2022 Annual General Meeting of Shareholders)

ATTN: General Meeting of Shareholders of Vietnam National Reinsurance Corporation

Pursuant to:

- The Charter of Organisation and Operation of Vietnam National Reinsurance Corporation (VINARE);
- The Resolution of VINARE's 2020 Annual General Meeting of Shareholders, term 2020 - 2024;
- Regulation on Operation and working agenda of the Board of Control.

The Board of Control would like to report as follows:

A. REPORT ON BOC ACTIVITIES IN 2021

In 2021, the Board of Control has submitted to the General Meeting of Shareholders to approve the financial statements 2020, attended the Annual General Meeting of Shareholders 2021 and the BOD meetings in 2021

In addition to the duties and functions of the BOC, all members regularly keep track of the business operation and management of VINARE according to their assigned responsibilities among the members of the Board of Control.

I. Inspection of 2021 financial statements

- ❖ Financial statements 2021 audited by PwC Vietnam (Hanoi Branch) consists of Separate Financial Statement and Consolidated Financial Statement. According to the evaluation, the Financial Statements reflect the important aspects of the financial situation of VINARE in a honestly and reasonably manner.
- ❖ VINARE has strictly implemented the regulations on financial management of the State and internal processes and regulations

1. Fulfillment of business plan approved by GSM

In 2021, VINARE has achieved remarkable business results as follows:

Fulfillment of the targets assigned by the GSM in Resolution No. 08/2021/NQ-DHĐCĐ dated 23.04.2021 is as follows:

Unit: VND million

Indicators	Performance 2020	Performance 2021	2021/2020	Plan 2021	Compared with plan 2021
Gross Written Prem	2,246,160	2,447,705	91.8%	2,019,253	111.2%
Net Written Prem	1,272,776	1,496,905	85.0%	1,021,300	124.6%
Profit before tax	407,914	357,214	114.2%	377,000	108.2%
- Foreign Exchange Difference	(907)	(1.152)	-	Unidentified	-
- Profit excluding foreign exchange gain	408,824	358,366	114.1%	377,000	108.4%

All the indicators regarding GWP and Profit exceed the volume set by General Meeting of Shareholders.

2. Key financial indicators

Unit: VND million

TT	Chỉ tiêu	31/12/2021	31/12/2020	% change
1	Total assets	6,915,255	6,738,340	102.6%
2	Owner's equity	3,064,039	2,939,020	104.3%
3	Technical Reserves (under retention)	1,519,691	1,542,850	98.5%
3.1	Premium Reserves	614,668	726,440	84.6%
3.2	Loss Reserves	720,259	644,345	111.8%
3.3	Catastrophe Reserves	184,764	172,065	107.4%
4	Revenue			
4.1	Gross Written Premium	2,246,160	2,447,705	91.8%
4.2	Net Written Premium	1,605,862	1,578,398	101.7%
4.3	Financial Revenue	462,105	389,347	118.7%
4.4	Other revenues	628	642	97.8%
5	Expenses			
5.1	Gross claim payments	856,128	950,313	90.1%
	In which : Claim retained	390,686	430,792	90.7%
5.2	Administration and expenses other than reinsurance business expenses	1,174,940	1,139,026	103.2%
5.3	Financial expenses	94,638	40,148	135.7%
5.4	Other expenses	416	1,206	34.5%
6	Profit			
6.1	Gross Profit from reinsurance	129,755	93,238	139.2%
6.2	Gross Profit from financial activities	367,466	342,272	105.2%
6.3	Profit from other activities	212	(564)	-

6.4	Profit before tax	407,914	357,214	114.2%
6.5	Profit after tax	331,683	291,092	113.9%

Source : VINARE's audited separate financial statements

- Total assets and owner's equity as at 31/12/2021 increased by 2.6% and 4.3% respectively compared with 31/12/2020

- Gross written premium decreased by 8.2% against 2020, net written premium slightly increased by 1.7% and financial revenue sharply increased by 18.7% in comparison with 2020.

- Administration expense increased by VND4.9 bil equivalent to 5.7%

- Financial activities expenses sharply increased by 135.7%, equivalent to VND54.5 bn mainly due to loss from foreign exchange difference (increased VND43.2bil. However, the revenue gained from foreign exchange difference also increased VND44.7bil)

- Gross profit from reinsurance business amounted to VND129.8bil, sharply increased 39.2% compared with 2020;

- Profit from financial investment activities slightly increased 5.2%, Profit before and after tax all increased 14% in compared with 2020.

2.1. Reinsurance business and cost management

In 2021, gross written premium reached VND2,246.16 bil, decreasing by 8.2% against 2020. However the above amount exceeded 11.2% of the year target. GWP from core LOB was VND1,728.5 bil, increasing 7.2% against 2020 and reached 101% of the year target. GWP from PA business was VND517.7bil, only equal to 62% of 2020 but it exceeded 67% of the year target.. Reasons as follows:

- Engineering increased 25.1% against 2020 thanks to overall market growth (5%) and the increase of facultative businesses.

- Property increased 4.4% thanks to the favorable growth from treaties and overseas businesses.

- Hull increased 18.4% thanks to the increase in premium from some treaties (mainly due to the change of co-insurance scheme in some large fleets).

- Cargo increased 11.9% thanks to the overall market recovery

- Aviation, Agro, Motor achieved the high growth, however it accounts only a small part in the whole portfolio

- GWP of Misc. Acc and Health care businesses slightly reduced

- Almost no premium generated from fishing vessels in 2021 as the insurance companies stopped writing new businesses.

- PA : sharply increased in compared with the year target thanks to new treaties and positive growth from the existing ones.

2.2. Underwriting profit by line of business and Claims

Gross underwriting profit reached VND129.8 billion, sharply increased 39.2%

against 2020.

Net claim payment reduced 9.3% against 2020 thanks to the following reasons :

- Large losses number reduced in all LOBs
- Small participation of VINARE in large losses cases
- No Nat Cat losses recorded as 2020 (VND47bil due to Storm No 6 and 9)
- Net paid claim payment reduced VND63.5bil against 2020, equivalent to 78% of the year target.
- Premium reserves increased VND23bil in compared with 2020

Combined ratio was improved to 97.1%, reduced 2.3% in compared with the level of 99.4% of 2020.

2.3. Reinsurance overdue balances situation

Reinsurance overdue balances situation as at 31/12/2021:

Unit: VND million

TT	Chỉ tiêu	31/12/2021	31/12/2020	Change
1	Accounts Receivables	254,979	203,587	25.2%
2	Accounts Payables	182,472	240,140	-24.0%
3	Net receivables	72,506	(36,553)	NA

Evaluation:

- Accounts receivables increased by VND51.4 bil equivalent to the increase of 25.2% in comparison with the previous year, Accounts payables decreased by VND57.7bil , reduced 24%,

- Net receivables @31.12.2021 increased mainly due to debts under 6 months. However, there are still some clients with long over due balances such as VASS, JB Boda. The achievement in the debt collecting activities is the revert of VND3.89bil from the long overdue balances such as Willis Singapore, Xuan Thanh Insurance, PVI/PVI Re

- The reinsurance overdue balances @31.12.2021 got some difference in compared with the 2020 report due to the re-illustrate of account payables – account receivables as follows :

+ In 2020 report : net receivables/payables was recorded for each debt age, each client.

+ In 2021 report : net receivables/payables was only recorded for each client only and the sum up of these amount would show the net balances for each debt age.

These two methods provide the same net amount. However, with the 2021 way of recording, only the net amount is presented. As such, the indicators of receivables and payables would be reduced.

2.4. Financial investment

- **Investment portfolio:**

As at 31/12/2021, investment portfolio of VINARE reached VND4,130,589 billion, increasing by VND104.9bil in comparison with 01.01.2021, equivalent to 2.6%. Changes in investment portfolio included the reduce of deposit portfolio and equity portfolio and the increase of bonds, securities, fund certificates, entrusted investments.

Unit : VND million

No	Portfolio	31/12/2021	01/01/2021	Change	% in the Portfolio
1	Deposits	2,740,500	2,965,000	(224,500)	66.4%
2	Bonds	559,490	249,100	310,390	13.5%
3	Equities	522,701	542,354	(19,657)	12.6%
4	Securities, fund certificates, entrusted investment	265,000	195,000	70,000	6.4%
5	Office leasing	6,410	8,031	(1,621)	0.2%
6	Real estates	11,206	13,304	(2,098)	0.3%
7	Current account	25,282	52,900	(27,618)	0.6%
	Total	4,130,589	4,025,690	104,900	100%

- **Evaluation of financial investment activities:**

Revenue from financial investment in 2021 was VND462 bn, increasing by VND72 bn (equivalent to 18.7%) in comparison with 2020

Profit from investment activities increased 5.5% against 2020 and reach 103.6% of the year target. Excluding the divestment activities, investment profit reached VND279.5bil, increased 14.5% in compared with 2020.

Bond portfolio :profit increased 40.8% against 2020, average yields of new bonds was 7.46%, 43% higher than the interest rates of new deposits (5.22%)

Entrusted investment : investment rates reached 24.1%, NAV reached 142.7% thanks to the positive growth of stock market and the restructuring of stock portfolio.

Profit from office leasing reduced 32% against 2020 due to the impact of Covid 19

Profit from deposits portfolio reduced 11.1% against 2020 mainly due to the reduce of

- Regarding the investment at VINARE Invest and other real estate investment cooperation between VINARE and VINARE Invest :

+ In 2021, VNR Invest already booked income from the sale of 4 apartments of 360 Giai Phong project and 6 apartments from Hanoi Paragon project.

+ Progress of each projects is as follows :

+ Contrexim Complex : Viet San JS Investment Company already got the debt payment plan for VNR Invest and proposed to provide the additional documents to

prove the above plan on 15.01.2022. VNR Invest is closely following this case progress at the Nam Tu Liem District's Court.

+ Paragon Tower : working on the sale of the remaining apartments. VNR Invest continues proposing to the Court enforcement Department to ask for debt payment of VT Construction and Commerce JS Company and their other related liabilities as stated by the Cau Giay District's Court.

+ 360 Giai Phong : the project is still put on hold due to some pending legal formalities with the authorities. VNR Invest will have further discussion with the investors about the apartment transfer once this project got the approval from the authorities for the apartment sale.

+ 142 Dinh Cong : Formalities in getting the approval for this project investment are now needed more guidance from the legislation concerning the bidding process to select the investors.

II. Direction of the Board of Directors and Board of Management

1. Corporate management

VINARE has fully complied with the State regulations and internal governance regulations, ensured the stability in operations of the Corporation.

2. Coordination between BOD, BOM, departments and BOC

The BOD, BOM and all departments of VINARE have lent a good helping hand in facilitating functions and duties of the BOC, providing figures and materials for the BOC timely and fully upon request.

3. Other activities

Agree with the report of the BoM

III. Evaluation

Based on the financial statements and report on business results in 2020, BOC has the following opinions:

- On business operation

The Corporation has fulfilled the business plan 2021 assigned by the GMS

VINARE has strictly adhered to financial regulations and made proper and cautious provisions.

- On corporate governance

The BOD and BOM have clearly stated their views and closely monitored day-to-day operation.

All the decision-makings have been discussed with and informed to the BOM and the BOC.

The BOM have strictly followed resolutions and direction from the BOD.

C. RECOMMENDATIONS

- Focus resources on increasing premium revenue on the basis of tight risk management and underwriting discipline.
- Co-ordinate with international reinsurers to organize seminars (virtually) in order to improve staff capability so that domestic insurance enterprises could be fully aware of risks and thus, enhance VINARE's position in the market.
- Reviewing and setting up the roadmap to improve VINARE's rating to A- (AMBest) to further expand market access for new business opportunities.
- Strengthen the risks control in investment activities in order to improve the investment results as well as capital safety.
- Closely review and actively conduct the overdue balances collection activities,
- Focus on urging the collection of debt, speeding up the implementation of VINARE Invest's projects, promptly recording revenue from these projects when eligible for recording as regulated.
- At the end of the financial year, VINARE and VINARE Invest assess the possibility to recover debts and allocation to provisions (if any).