

BAO MINH INSURANCE CORPORATION

(Incorporated in the Socialist Republic of Vietnam)

AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2018

BAO MINH INSURANCE CORPORATION

26 Ton That Dam Street, Nguyen Thai Binh Ward, District 1
Ho Chi Minh City, Vietnam

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BAO MINH INSURANCE CORPORATION

26 Ton That Dam Street, Nguyen Thai Binh Ward, District 1
Ho Chi Minh City, Vietnam

STATEMENT OF THE BOARD OF EXECUTIVES

The Board of Executives of Bao Minh Insurance Corporation (the "Corporation") presents this report together with the financial statements for the year ended 31 December 2018.

THE BOARD OF DIRECTORS, BOARD OF EXECUTIVES AND BOARD OF SUPERVISORS

The members of the Boards of Directors, Executives and Supervisors of the Corporation who held the office during the year and to the date of this report are as follows:

Board of Directors

Mr. Le Song Lai	Chairman
Mr. Tran Vinh Duc	Member (retired from 1 December 2018)
Mr. Le Van Thanh	Member cum Chief Executive Officer ("CEO")
Mr. Dang Nhu Loi	Member
Ms. Bui Thi Thu Thanh	Member
Mr. Kwok Wing Tam	Member
Ms. Dinh Thi Minh Khue	Member (appointed on 24 April 2018)
Mr. Vu Anh Tuan	Member cum Deputy CEO (appointed on 29 January 2019)
Mr. Malik Abbassi Antonie	Member (resigned on 24 April 2018)

Board of Executives

Mr. Le Van Thanh	Chief Executive Officer ("CEO")
Mr. Nguyen The Nang	Standing Deputy CEO
Mr. Nguyen Phu Thuy	Deputy CEO
Ms. Trinh Thi Xuan Dung	Deputy CEO (resigned on 22 February 2019)
Mr. Vu Anh Tuan	Deputy CEO
Mr. Pham Minh Tuan	Deputy CEO (appointed on 26 September 2018)

Board of Supervisors

Ms. Chu Thi Phuong Anh	Head of Board of Supervisors (appointed on 24 April 2018)
Ms. Nguyen Thi Thu	Head of Board of Supervisors (resigned on 24 April 2018)
Mr. Nguyen Hung Minh	Member
Ms. Le Minh Tuyet	Member
Mr. Yau Chung Hun	Member
Mr. Nicolas de Nazelle	Member (appointed on 24 April 2018)
Mr. Martial Paul Rene Marie Simonnet	Member (resigned on 24 April 2018)

BOARD OF EXECUTIVES' STATEMENT OF RESPONSIBILITY

The Board of Executives of the Corporation is responsible for preparing the financial statements, which give a true and fair view of the financial position of the Corporation as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime applicable to insurance enterprises and legal regulations relating to financial reporting. In preparing these financial statements, the Board of Executives is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Corporation will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds.

BAO MINH INSURANCE CORPORATION

26 Ton That Dam Street, Nguyen Thai Binh Ward, District 1
Ho Chi Minh City, Vietnam

STATEMENT OF THE BOARD OF EXECUTIVES (Continued)

The Board of Executives is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Corporation and that the financial statements comply with Vietnamese Accounting Standards, accounting regime applicable to insurance enterprises and legal regulations relating to financial reporting. The Board of Executives is also responsible for safeguarding the assets of the Corporation and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of Executives confirms that the Corporation has complied with the above requirements in preparing these financial statements.

For and on behalf of the Board of Executives,



Le Van Thanh
Chief Executive Officer
31 March 2019

No.: 811 /VN1A-HC-BC

INDEPENDENT AUDITORS' REPORT

**To: The Shareholders
The Boards of Directors, Executives and Supervisors
Bao Minh Insurance Corporation**

We have audited the accompanying financial statements of Bao Minh Insurance Corporation (the "Corporation"), prepared on 31 March 2019 as set out from page 4 to page 39, which comprise the balance sheet as at 31 December 2018, the income statement and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Executives' Responsibility for the Financial statements

Board of Executives is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, accounting regime applicable to insurance enterprises and legal regulations relating to financial reporting and for such internal control as Board of Executives determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board of Executive, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime applicable to insurance enterprises and legal regulations relating to financial reporting.



Le Dinh Tu
Audit Partner
Audit Practising Registration Certificate
No. 0488-2018-001-1
**BRANCH OF DELOITTE VIETNAM
COMPANY LIMITED**
31 March 2019
Ho Chi Minh City, Vietnam

Nguyen Tuan Ngoc
Auditor
Audit Practising Registration Certificate
No. 2110-2018-001-1

BAO MINH INSURANCE CORPORATION26 Ton That Dam Street, Nguyen Thai Binh Ward
District 1, Ho Chi Minh City, Vietnam**FORM B01-DNPNT**Issued under Circular No. 232/2012/TT-BTC
dated 28 December 2012 of Ministry of Finance**BALANCE SHEET**

As at 31 December 2018

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS	100		4,642,897,383,504	4,453,370,870,333
I. Cash and cash equivalents	110	5	161,317,627,176	183,614,229,316
1. Cash	111		161,317,627,176	158,069,629,316
2. Cash equivalents	112		-	25,544,600,000
II. Short-term financial investments	120	6	2,069,739,158,189	1,947,310,602,864
1. Trading securities	121		231,306,273,123	226,442,118,138
2. Provision for impairment of trading securities	122		(74,090,498,267)	(39,807,398,607)
3. Held-to-maturity investments	123		1,912,523,383,333	1,760,675,883,333
III. Short-term receivables	130		1,106,169,646,244	943,980,011,982
1. Trade accounts receivable	131		1,056,093,156,725	918,007,817,727
1.1. Receivable of insurance policies	131.1	7	1,056,093,156,725	918,007,817,727
2. Advances to suppliers	132		1,932,652,073	2,755,715,302
3. Other receivables	135	9	313,573,744,898	269,451,254,843
4. Provision for short-term doubtful debts	139	10	(265,429,907,452)	(246,234,775,890)
IV. Inventories	140		4,254,781,922	4,637,924,940
1. Inventories	141		4,254,781,922	4,637,924,940
V. Other short-term assets	150		272,269,651,128	235,064,495,270
1. Short-term prepayments	151		271,558,780,207	232,920,692,507
1.1. Unallocated commission expenses	151.1	11	178,262,428,223	145,833,231,160
1.2. Other short-term prepayments	151.2	12	93,296,351,984	87,087,461,347
2. Value added tax deductibles	152		275,317,625	-
3. Taxes and other receivables from State budget	154	21	435,553,296	2,143,802,763
VI. Reinsurance assets	190	8	1,029,146,518,845	1,138,763,605,961
1. Unearned premium reserve for outward reinsurance	191		410,465,958,473	319,341,604,863
2. Claim reserve for outward reinsurance	192		618,680,560,372	819,422,001,098
B. NON-CURRENT ASSETS	200		835,744,487,853	986,624,053,565
I. Long-term receivables	210		12,375,161,229	11,990,914,273
1. Other long-term receivables	218	9	12,375,161,229	11,990,914,273
1.1. Insurance deposit	218.1		10,000,000,000	10,000,000,000
1.2. Other long-term receivables	218.2		2,375,161,229	1,990,914,273
II. Fixed assets	220		383,214,382,741	401,765,741,959
1. Tangible fixed assets	221	13	94,968,228,937	106,144,181,658
- Cost	222		230,704,562,956	238,636,486,745
- Accumulated depreciation	223		(135,736,334,019)	(132,492,305,087)
2. Intangible assets	227	14	285,660,074,767	287,525,539,287
- Cost	228		364,981,505,914	359,922,905,914
- Accumulated amortization	229		(79,321,431,147)	(72,397,366,627)
3. Construction in progress	230	15	2,586,079,037	8,096,021,014
III. Investment properties	240	16	70,227,843,227	73,661,529,897
- Cost	241		85,359,655,013	85,439,019,757
- Accumulated depreciation	242		(15,131,811,786)	(11,777,489,860)
IV. Long-term financial investments	250		340,965,300,000	475,965,300,000
1. Investments in joint-ventures	252	17	145,350,000,000	145,350,000,000
2. Investments in other entities	253	18	57,615,300,000	57,615,300,000
3. Held-to-maturity investments	255	18	138,000,000,000	273,000,000,000
V. Other long-term assets	260		28,961,800,656	23,240,567,436
1. Long-term prepayments	261	19	22,197,168,817	18,097,027,903
2. Deferred tax assets	262		6,764,631,839	5,143,539,533
TOTAL ASSETS (270=100+200)	270		5,478,641,871,357	5,439,994,923,898

The accompanying notes are an integral part of these financial statements

BALANCE SHEET (Continued)
As at 31 December 2018

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
A. LIABILITIES	300		3,236,708,834,871	3,312,252,507,555
I. Current liabilities	310		3,236,542,466,141	3,312,096,138,825
1. Trade accounts payable	312		584,810,036,020	537,667,249,403
1.1. Payable of insurance policies	312.1	20	584,810,036,020	537,667,249,403
2. Taxes and amounts payable to State budget	314	21	40,822,344,866	40,824,382,936
3. Payables to employees	315	22	179,989,494,730	135,568,645,618
4. Short-term deferred premium	318	23	8,911,318,295	10,851,589,268
5. Other current payables	319	24	89,339,015,115	148,222,808,171
6. Unearned commission income	319.1	25	86,465,123,390	84,315,663,492
7. Bonus and welfare funds	323		12,864,104,419	25,731,306,259
8. Technical reserves	329	26	2,233,341,029,306	2,328,914,493,678
8.1. Unearned premium reserve for direct insurance and inward reinsurance	329.1		1,295,233,096,919	1,216,269,937,357
8.2. Claim reserve for direct insurance and inward reinsurance	329.2		860,356,686,986	1,015,021,002,623
8.3. Catastrophe reserve	329.3		77,751,245,401	97,623,553,698
II. None-current liabilities	330		166,368,730	156,368,730
1. Other long-term payables	333		166,368,730	156,368,730
B. EQUITY	400		2,241,933,036,486	2,127,742,416,343
I. Owners' equity	410	27	2,241,933,036,486	2,127,742,416,343
1. Owners' contributed capital	411		913,540,378,000	913,540,378,000
2. Share premium	412		974,943,696,449	974,943,696,449
3. Statutory reserve	419		89,447,875,399	81,332,734,797
4. Other owners' funds	420		28,085,153,439	28,085,153,439
5. Retained earnings	421		235,915,933,199	129,840,453,658
TOTAL RESOURCES (440=300+400)	440		5,478,641,871,357	5,439,994,923,898
OFF BALANCE SHEET ITEMS	Unit		Closing balance	Opening balance
1. Insurance policy in issue but ineffective	VND		31,674,348,844	21,251,129,736
2. Foreign currencies				
- United States Dollar (USD)	USD		1,215,844	1,513,461
- Euro (EUR)	EUR		5,111	1,534
- Japanese Yen (JPY)	JPY		29,249	30,701
- Singapore Dollar (SGD)	SGD		11,377	11,399


Sai Van Hung
Preparer


Le Minh Tri
Chief Accountant


Le Van Thanh
Chief Executive Officer
31 March 2019

INCOME STATEMENT
For the year ended 31 December 2018

Unit: VND

PART I - GENERAL INCOME STATEMENT

ITEMS	Codes	Notes	Current year	Prior year
1. Net revenue from insurance activities	10		3,184,697,861,086	3,176,568,815,064
2. Income from trading investment properties	11		11,030,001,855	11,556,090,540
3. Financial income	12	34	230,007,971,150	248,268,096,683
4. Other income	13		2,105,134,563	11,222,168,869
5. Total expense for insurance activities	20		2,994,457,965,129	3,052,293,078,187
6. Expenses from trading investment properties	21		6,050,850,099	5,940,626,947
7. Financial expenses	22	35	109,559,033,613	73,685,408,318
8. General and administration expenses	23	36	115,947,927,100	114,140,835,150
9. Other expenses	24		1,019,671,711	3,227,141,894
10. Total accounting profit before tax (50=10+11+12+13-20-21-22-23-24)	50		200,805,521,002	198,328,080,660
11. Current corporate income tax expense	51	37	40,123,801,267	36,223,505,841
12. Deferred tax income	52		(1,621,092,306)	(1,080,728,204)
13. Net profit after corporate income tax (60=50-51-52)	60		162,302,812,041	163,185,303,023
14. Basic earnings per share	70	38	1,523	1,520



INCOME STATEMENT (Continued)
For the year ended 31 December 2018

Unit: VND

PART II - INCOME STATEMENT BY ACTIVITY

ITEMS	Codes	Notes	Current year	Prior year
1. Insurance premium (01=01.1+01.2-01.3)	01	29	3,942,767,720,563	3,911,663,356,959
In which:				
- Direct insurance premium	01.1		3,547,814,788,350	3,395,911,007,441
- Inward reinsurance premium	01.2		480,547,479,627	428,661,671,153
- Increase/(decrease) in unearned premium reserve for direct insurance and inward reinsurance	01.3		85,594,547,414	(87,090,678,365)
2. Outward reinsurance premium (02=02.1-02.2)	02	30	924,468,319,817	899,599,329,508
In which:				
- Total outward reinsurance premium	02.1		1,015,593,097,111	853,683,482,647
- Increase/(decrease) in unearned premium reserve for outward reinsurance	02.2		91,124,777,294	(45,915,846,861)
3. Net insurance premium (03=01-02)	03		3,018,299,400,746	3,012,064,027,451
4. Commission income from outward reinsurance and other income from insurance activities (04=04.1+04.2)	04		166,398,460,340	164,504,787,613
In which:				
- Commission income from outward reinsurance	04.1	31	164,678,242,533	163,907,785,188
- Other income from insurance activities	04.2		1,720,217,807	597,002,425
5. Net revenue from insurance activities (10=03+04)	10		3,184,697,861,086	3,176,568,815,064
6. Claim settlement expenses (11=11.1-11.2)	11		1,856,150,649,104	1,650,305,783,969
In which:				
- Total claim settlement expenses	11.1		1,866,422,359,855	1,673,465,588,716
- Deduction (Recoveries from the third party, receipt of 100% claim for goods)	11.2		10,271,710,751	23,159,804,747
7. Claim recoveries from outward reinsurance	12		644,687,535,328	422,372,284,613
8. (Decrease)/increase in claim reserve for direct insurance and inward reinsurance	13	26	(189,310,432,834)	465,672,217,325
9. (Decrease)/increase in claim reserve for outward reinsurance	14	26	(231,410,389,606)	435,937,997,569
10. Total insurance claim settlement expenses (15=11-12+13-14)	15	32	1,253,563,070,548	1,257,667,719,112
11. Increase/(decrease) in catastrophe reserves	16	26	(19,915,320,859)	(6,791,108,025)
12. Other expenses for insurance activities (17=17.1+17.2)	17	33	1,760,810,215,440	1,801,416,467,100
In which:				
- Insurance commission expense	17.1		519,666,813,267	561,484,268,088
- Other expenses for insurance activities	17.2		1,241,143,402,173	1,239,932,199,012
13. Total expenses for insurance activities (18=15+16+17)	18		2,994,457,965,129	3,052,293,078,187
14. Gross profit from insurance activities (19=10-18)	19		190,239,895,957	124,275,736,877
15. Income from trading investment properties	20		11,030,001,855	11,556,090,540
16. Expenses from trading investment properties	21		6,050,850,099	5,940,626,947
17. Gross profit from trading investment properties (22=20-21)	22		4,979,151,756	5,615,463,593
18. Financial income	23	34	230,007,971,150	248,268,096,683
19. Financial expenses	24	35	109,559,033,613	73,685,408,318
20. Gross profit from financial activities (25=23-24)	25		120,448,937,537	174,582,688,365
21. General and administration expenses	26	36	115,947,927,100	114,140,835,150
22. Net profit from operating activities (30=19+22+25-26)	30		199,720,058,150	190,333,053,685

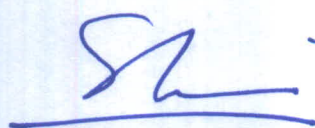
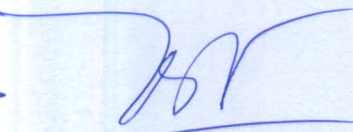
The accompanying notes are an integral part of these financial statements

INCOME STATEMENT (Continued)
For the year ended 31 December 2018

Unit: VND

PART II: INCOME STATEMENT BY ACTIVITY (Continued)

ITEMS	Codes	Notes	Current year	Prior year
23. Other income	31		2,105,134,563	11,222,168,869
24. Other expenses	32		1,019,671,711	3,227,141,894
25. Profit from other activities (40=31-32)	40		1,085,462,852	7,995,026,975
26. Total accounting profit before tax (50=30+40)	50		200,805,521,002	198,328,080,660
27. Current corporate income tax expense	51	37	40,123,801,267	36,223,505,841
28. Deferred tax income	52		(1,621,092,306)	(1,080,728,204)
29. Net profit after corporate income tax (60=50-51-52)	60		162,302,812,041	163,185,303,023
30. Basic earnings per share	70	38	1,523	1,520

Sai Van Hung
Preparer

Le Minh Tri
Chief Accountant

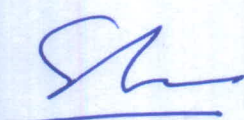


Le Van Thanh
Chief Executive Officer
31 March 2019

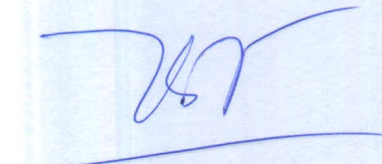
CASH FLOW STATEMENT
For the year ended 31 December 2018

Unit: VND

ITEMS	Codes	Current year	Prior year
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	200,805,521,002	198,328,080,660
2. Adjustments for:			
Depreciation and amortisation of fixed assets and investment properties	02	19,619,864,641	23,087,310,070
Provisions	03	67,521,853,966	65,512,814
Foreign exchange (gain)/loss arising from translating foreign currency items	04	(324,510,664)	(9,049,427,505)
Gain from investing activities	05	(166,966,739,011)	(180,764,148,051)
Interest expenses	06	-	4,139,168
3. Operating profit before movements in working capital	08	120,655,989,934	31,671,467,156
Change in accounts receivable	09	(178,640,586,328)	(16,651,645,152)
Change in inventories	10	383,143,018	706,891,757
Change in accounts payable	11	121,660,934,107	(81,107,508,247)
Change in prepayments	12	(42,738,228,614)	115,195,209,455
Change in trading securities	13	(4,864,154,985)	(81,921,342,592)
Interest expense paid	14	-	(4,139,168)
Corporate income tax paid	15	(38,426,783,100)	(56,918,817,233)
Other cash outflows	17	(60,360,474,478)	(25,718,108,653)
Net cash (used in)/generated by operating activities	20	(82,330,160,446)	(114,747,992,677)
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets	21	(3,596,618,266)	(25,243,196,217)
2. Proceeds from disposal of fixed assets	22	198,172,725	10,212,909,091
3. Cash outflow for lending, buying debt instruments of other entities	23	(2,086,370,883,333)	(1,833,410,883,333)
4. Cash recovered from lending, selling debt instruments of other entities	24	2,069,523,383,333	1,769,318,383,333
5. Interest earned, dividends and profit received	27	171,830,662,707	159,781,744,967
Net cash generated by/(used in) investing activities	30	151,584,717,166	80,658,957,841
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Dividends paid to shareholders	36	(91,354,037,000)	(91,354,037,800)
Net cash used in financing activities	40	(91,354,037,000)	(91,354,037,800)
Net decrease in cash and cash equivalents (50=20+30+40)	50	(22,099,480,280)	(125,443,072,636)
Cash and cash equivalents at the beginning of the year	60	183,614,229,316	309,089,283,597
Effects of changes in foreign exchange rates	61	(197,121,860)	(31,981,645)
Cash and cash equivalents at the end of the year (70=50+60+61)	70	161,317,627,176	183,614,229,316



Sai Van Hung
Preparer



Le Minh Tri
Chief Accountant



Le Van Thanh
Chief Executive Officer
31 March 2019

NOTES TO THE FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

1. GENERAL INFORMATION

Structure of ownership

Bao Minh Insurance Corporation (the "Corporation") was incorporated in Vietnam as a joint stock company under Incorporation Certificate No. 27GP/KDBH dated 8 September 2004 issued by the Ministry of Finance, as amended. The stocks of the Corporation have been listed in Hanoi Stock Exchange on 28 November 2006 and then they have been transferred to Ho Chi Minh City Stock Exchange on 21 April 2008 with the stock code as "BMI".

The number of the Corporation's employees as at 31 December 2018 was 1,680 (as at 31 December 2017: 1,688).

Principal activities

The principal activities of the Corporation are to provide non-life insurance services in Vietnam comprising direct insurance services, reinsurance services, financial investments and all other activities as may be regulated by the Laws of Vietnam.

Normal operating cycle

The Corporation's normal operating cycle is carried out for a time period of 12 months or less.

The Corporation's structure

The Corporation has one Head Office in Ho Chi Minh City and 62 member companies (as at 31 December 2017: one Head Office in Ho Chi Minh City and 62 member companies) nationwide.

Disclosure of information comparability in the financial statements

Comparative figures are the figures of the audited financial statements for the year ended 31 December 2017.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The accompanying financial statements, expressed in Vietnam Dong ("VND"), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime to insurance enterprises and legal regulations relating to financial reporting.

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Financial year

The Corporation's financial year begins on 1 January and ends on 31 December.

3. ADOPTION OF NEW ACCOUNTING GUIDANCE

On 2 January 2019, the Ministry of Finance issued Circular No. 01/2019/TT-BTC ("Circular 01") amending and adding up some articles of Circular No. 50/2017/TT-BTC ("Circular 50") dated 17 May 2017 Ministry of Finance stipulating in detail the implementation of the Decree 73/2016/ND-CP ("Decree 73") dated 1 July 2016 on implementation of Law on insurance business and the Law on amending and supplementing a number of articles of the Law on Insurance Business. This Circular is effective from 16 February 2019 onwards. The Board of Executive Officers is assessing the effect of the adoption of above Circular in the preparation and presentation of the Corporation's financial statements in the future.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Corporation in the preparation of the financial statements, are as follows:

Estimates

The preparation of financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises applicable to insurance enterprises and legal regulations relating to financial reporting requires the Board of Executives to make estimates and assumptions that affect the reported amounts of assets liabilities and disclosures of contingent assets and liabilities at balance sheet date and the reported amounts of revenues and expenses during the year. Although these accounting estimates are based on the Board of Executives' best knowledge, actual results may differ from those estimates.

Financial instruments

Initial recognition

Financial assets: At the date of initial recognition, financial assets are recognized at cost plus transaction costs that are directly attributable to the acquisition of the financial assets. Financial assets of the Corporation comprise cash and cash equivalents, trade and other receivables, financial investments and claim reserve for outward reinsurance.

Financial liabilities: At the date of initial recognition, financial liabilities are recognized at cost plus transaction costs that are directly attributable to the issue of the financial liabilities. Financial liabilities of the Corporation comprise of trade and other payables, claim reserve for direct insurance and inward reinsurance and deposits received.

Subsequent measurement after initial recognition

Currently, there are no requirements for the subsequent measurement of the financial instruments after initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial investments

a) Interest in joint-venture

A joint venture is a contractual arrangement whereby the Corporation and other parties undertake an economic activity that is subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

Investments in joint ventures are carried in the balance sheet at cost less provision for impairment of such investments.

b) Trading securities

Trading securities are those the Corporation holds for trading purpose. Trading securities are recognized from the date the Corporation obtains the ownership of those securities and initially measured at the fair value of payments made at the transaction date plus directly attributable transaction costs.

In subsequent periods, investments in trading securities are measured at cost less provision for impairment of such investments.

c) Held-to-maturity investments

Held-to-maturity investments comprise investments that the Corporation has the positive intent or ability to hold to maturity, including time deposits, bonds and other held-to-maturity investments.

Held-to-maturity investments are recognized on a trade date basis and are initially measured at acquisition price plus directly attributable transaction costs. Post-acquisition interest income from held-to-maturity investments is recognized in the income statement on accrual basis. Pre-acquisition interest is deducted from the cost of such investments at the acquisition date.

Held-to-maturity investments are measured at cost less provision for impairment.

Provision for doubtful debts relating to held-to-maturity investments is made in accordance with prevailing accounting regulations.

d) Equity investments in other entities

Equity investments in other entities represent the Corporation's investments in ordinary shares of the entities over which the Corporation has no control, joint control, or significant influence.

Equity investments in other entities are carried at cost less provision for impairment.

e) Provision for impairment of financial investments

Provisions for impairment of financial investments are made in accordance with Circular No. 228/2009/TT-BTC dated 07 December 2009 issued by the Ministry of Finance on "Guiding the appropriation and use of provisions for devaluation of inventories, loss of financial investments, bad debts and warranty for products, goods and construction works at enterprises", Circular No. 89/2013/TT-BTC dated 28 June 2013 by the Ministry of Finance amending and supplementing Circular No. 228/2009/TT-BTC and prevailing accounting regulations.

Receivables

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less provision for doubtful debts.

Provision for doubtful debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Buildings and infrastructure	5 - 25
Motor vehicles	7 - 12
Machinery and equipment	4 - 7
Office equipment	3 - 5
Others	3 - 5

Loss or gain resulting from sales and disposals of tangible fixed assets is the difference between profit from sales or disposals of assets and their residual values and is recognized in the income statement.

Leasing

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals income/payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Intangible assets and amortization

Intangible assets represent land use rights used to build offices for the Corporation's member companies, to make computer software and other intangible assets. According to the prevailing regulations, definite land use rights are amortized over its useful life and indefinite land use rights are not amortized. The computer software and other intangible assets are stated at cost less accumulated amortization and is amortized using the straight-line method over the duration of 3 to 8 years.

Construction in progress

Properties in the course of construction for operation, rental or administrative purposes, or for the purposes not yet determined, are carried at cost. Cost includes costs that are necessary to form the assets in accordance with the Corporation's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Investment properties

Investment properties including land use rights and buildings and structures held by the Corporation to earn rentals or for capital appreciation are stated at cost less accumulated depreciation. The costs of purchased investment properties comprise their purchase prices and any directly attributable expenditures, such as professional fees for legal services, property transfer taxes and other related transaction costs. The costs of self-constructed investment properties are the finally accounted construction or directly attributable costs of the properties.

Investment properties held to earn rentals are depreciated using the straight-line method over their estimated useful lives from 6 to 40 years.

The indefinite land use rights are not amortized and the definite land use rights are amortized using the straight-line method.

Prepayments

Prepayments are expenses which have already been paid but relate to results of operations of multiple accounting periods, comprising unallocated commission expenses, direct revenue-generation activities, office rentals, small tools, spare parts and other prepayments.

Commission expenses and direct revenue-generation activities are recognized corresponding to direct premium and inward reinsurance premium incurred in the year. At the balance sheet date, the Corporation has to determine unallocated commission expenses and direct revenue-generation activities corresponding to unearned premium in this year so as to allocate these expenses to the subsequent years with the method corresponding to unearned premium method.

Other prepayments are allocated to the income statement using the straight-line method over the period of gaining benefits.

Revenue recognition

Revenue is recognized when the outcome of such transactions can be measured reliably and it is probable that the economic benefits associated with the transactions will flow to the Corporation.

Revenue from direct insurance premium

Direct premium is recognized in accordance with Circular 50. Accordingly, direct premium is recognized when all following conditions are satisfied:

- Insurance policy has been enforced or having evidence of enforcement of insurance policy between insurance enterprise and policy's owners; and
- Policy's owners have fully paid premium or have agreement on the time limit for payment of premium but not exceed 30 days from the effective date of the insurance contract. For the first period premium (for cases that policy's owners pay premium by terms) will be recognized upon the date of effective insurance policy.

Revenue deductions

Revenue deductions represent premium reduction and premium refund which are recognized when incurred, based on the agreement of premium reduction or cancelling of insurance policy between the Corporation and policyholders.

For reinsurance activities

Inward reinsurance premium is recognized when incurred, based on the statement of account is received from the cedants and confirmed by the Corporation.

Outward reinsurance premium under treaty and facultative reinsurance agreements are recognized when gross written premium within the scope of the treaty and facultative agreements are recognized.

For other activities

Dividends income from investments is recognized when the Corporation's right to receive payment has been established.

Deferred premium represents amounts paid by customers in advance for insurance policies which have not been yet effective or paid in advance for following years of multi-period effective insurance policies, is recognized when the Corporation received money in advance of policyholders. The Corporation will allocate the premium to income statement when these policies are effective.

The Corporation has to re-register technical reserves method with the Ministry of Finance as per requirements of Circular 50. During the year, the Corporation registered and was approved by the Ministry of Finance for applying technical reserves from financial year 2017 in accordance with Official Letter No. 3167/BTC-QLBH dated 21 March 2018, detail as follows:

Unearned premium reserve

- For direct insurance policies of insurance lines: property insurance and interruption insurance; Cargo insurance; Vehicle insurance (car); Fire and explosion insurance; P&I insurance; Liability insurance; and Business interruption insurance: apply daily method.
- For direct insurance policies of insurance lines: Aviation insurance; Vehicle insurance (motor); Credit insurance and financial risk; Agriculture insurance; Guarantee insurance: apply 1/24 method.
- For reinsurance policies of all non-life insurance lines: apply 1/24 method.

The Corporation apply method of claim reserves in accordance with claim file request, including two kind of reserves as follows:

Claims reserve for claims for covered losses that have not been resolved at the end of the year: the Corporation provides for claim reserves for direct insurance and inward reinsurance and outward reinsurance for each type of insurance product by the method of estimating the amount of pay-out for each claim for which the Corporation is liable, and notified or made but unsolved at the end of the year.

Claim reserve for covered lossess that have been incurred but not yet been reported or claimed: ("IBNR"): apply for each insurance line. Details are as follows:

- For motor vehicle and healthcare insurance lines, IBNR reserves will be made as following formula:

$$\text{IBNR for current year} = \frac{\text{Total indemnity for claims incurred but not reported at the end of the last three consecutive fiscal years}}{\text{Total indemnity for losses arising in the last three consecutive fiscal years}} \times \text{Indemnity for losses arising in the current year} \times \frac{\text{Net operating revenue of current fiscal year}}{\text{Net operating revenue of prior fiscal year}} \times \frac{\text{Average delay in reporting claims of current fiscal year}}{\text{Average delay in reporting claims of prior fiscal year}}$$

- For other non-life insurance lines, IBNR reserves will be calculated based on 3% of total retained premium for each insurance product.

Catastrophe reserve

Under Vietnamese Accounting Standard No. 19 ("VAS 19") - Insurance Contract to guideline that the possible claims under contracts that are not in existence at the reporting date are not necessary to made provision. However, there is no official guideline from the Ministry of Finance for this standard, so that catastrophe provision is continuously made in accordance with the Decree 73 and Circular 50.

Article 17, Clause 3.3, Item b of the Circular 50 about Claims reserve for large loss fluctuations:

- *Claims reserve for large loss fluctuations is used for lines of insurance with large loss fluctuations.*

A line of insurance is considered to have large loss fluctuations when the paid premiums in the fiscal year, minus amounts extracted to create the unearned premiums reserve and unsettled claims reserve, does not suffice to indemnify for liabilities that the insurer or foreign branch retains.

- *Maximum amount allowed from claims reserve for large loss fluctuations is calculated as follows:*

Amount allowed from claims reserve for large loss fluctuations of current fiscal year	=	Indemnity required for retention of current fiscal year	-	Total retained insurance premium of current fiscal year	-	Unearned premium reserve in proportion to required retention to be set aside of current fiscal year	-	Unearned premium reserve in proportion to required retention for unsettled claim to be set aside of current fiscal year
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Accordingly, catastrophe reserve is calculated based on 1% of the retained premium for each insurance product line and accumulated each year until reaching 100% of the Corporation's retained premium in the year.

b) For healthcare insurance lines

Mathematic reserve

Applicable to direct insurance and reinsurance policies with term of more than one year:

- For healthcare insurance policies (excluding healthcare insurance policies only applicable to death and permanent disability): Apply 1/24 method.
- For healthcare insurance policies only applicable to death and permanent disability: Apply net premium method and term life insurance's basis for setting reserve of Circular 50.

Unearned premium reserve

Applicable to direct insurance and reinsurance policies with term of one year or less: apply 1/24 method.

Claim reserve

Claims reserve for claims for covered losses that have not been resolved at the end of the year: the Corporation provides for claim reserves for direct insurance and inward reinsurance and outward reinsurance for each type of insurance product by the method of estimating the amount of pay-out for each claim for which the Corporation is liable, and notified or made but unsolved at the end of the year.

Claims reserve for covered losses that have occurred but have not been reported or claimed ("IBNR"): shall be set aside according to the following formula:

$$\begin{array}{l} \text{IBNR for} \\ \text{current year} \end{array} = \frac{\begin{array}{l} \text{Total indemnity for} \\ \text{claims incurred but not} \\ \text{reported at the end of} \\ \text{the last three} \\ \text{consecutive fiscal years} \end{array}}{\begin{array}{l} \text{Total indemnity for} \\ \text{losses arising in the last} \\ \text{three consecutive fiscal} \\ \text{years} \end{array}} \times \begin{array}{l} \text{Indemnity} \\ \text{for losses} \\ \text{arising in} \\ \text{the current} \\ \text{year} \end{array} \times \frac{\begin{array}{l} \text{Net operating} \\ \text{revenue of} \\ \text{current fiscal year} \end{array}}{\begin{array}{l} \text{Net operating} \\ \text{revenue of prior} \\ \text{fiscal year} \end{array}} \times \frac{\begin{array}{l} \text{Average delay in} \\ \text{reporting claims} \\ \text{of current fiscal} \\ \text{year} \end{array}}{\begin{array}{l} \text{Average delay in} \\ \text{reporting claims} \\ \text{of prior fiscal year} \end{array}}$$

Balancing reserves

Balancing reserves were calculated based on 1% of the retained premium for each insurance product line.

Reserves for the Corporation's direct insurance and inward/outward reinsurance are not offset. Such reserves should be presented under separated items in the balance sheet. Accordingly, unearned premium reserve and claim reserve for direct insurance and inward reinsurance and catastrophe reserve are recognized as payables while unearned premium reserve for outward reinsurance and claim reserve for outward reinsurance are recognized as reinsurance assets.

Other payable provisions

Other payable provisions are recognized when the Corporation has a present obligation as a result of a past event, and it is probable that the Corporation will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation as at the balance sheet date.

Expenses recognition

Claim expense

Claim expense for direct insurance is recognized on the basis of the incurred amount which is approved by authorized persons under claim notice. Any claim that is not yet approved by authorized persons as at the balance sheet date is considered as an outstanding claim and included in claim reserve.

Claim expense for inward reinsurance is recognized when incurred based on the statement of account is received from the cedants and confirmed by the Corporation.

Claim expense reductions including recoveries from third parties, receipt of 100% claim for goods and other reductions are recognized when the Corporation determines certain recoverability from relevant parties.

Insurance commission expenses

Commission expenses for direct insurance and inward reinsurance are recognized corresponding to direct premium and inward reinsurance premium incurred in the year. At the balance sheet date, the Corporation should determine unallocated commission expenses corresponding to unearned premium in this year so as to allocate such commission expenses to the subsequent financial years with the method corresponding to the unearned premium method.

Claim recovered from outward reinsurance is recognized when incurred, corresponding with claim expenses recognized during the year and ceded ratio.

Insurance exploiting expenses

Insurance exploiting expenses are recognized corresponding with direct premium incurred in the year. During the year, all insurance exploiting expenses were reflected into items "Other expenses related to insurance activities". At the balance sheet date, the Corporation determined unallocated insurance exploiting expenses under matching principal between revenue and expenses to allocate such commission expenses to the subsequent financial years.

Other expenses

Other expenses are recognized when incurred.

Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognized in the income statement.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognized on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examination.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

Insurance deposit

The Corporation is obliged to pay a deposit equal to 2% of the legal capital. The deposit will bear interest in accordance with the agreement made with the bank and the Corporation may withdraw the whole amount of their deposit upon termination of its operation. The Corporation may only use its insurance deposit to meet undertakings to purchasers of insurance when its solvency is inadequate, which requires the Ministry of Finance's approval.

Statutory reserves and other owners' funds

Statutory reserves are constituted from profit after tax at the rate of 5% and continuously accumulated until reaching 10% of the Corporation's charter capital.

Other owners' funds are constituted from profit after tax in accordance with Resolution of Annual Shareholders Meeting and continuously accumulated until reaching 10% of the Corporation's charter capital.

5. CASH AND CASH EQUIVALENTS

	Closing balance	Opening balance
	VND	VND
Cash on hand	5,800,744,179	5,216,268,954
Bank demand deposits	155,516,882,997	152,853,360,362
Cash equivalents	-	25,544,600,000
	161,317,627,176	183,614,229,316

6. SHORT-TERM FINANCIAL INVESTMENTS

	Closing balance			Opening balance		
	Cost	Fair value	VND Provision	Cost	Fair value	VND Provision
a. Trading securities						
- Military Commercial Joint Stock Bank (MBB)	11,269,740,882	11,269,740,882	-	21,129,652,694	40,019,046,200	-
- Lien Viet Post Joint Stock Commercial Bank (LPB)	25,253,144,300	21,661,839,960	3,591,304,340	25,253,144,300	27,984,357,000	-
- Oriental Shipping and Trading Joint Stock Company (NOS)	20,000,000,000	800,000,000	19,200,000,000	20,000,000,000	800,000,000	19,200,000,000
- DRH Holdings Joint Stock Company (DRH)	23,593,496,000	18,306,569,000	5,286,927,000	-	-	-
- Others	151,189,891,941	105,177,625,014	46,012,266,927	160,059,321,144	171,460,883,184	20,607,398,607
	231,306,273,123	157,215,774,856	74,090,498,267	226,442,118,138	240,264,286,384	39,807,398,607

(*) Fair value of trading securities were determined by number of shares owned multiplying with the shares' closing price that listed on the stock exchange market as at balance sheet date. For non-listed stocks, fair value were determined by cost less provision for impairment in accordance with prevailing regulations.

	Closing balance			Opening balance		
	Cost	Carrying amount	VND Provision	Cost	Carrying amount	VND Provision
b. Held-to-maturity investments						
- Time deposits (i)	1,990,968,508,543	1,812,523,383,333	178,445,125,210	1,879,121,008,543	1,700,675,883,333	178,445,125,210
- Corporate Bonds	77,172,887,595	-	77,172,887,595	79,107,187,595	-	79,107,187,595
+ Song Da Thang Long bonds (ii)	8,763,407,588	-	8,763,407,588	12,100,444,388	-	12,100,444,388
+ Vinashin bonds (ii)	68,409,480,007	-	68,409,480,007	67,006,743,207	-	67,006,743,207
- Government Bonds	30,000,000,000	30,000,000,000	-	-	-	-
- Deposit Certificate	70,000,000,000	70,000,000,000	-	-	-	-
- Treasury notes	-	-	-	60,000,000,000	60,000,000,000	-
	2,168,141,396,138	1,912,523,383,333	255,618,012,805	2,018,228,196,138	1,760,675,883,333	257,552,312,805

(i) Time deposits represent deposits at commercial banks and credit institutions with a term of 3 months or more and the remaining term as at 31 December 2018 of less than 12 months. Such deposits bare interest rates from 5.8% per annum to 10% per annum for Vietnam Dong deposits (as at 31 December 2017: from 4% per annum to 8.5% per annum for Vietnam Dong deposits and 0% for United States Dollar deposits). Provision for time deposits represents provision for those at Agribank Leasing Company No. 2 ("ALC2") that are falling due but not yet paid due to this company's insolvency.

(ii) These bonds are overdue and both Song Da Thang Long and Vinashin are insolvent so the Corporation made provision at the rate of 100% for these bonds.

7. RECEIVABLE OF INSURANCE POLICIES

	Closing balance	Opening balance
	VND	VND
Direct premium receivables	326,618,889,677	365,102,184,539
Inward reinsurance receivables	63,845,446,965	101,348,082,320
Outward reinsurance claim receivables	651,564,765,993	427,915,933,206
Co-insurance premium receivables	1,598,803,466	1,625,480,207
Other receivables	12,465,250,624	22,016,137,455
	1,056,093,156,725	918,007,817,727

8. REINSURANCE ASSETS

	Closing balance	Opening balance
	VND	VND
Unearned premium reserve for outward reinsurance	410,465,958,473	319,341,604,863
Claim reserve for outward reinsurance	618,680,560,372	819,422,001,098
	1,029,146,518,845	1,138,763,605,961

9. OTHER RECEIVABLES

	Closing balance	Opening balance
	VND	VND
a. Short-term		
- Receivables on accrued interest income	163,316,704,621	168,332,400,108
- Advance to employees	6,096,068,580	5,769,482,100
- Short-term deposits	1,169,416,595	669,158,756
- Receivables internal member entities paid on behalf	-	1,009,453,412
- Other receivables (i)	142,991,555,102	93,670,760,467
	313,573,744,898	269,451,254,843
b. Long-term		
- Insurance deposit (ii)	10,000,000,000	10,000,000,000
- Long-term deposits	2,375,161,229	1,990,914,273
	12,375,161,229	11,990,914,273

(i) Other receivables are receivables relating to insurance activities.

(ii) Insurance deposit represents the amount the Corporation deposited at commercial banks in accordance with Decree 73 (minimum at 2% of legal capital of non-life insurers).

10. PROVISION FOR SHORT-TERM DOUBTFUL DEBTS

	Closing balance	Opening balance
	VND	VND
Provision for receivables related to insurance activities	191,108,948,909	171,913,817,347
Provision for financial investment receivables	74,320,958,543	74,320,958,543
	265,429,907,452	246,234,775,890

11. UNALLOCATED COMMISSION EXPENSES

Unallocated commission expenses represent direct and inward reinsurance commissions incurred but not yet allocated as at balance sheet date and allocate such commission expenses to the subsequent financial years with the method corresponding to unearned premium method in accordance with Circular No. 232/2012/TT-BTC of the Ministry of Finance.

12. OTHER SHORT-TERM PREPAYMENTS

Other short-term prepayments represent direct insurance expenses, deferred expenses and other short-term prepayments.

13. TANGIBLE FIXED ASSETS

	Buildings and structures VND	Motor vehicles VND	Machinery and equipment VND	Office equipment VND	Others VND	Total VND
COST						
Opening balance	141,547,689,457	70,399,825,007	148,758,054	21,277,364,054	5,262,850,173	238,636,486,745
Additions	-	-	115,716,346	277,713,059	1,029,877,200	1,423,306,605
Disposals	-	(4,087,946,979)	(31,500,000)	(503,914,467)	(115,268,948)	(4,738,630,394)
Other decrease (*)	(4,616,600,000)	-	-	-	-	(4,616,600,000)
Closing balance	136,931,089,457	66,311,878,028	232,974,400	21,051,162,646	6,177,458,425	230,704,562,956
ACCUMULATED DEPRECIATION						
Opening balance	71,494,442,347	39,793,486,753	34,805,861	17,258,712,145	3,910,857,981	132,492,305,087
Charge for the year	4,790,195,809	4,496,627,046	15,254,514	1,142,283,026	374,569,878	10,818,930,273
Disposals	-	(4,071,617,664)	(6,666,815)	(499,921,180)	(114,023,801)	(4,692,229,460)
Other decrease (*)	(2,882,671,881)	-	-	-	-	(2,882,671,881)
Closing balance	73,401,966,275	40,218,496,135	43,393,560	17,901,073,991	4,171,404,058	135,736,334,019
NET BOOK VALUE						
Opening balance	70,053,247,110	30,606,338,254	113,952,193	4,018,651,909	1,351,992,192	106,144,181,658
Closing balance	63,529,123,182	26,093,381,893	189,580,840	3,150,088,655	2,006,054,367	94,968,228,937

(*) Other decrease represent tangible fixed assets were reclassified to intangible assets and other items of the balance sheet.

As at 31 December 2018, the cost of the Corporation's fixed assets includes VND 42,732,951,952 (as at 31 December 2017: VND 38,452,018,265) of fully depreciated assets which are still in use.

14. INTANGIBLE ASSETS

	Land use rights	Computer software	Others	Total
	VND	VND	VND	VND
COST				
Opening balance	284,255,090,567	75,667,815,347	-	359,922,905,914
Additions	-	-	442,000,000	442,000,000
Other increase (*)	4,616,600,000	-	-	4,616,600,000
Closing balance	288,871,690,567	75,667,815,347	442,000,000	364,981,505,914
ACCUMULATED AMORTIZATION				
Opening balance	6,665,735,560	65,731,631,067	-	72,397,366,627
Charge for the year	1,997,222,489	3,380,961,652	66,148,859	5,444,333,000
Other increase (*)	1,479,731,520	-	-	1,479,731,520
Closing balance	10,142,689,569	69,112,592,719	66,148,859	79,321,431,147
NET BOOK VALUE				
Opening balance	277,589,355,007	9,936,184,280	-	287,525,539,287
Closing balance	278,729,000,998	6,555,222,628	375,851,141	285,660,074,767

(*) Other increase represents adjustments on reclassification of assets.

As at 31 December 2018, the cost of the Corporation's intangible assets include VND 56,303,183,906 (as at 31 December 2017: VND 41,812,625,898) inclusive of computer software which has been fully amortized but is still in use.

15. CONSTRUCTION IN PROGRESS

	Closing balance	Opening balance
	VND	VND
Acquisitions of fixed assets	804,324,182	764,334,182
Construction in progress (i)	1,281,525,641	6,583,323,196
Overhaul of fixed assets expenses	500,229,214	748,363,636
	2,586,079,037	8,096,021,014

(i) Construction in progress represents the value of the construction of offices of Bao Minh's member companies in towns and provincial cities in Vietnam.

16. INVESTMENT PROPERTIES

	Land use rights	Budings and structures	Total
	VND	VND	VND
COST			
Opening balance and Closing b	6,038,389,764	79,400,629,993	85,439,019,757
Other decrease	-	(79,364,744)	(79,364,744)
Closing balance	6,038,389,764	79,321,265,249	85,359,655,013
ACCUMULATED DEPRECIATION			
Opening balance	-	11,777,489,860	11,777,489,860
Charge for the year	-	3,356,601,368	3,356,601,368
Other decrease	-	(2,279,442)	(2,279,442)
Closing balance	-	15,131,811,786	15,131,811,786
NET BOOK VALUE			
Opening balance	6,038,389,764	67,623,140,133	73,661,529,897
Closing balance	6,038,389,764	64,189,453,463	70,227,843,227

According to Vietnamese Accounting Standard No. 5 (VAS 05) - "*Investment properties*", fair value of investment properties as at year end needs to be disclosed in the financial statements. However, the Corporation has the intention to keep the investment properties for a long-term and the Corporation could not determine the fair value of similar type of investment properties for comparison.

17. INVESTMENTS IN JOINT-VENTURES

Investments in joint-ventures represent investments in United Insurance Company ("UIC"). UIC was incorporated in Vietnam as a joint-venture company between the Corporation, Sompo Japan Insurance Company (incorporated in Japan) and LIG Insurance Company Limited (incorporated in Korea) for 25 years under Investment Certificate No. 2003/GP dated 1 November 1997 issued by the Ministry of Planning and Investment, and latest amendment No. 09GP/KDBH dated 29 April 2010 issued by the Ministry of Finance. The Corporation owns 48.45% of charter capital (equivalent to 48.45% of voting power).

The principal activities of the joint venture company are to provide non-life insurance services, to perform reinsurance transactions licensed to the Company and to implement other relating services, including verifying, investigating, calculating and allocating losses; acting as verifying agent and compensation review from the third-party's liability.

As at balance sheet date, no provision for impairment of investments in joint-ventures to be provided due to no indicator of impairment of value of the investments in accordance with prevailing regulations.



18. OTHER LONG-TERM INVESTMENTS AND PROVISION FOR IMPAIRMENT OF LONG-TERM FINANCIAL INVESTMENTS

	Closing balance			Opening balance		
	Cost	Carrying amount	VND Provision	Cost	Carrying amount	VND Provision
a. Investment in other entities						
- Ha Long Hotel Joint Stock Company	6,000,000,000	6,000,000,000	-	6,000,000,000	6,000,000,000	-
- Saigon Kim Lien Hotel Joint Stock Company	7,618,100,000	7,618,100,000	-	7,618,100,000	7,618,100,000	-
- Vietnam National Reinsurance Corporation (Vinare)	43,218,000,000	43,218,000,000	-	43,218,000,000	43,218,000,000	-
- Ha Tien Cement Joint Stock Company	779,200,000	779,200,000	-	779,200,000	779,200,000	-
	57,615,300,000	57,615,300,000	-	57,615,300,000	57,615,300,000	-
	Closing balance			Opening balance		
	Cost	Carrying amount	VND Provision	Cost	Carrying amount	VND Provision
b. Held-to-maturity investments						
- Time deposits (i)	88,000,000,000	88,000,000,000	-	63,000,000,000	63,000,000,000	-
- Bonds (ii)	50,000,000,000	50,000,000,000	-	140,000,000,000	140,000,000,000	-
+ Government bonds	-	-	-	60,000,000,000	60,000,000,000	-
+ Ho Chi Minh City Development Joint Stock Bank bonds	-	-	-	80,000,000,000	80,000,000,000	-
+ Vietnam International Commercial Joint Stock Bank bonds	50,000,000,000	50,000,000,000	-	-	-	-
- Treasury notes	-	-	-	70,000,000,000	70,000,000,000	-
	138,000,000,000	138,000,000,000	-	273,000,000,000	273,000,000,000	-

- (i) Time deposits represent deposits at credit institutions with the remaining term more than 12 months from 31 December 2018 and interest rates from 7% to 7.6% per annum (31 December 2017: from 5.75% to 7.08% per annum).
- (ii) Bonds represent Corporate bonds with terms of 5 years and coupon rates of 8.82% per annum (as at 31 December 2017: Government bonds and Corporate bonds with terms from 2 to 5 years and earning coupon rates from 7.6% to 9% per annum).

19. LONG-TERM PREPAYMENTS

	Closing balance	Opening balance
	VND	VND
Office and equipment rental expenses	12,021,341,068	11,683,814,429
Tools and supplies	3,168,924,088	2,107,593,837
Other long-term prepayments	7,006,903,661	4,305,619,637
	22,197,168,817	18,097,027,903

20. PAYABLES OF INSURANCE POLICIES

	Closing balance	Opening balance
	VND	VND
Direct insurance claim payables	35,957,632,006	27,465,414,157
Co-insurance premium payables	92,009,910,371	77,801,593,743
Insurance commission payables	52,127,783,510	39,864,859,616
Other payable relevant to direct insurance	24,761,342,190	65,296,182,870
Inward reinsurance claim payables	33,568,263,601	30,227,979,891
Outward reinsurance premium payables	346,385,104,342	297,011,219,126
	584,810,036,020	537,667,249,403

21. TAXES AND AMOUNTS (RECEIVABLE FROM)/PAYABLE TO THE STATE BUDGET

	Opening balance	Payable	Paid	Closing balance
	VND	during the year	during the year	VND
		VND	VND	
Value added tax	36,022,426,327	263,619,301,601	(262,189,761,396)	37,451,966,532
Corporate income tax	(2,143,802,763)	40,135,032,567	(38,426,783,100)	(435,553,296)
Other taxes	4,801,956,609	19,984,105,652	(21,415,683,927)	3,370,378,334
	38,680,580,173	323,738,439,820	(322,032,228,423)	40,386,791,570

In which:

- Taxes and other receivables from the State Budget	2,143,802,763	435,553,296
- Taxes and other payables to the State Budget	40,824,382,936	40,822,344,866

22. PAYABLES TO EMPLOYEES

As at the balance sheet date, payables to employees represent the differences between the approved salary budget which was recorded as salary expenses and the actual salaries and bonuses paid to employees during the year.

23. SHORT-TERM DEFERRED PREMIUM

Short-term deferred premium represents amounts paid by customers in advance for insurance policies which have not been yet effective or paid in advance for following years/periods of multi-period effective insurance policies.

24. OTHER CURRENT PAYABLES

	Closing balance	Opening balance
	VND	VND
Union fee, social insurance, health insurance and unemployment insurance	396,699,180	1,355,599,867
Policyholders' protection fund	2,917,153,638	-
Short-term deposits received	147,000,000	42,000,000
Payables to internal member entities received on behalf	288,337,840	2,580,531,544
Dividend payables	-	91,155,816,250
Other payables	85,589,824,457	53,088,860,510
	89,339,015,115	148,222,808,171

25. UNEARNED COMMISSION INCOME

Unearned commission income represents commission income from outward reinsurance which will be allocated to the income statement in following years in accordance with Circular No. 232/2012/TT-BTC issued by the Ministry of Finance. Detailed changes during the year are as follows:

	Current year	Prior year
	VND	VND
Opening balance	84,315,663,492	83,168,848,073
Incurred in the year	138,787,069,605	140,412,114,388
Allocated in the year	(136,637,609,707)	(139,265,298,969)
Closing balance	86,465,123,390	84,315,663,492

26. TECHNICAL RESERVES

Claim reserve and unearned premium reserve:

	Closing balance			Opening balance		
	VND	VND	VND	VND	VND	VND
	Direct insurance and inward reinsurance [1]	Outward reinsurance [2]	Net reserves [3]=[1]-[2]	Direct insurance and inward reinsurance [4]	Outward reinsurance [5]	Net reserves [6]=[4]-[5]
Claim reserve	860,356,686,986	618,680,560,372	241,676,126,614	1,015,021,002,623	819,422,001,098	195,599,001,525
In which:						
- Reserve for claim requirements unsolved	792,266,858,660	588,430,019,799	203,836,838,861	959,981,835,233	794,028,794,717	165,953,040,516
- IBNR	68,089,828,326	30,250,540,573	37,839,287,753	55,039,167,390	25,393,206,381	29,645,961,009
Unearned premium reserve	1,295,233,096,919	410,465,958,473	884,767,138,446	1,216,269,937,357	319,341,604,863	896,928,332,494
	2,155,589,783,905	1,029,146,518,845	1,126,443,265,060	2,231,290,939,980	1,138,763,605,961	1,092,527,334,019

In detailed:

	Current year			Prior year		
	VND	VND	VND	VND	VND	VND
	Direct insurance and inward reinsurance [1]	Outward reinsurance [2]	Net reserves [3]=[1]-[2]	Direct insurance and inward reinsurance [4]	Outward reinsurance [5]	Net reserves [6]=[4]-[5]
Claim reserve						
Opening balance	1,015,021,002,623	819,422,001,098	195,599,001,525	549,348,785,298	383,484,003,529	165,864,781,769
Increase/(reversed) in the year	(189,310,432,834)	(231,410,389,606)	42,099,956,772	465,672,217,325	435,937,997,569	29,734,219,756
Other increase (*)	34,646,117,197	30,668,948,880	3,977,168,317	-	-	-
Closing balance	860,356,686,986	618,680,560,372	241,676,126,614	1,015,021,002,623	819,422,001,098	195,599,001,525
Unearned premium reserve						
Opening balance	1,216,269,937,357	319,341,604,863	896,928,332,494	1,303,360,615,722	365,257,451,724	938,103,163,998
Increase/(reversed) in the year	85,594,547,414	91,124,777,294	(5,530,229,880)	(87,090,678,365)	(45,915,846,861)	(41,174,831,504)
Other decrease (*)	(6,631,387,852)	(423,684)	(6,630,964,168)	-	-	-
Closing balance	1,295,233,096,919	410,465,958,473	884,767,138,446	1,216,269,937,357	319,341,604,863	896,928,332,494

(*) Other increase/decrease represent adjustments to increase/decrease technical reserves according to State authority's inspecting result during the year.

Catastrophe reserves

	Current year	Prior year
	VND	VND
Opening balance	97,623,553,698	104,414,661,723
Addition during the year	30,127,691,703	29,708,891,975
Used in the year	(50,000,000,000)	(36,500,000,000)
Closing balance	77,751,245,401	97,623,553,698

During the year, the Corporation has used catastrophe reserves for vehicle and marine insurance lines because total retained premium of these insurance lines after deducting unearned premium and claim reserves were not enough to cover total claim expenses for retention of the Corporation.

27. OWNERS' EQUITY

According to the Incorporation Certificate, the Corporation's charter capital is VND 913,540,378,000. The number of shares and par value are as follows:

	Closing balance	Opening balance
Number of shares issued to public	91,354,037	91,354,037
Common shares	91,354,037	91,354,037
Number of shares in circulation	91,354,037	91,354,037
Common shares	91,354,037	91,354,037

A common share has the par value of VND 10,000.

The Corporation has one class of ordinary share which carries no right to fixed dividends. The shareholders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the Shareholders' Meetings. All shares rank equally with regard to the Corporation's net assets.

The contributed charter capital is as follows:

	Contributed capital			
	Closing balance		Opening balance	
	VND	%	VND	%
State Capital Investment Corporation	463,173,480,000	50.70%	463,173,480,000	50.70%
AXA.SA - France	152,097,000,000	16.65%	152,097,000,000	16.65%
Firstland Company Limited	51,626,460,000	5.65%	51,626,460,000	5.65%
Bao Minh's staff and other shareholders	246,643,438,000	27.00%	246,643,438,000	27.00%
	913,540,378,000	100%	913,540,378,000	100%

Movement in owners' equity

	Owners' contributed capital VND	Share premium VND	Statutory reserve VND	Other owners' funds VND	Retained earnings VND	Total VND
Prior year's opening balance	913,540,378,000	974,943,696,449	73,173,469,646	28,085,153,439	181,418,829,794	2,171,161,527,328
Profit for the year	-	-	-	-	163,185,303,023	163,185,303,023
Dividends paid	-	-	-	-	(182,509,854,050)	(182,509,854,050)
Funds appropriation	-	-	8,159,265,151	-	(32,177,510,042)	(24,018,244,891)
Other decreases	-	-	-	-	(76,315,067)	(76,315,067)
Current year's opening balance	913,540,378,000	974,943,696,449	81,332,734,797	28,085,153,439	129,840,453,658	2,127,742,416,343
Profit for the year	-	-	-	-	162,302,812,041	162,302,812,041
Dividends paid	-	-	-	-	(198,220,750)	(198,220,750)
Funds appropriation	-	-	8,115,140,602	-	(55,608,413,240)	(47,493,272,638)
Other decreases	-	-	-	-	(420,698,510)	(420,698,510)
Current year's closing balance	913,540,378,000	974,943,696,449	89,447,875,399	28,085,153,439	235,915,933,199	2,241,933,036,486

According to Resolution of Shareholders' Annual General Meeting No. 1/2018-BM/DHDCD dated 24 April 2018, the shareholders of the Corporation have approved the plan of the 2017 profit after tax distribution. Details are as follows:

- Dividends paid by cash with rate 10% of charter capital, equivalent to VND 91,354,037,800. In 2017, the Corporation has declared dividends with rate 10% of charter capital and paid to shareholders in January 2018.
- Appropriation of the Bonus and welfare funds with an amount of VND 24,291,734,934.
- Appropriation of the Bonus to Board of Directors, Supervisors and Executive Officers with amount of VND 300,000,000.
- Appropriation of the Statutory reserve with an amount of VND 8,159,265,151 (this amount was recorded appropriately in the prior year's audited financial statements).

During the year, the Corporate has temporarily appropriated statutory reserve at the rate of 5% of profit after tax (equivalent to VND 8,115,140,602).

The final figures of dividends paid and appropriation of funds for year 2018 will be approved by the shareholders at Shareholders' Annual General Meeting in 2019.

27. SEGMENT REPORTING

The Corporation has assessed and decided not to prepare and present segment reports in the financial statements because the Corporation's main activities are insurance and capital investment in insurance activity. The profit and loss of investment are disclosed in the Corporation's financial income and expenses as stated in Notes 34 and 35 of the Notes to the financial statements. Geographically, the Corporation only provides services within Vietnam.

For above reasons, the Corporation has assessed and believed that the segment reporting has not been prepared and presented in the financial statements for the year ended 31 December 2018 is in accordance with Vietnamese Accounting Standard No. 28 - "Segment reporting" and the Corporation's current situation.

28. INSURANCE PREMIUM

	Current year VND	Prior year VND
Direct insurance premium	3,553,334,784,674	3,400,535,242,572
Direct insurance deductions (premium reduction, premium return)	(5,519,996,324)	(4,624,235,131)
Net direct insurance premium (1)	3,547,814,788,350	3,395,911,007,441
Inward reinsurance premium	486,064,510,998	432,134,143,681
Inward reinsurance deductions (premium reduction, premium return)	(5,517,031,371)	(3,472,472,528)
Net inward reinsurance premium (2)	480,547,479,627	428,661,671,153
(Decrease)/Increase in unearned premium reserve for direct insurance and inward reinsurance (3)	85,594,547,414	(87,090,678,365)
Total insurance premium (4)=(1)+(2)-(3)	3,942,767,720,563	3,911,663,356,959

In detail:

	Current year VND	Prior year VND
(1) Detail of direct insurance premium		
Fire and explosion insurance	656,860,217,860	591,046,666,593
Human insurance	1,095,276,138,921	1,224,062,143,066
Cargo insurance	193,153,762,181	159,225,897,685
Aviation insurance	17,903,791,276	20,082,019,804
Engineering insurance	184,733,835,251	200,194,522,655
Agriculture insurance	5,744,826,605	6,709,598,280
Marine insurance	161,997,510,469	213,096,462,977
Business interruption insurance	63,783,460,466	39,496,177,142
Credit insurance	345,035,291,568	53,470,661,122
Liability insurance	60,557,788,074	57,506,887,604
Vehicle insurance	762,768,165,679	831,019,970,513
3,547,814,788,350	3,395,911,007,441	

	Current year VND	Prior year VND
(2) Detail of inward reinsurance premium		
Fire and explosion insurance	230,363,358,924	220,556,564,149
Human insurance	30,881,518,035	30,513,720,028
Cargo insurance	156,517,373,827	90,233,759,073
Aviation insurance	3,208,505,599	21,963,034,368
Engineering insurance	30,728,371,251	31,024,286,109
Agriculture insurance	214,877,936	391,266,177
Marine insurance	13,230,852,343	16,468,113,554
Liability insurance	15,265,866,894	15,644,648,057
Vehicle insurance	136,754,818	1,866,279,638
480,547,479,627	428,661,671,153	

29. OUTWARD INSURANCE PREMIUM

	Current year VND	Prior year VND
Total outward reinsurance premium	1,015,593,097,111	853,683,482,647
In which:		
- Fire and explosion insurance	557,746,889,792	459,180,412,447
- Human insurance	5,530,301,999	2,392,675,878
- Cargo insurance	98,579,010,878	76,744,884,127
- Aviation insurance	18,463,952,921	19,343,658,032
- Engineering insurance	138,141,828,025	137,161,219,122
- Agriculture insurance	7,703,214,463	14,924,430,520
- Marine insurance	53,211,771,296	61,996,832,240
- Business interruption insurance	59,131,868,527	36,678,485,089
- Credit insurance	41,153,142,571	15,860,667,554
- Liability insurance	35,034,986,552	26,331,636,129
- Vehicle insurance	896,130,087	3,068,581,509
(Increase)/decrease in unearned premium reserve for outward reinsurance	(91,124,777,294)	45,915,846,861
	924,468,319,817	899,599,329,508

30. COMMISSION INCOME FROM OUTWARD REINSURANCE

	Current year VND	Prior year VND
Commission income from outward reinsurance	162,364,444,755	163,936,068,421
Deductions (commission income reduction and return)	(2,313,797,778)	28,283,233
	164,678,242,533	163,907,785,188

31. TOTAL INSURANCE CLAIM SETTLEMENT EXPENSES

	Current year VND	Prior year VND
Total claim settlement expenses of direct insurance and inward reinsurance	1,866,422,359,855	1,673,465,588,716
In which:		
- Claim settlement expenses of direct insurance (1)	1,551,386,934,297	1,424,226,897,260
- Claim settlement expenses of inward reinsurance (2)	315,035,425,558	249,238,691,456
Deductions (recoveries from third party, receipt of 100% claim for goods)	(10,271,710,751)	(23,159,804,747)
Claim recoveries from outward reinsurance (3)	(644,687,535,328)	(422,372,284,613)
(Decrease)/increase in claim reserve for direct insurance and inward reinsurance	(189,310,432,834)	465,672,217,325
Decrease/(increase) in claim reserve for outward reinsurance	231,410,389,606	(435,937,997,569)
Total insurance claim settlement expenses	1,253,563,070,548	1,257,667,719,112

In detail:

	Current year VND	Prior year VND
(1) Detail of claim settlement expenses of direct insurance		
Fire and explosion insurance	551,099,932,854	355,248,920,481
Human insurance	262,801,508,331	281,797,354,915
Cargo insurance	58,105,528,095	67,290,937,315
Aviation insurance	-	14,242,154
Engineering insurance	27,768,645,659	41,067,666,879
Agriculture insurance	-	(180,000)
Marine insurance	161,691,496,576	108,530,736,099
Business interruption insurance	1,948,416,426	542,445,049
Credit insurance	1,877,311,821	52,931,948,948
Liability insurance	3,837,922,674	7,341,567,617
Vehicle insurance	482,256,171,861	509,461,257,803
	1,551,386,934,297	1,424,226,897,260
	Current year VND	Prior year VND
(2) Detail of claim settlement expenses of inward reinsurance		
Fire and explosion insurance	158,900,143,614	130,039,574,021
Human insurance	27,248,018,612	23,358,634,293
Cargo insurance	83,537,260,948	44,679,912,271
Aviation insurance	1,217,532,603	7,376,579,586
Engineering insurance	26,319,383,485	23,927,499,561
Agriculture insurance	144,554,728	-
Marine insurance	10,960,131,512	13,715,657,789
Liability insurance	6,514,947,386	6,034,594,655
Vehicle insurance	193,452,670	106,239,280
	315,035,425,558	249,238,691,456
	Current year VND	Prior year VND
(3) Detail of claim recoveries from outward reinsurance		
Fire and explosion insurance	535,033,032,786	291,463,985,966
Cargo insurance	28,533,105,432	18,136,919,081
Aviation insurance	1,430,797,500	567,250,000
Engineering insurance	24,454,182,590	33,799,912,695
Marine insurance	51,098,453,971	28,634,564,408
Business interruption insurance	1,061,308,740	203,936,229
Credit insurance	1,362,354,513	47,724,090,162
Liability insurance	1,619,819,895	1,703,629,792
Vehicle insurance	94,479,901	137,996,280
	644,687,535,328	422,372,284,613

32. OTHER EXPENSES FOR INSURANCE ACTIVITIES

	Current year	Prior year
	VND	VND
Insurance commission expenses	519,666,813,267	561,484,268,088
Salary expenses	243,055,904,832	254,804,067,584
Office expenses	14,559,698,433	11,907,221,250
Depreciation and amortization expenses	8,816,759,667	9,718,422,805
Provision for doubtful debts	19,134,387,922	16,560,200,594
Out-sourced expenses	43,011,583,608	36,018,629,464
Fees and charges	6,944,168,139	8,939,327,389
Convention and advertising expenses	250,314,904,092	240,204,431,793
Transaction expenses	483,981,148,863	479,197,355,300
Expenses for training and supporting agency	94,736,924,759	110,406,262,137
Preventing and minimizing loss expenses	18,788,369,342	23,364,020,698
Donation to schools	15,524,004,012	13,160,622,262
Other expenses	42,275,548,504	35,651,637,736
	1,760,810,215,440	1,801,416,467,100

33. FINANCIAL INCOME

	Current year	Prior year
	VND	VND
Interest income from deposits at credit institution	150,367,238,865	136,426,314,916
Interest on bonds and commercial bills	7,461,425,661	13,489,940,000
Dividends income	8,986,302,694	23,048,682,044
Foreign exchange gain	9,968,384,607	18,906,197,706
Income from securities trading activities	52,071,341,143	41,067,541,177
Other financial income	1,153,278,180	15,329,420,840
	230,007,971,150	248,268,096,683

34. FINANCIAL EXPENSES

	Current year	Prior year
	VND	VND
Investment activities expenses	49,467,707,980	55,715,058,257
Foreign exchange loss	18,714,214,209	14,530,060,943
Provision for impairment of investments	32,330,302,453	545,955,341
Other financial expenses	9,046,808,971	2,894,333,777
	109,559,033,613	73,685,408,318

35. GENERAL AND ADMINISTRATION EXPENSES

	Current year	Prior year
	VND	VND
Staff costs	63,776,534,828	54,362,683,975
Management material expenses	2,866,869,539	3,848,092,942
Depreciation and amortization	6,675,858,679	7,980,743,188
Taxes, fees and charges	1,508,053,823	3,780,646,026
Out-sourced expenses	26,748,727,085	32,054,452,402
Other expenses	14,371,883,146	12,114,216,617
	115,947,927,100	114,140,835,150

36. CURRENT CORPORATE INCOME TAX EXPENSE

The current corporate income tax expense during the year was computed as below:

	Current year	Prior year
	VND	VND
Profit before tax	200,805,521,002	198,328,080,660
Add back: Non- deductible expenses	8,799,788,032	5,838,130,586
Less: Non-taxable profit	8,986,302,694	23,048,682,044
Taxable profit	200,619,006,340	181,117,529,202
Corporate income tax rate	20%	20%
Current corporate income tax expense	40,123,801,267	36,223,505,841

The Corporation is obliged to pay corporate income tax at the rate of 20% of its taxable profit. Current corporate income tax for the year ended 31 December 2018 was temporarily calculated based on the operation result of the Corporation during the year. It will be ultimate determination depends on the results of government authorities' examination.

37. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated as follow:

	Current year	Prior year
	VND	(Restated) VND
Profit after corporate income tax	162,302,812,041	163,185,303,023
Decreasing adjustments in accounting profit to determine profit attributable to ordinary shareholders:		
- Appropriation of bonus and welfare funds, bonus fund for Boards of Directors and Supervisors (i)	23,201,537,704	24,291,734,934
Profit attributable to ordinary shareholders	139,101,274,337	138,893,568,089
Average ordinary shares in circulation for the year	91,354,037	91,354,037
Basic earnings per share	1,523	1,520

(i) The 2017 appropriation of bonus and welfare funds was restated by amount approved by the Resolution of Annual General Shareholders' Meeting No. 1/2018-BM/DHDCD dated 24 April 2018. The appropriation of bonus and welfare fund of current year was estimated equal to prior year figures for comparative purpose. The final current year's appropriation of bonus and welfare fund, will be approved by Annual General Shareholders' Meeting 2019.

38. OPERATING LEASE COMMITMENTS

	Current year	Prior year
	VND	VND
Minimum lease payments under operating leases recognised in the income statement during the year	12,588,333,580	12,410,223,527

At the balance sheet date, the Corporation had outstanding commitments operating leases, which fall due as follows:

	Closing balance	Opening balance
	VND	VND
Within one year	10,075,622,127	12,410,223,527
In the second to fifth year inclusive	6,183,886,215	15,727,549,846
	16,259,508,342	28,137,773,373

Operating lease payments represent land and office rentals from 1 year to 5 years.

39. SOLVENCY MARGIN

The solvency margin is the difference between the assets value and liabilities at the time of calculation of the solvency margin. The calculation of solvency margin of the Corporation bases on the guidance of Circular 50.

The following table shows the calculation of the minimum solvency margin and the solvency margin of the Corporation. The Insurance Supervisory and Authority - Ministry of Finance care for protecting the interests of insured and constant monitoring to ensure that insurance enterprises operate effectively in association with the interests of the insured. Beside that, the Insurance Supervisory and Authority - Ministry of Finance is also care for ensuring that insurance enterprises could maintain adequate liquidity to meet their insurance obligations beyond forecast due to economic downturn or natural catastrophe.

	Closing balance VND	Opening balance VND
I. Solvency margin (I=(1)-(2)-(3)-(4))	1,393,956,767,211	1,399,153,979,571
1. Difference between the value of assets and liabilities	2,241,933,036,486	2,127,742,416,343
2. Less the assets are fully accepted their accounting value	-	-
3. Less the assets are partly excluded their accounting value	333,765,071,141	286,329,034,541
4. Less the assets are fully excluded their accounting value	514,211,198,134	442,259,402,231
II. Minimum of solvency margin [II=Greater value of (a) and (b)]	753,192,292,717	742,722,298,987
(a) 25% of total retained premium	753,192,292,717	742,722,298,987
(b) 12.5% of total direct premium and inward reinsurance premium	503,545,283,497	478,071,584,824
III. Comparison between (I) and (II)		
In amount	640,764,474,494	656,431,680,584
In percentage	185%	188%

40. FINANCIAL INSTRUMENTS

Capital risk management

The Corporation manages its capital to ensure that the Corporation will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Corporation consists of cash and cash equivalents and equity attributable to shareholders (comprising owners' contributed capital, share premium, statutory reserve, other owners' funds and retained earnings).

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 4.

Categories of financial instruments

	Carrying amounts		Fair value	
	Closing balance	Opening balance	Closing balance	Opening balance
	VND	VND	VND	VND
Financial assets				
Cash and cash equivalents	161,317,627,176	183,614,229,316	161,317,627,176	183,614,229,316
Trade and other receivables	1,116,612,155,400	953,215,210,953	(*)	(*)
Short-term financial investments	2,069,739,158,189	1,947,310,602,864	2,069,739,158,189	1,947,310,602,864
Claim reserve for outward reinsurance	618,680,560,372	819,422,001,098	(*)	(*)
Long-term financial investments	195,615,300,000	330,615,300,000	(*)	(*)
	4,161,964,801,137	4,234,177,344,231	(*)	(*)
Financial liabilities				
Trade and other payables	670,835,198,317	684,534,457,707	(*)	(*)
Claim reserve for direct insurance and inward reinsurance	860,356,686,986	1,015,021,002,623	(*)	(*)
Deposits received	166,368,730	156,368,730	(*)	(*)
	1,531,358,254,033	1,699,711,829,060	(*)	(*)

(*) Fair value of these financial assets and financial liabilities could not be determined due to no comprehensive guidance under Vietnamese Accounting Standards and Vietnamese Accounting Systems on determination of financial instruments' fair value.

On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC ("Circular 210") guiding the application of international accounting standards on presentation of financial statements and disclosures of financial instruments, however, Circular 210 does not have equivalent guidance for the recognition and measurement of financial instruments, including application of fair value, in accordance with International Financial Reporting Standards.

Financial risk management objectives

The Corporation has set up risk management system to identify and assess the risks exposed by the Corporation and designed control policies and procedures to manage those risks at an acceptable level. Risk management system is reviewed on a regular basis to reflect changes in market conditions and the Corporation's operations.

Financial risks include market risk (including foreign currency risk, interest rate risk and share price risk), credit risk, liquidity risk and insurance risk.

Market risk

The Corporation's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and share price. The Corporation does not hedge these risk exposures due to the lack of active market for the trading activities financial instruments.

Foreign currency risk management

The Corporation undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Corporation is not active to take initiative on change and effects. The solution of the Corporation is to avoid the effects or balance the adverse effects.

Interest rate risk management

The Corporation's interest-bearing financial assets can be found in Note 5, Note 6 and Note 18. The Corporation's policy is to maintain cash, cash equivalents and short term and long-term investments at fixed interest rates.

Share price risk management

Shares held by the Corporation are affected by market risks arising from the uncertainty about future prices of such shares. The Corporation manages this risk exposed by setting up investment limits. The Corporation's Board of Executives also assesses and approves decisions on share investments such as operating industry, investees, etc. The Corporation assesses the share price risk to be insignificant.

The Corporation is also exposed to equity price risks arising from investments in joint ventures and other long-term investments. The Corporation's Board of Executives assesses and approves decisions on investments in subsidiaries and associates such as operating industry, investees, etc. Investments in joint-venture and other long-term investments are held for long-term strategic investments rather than trading purposes. The Corporation does not have intention to trade these investments in the foreseeable future.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Corporation does not have any significant credit risk exposure to any counterparty because receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Liquidity risk management

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any year is kept to manageable levels relative to the amount of funds that the Corporation believes can generate within that year. The Corporation policy is to regularly monitor current and expected liquidity requirements to ensure that the Corporation maintains sufficient reserves of cash and adequate committed funding from its shareholders to meet its liquidity requirements in the short and longer term.

The following table details the Corporation's remaining contractual maturity for its non-derivative financial assets and financial liabilities with agreed repayment years. The inclusion of information on non-derivative financial assets is necessary in order to understand the Corporation's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Less than 1 year	From 1-5 years	Total
	VND	VND	VND
Closing balance			
Cash and cash equivalents	161,317,627,176	-	161,317,627,176
Trade and other receivables	1,104,236,994,171	12,375,161,229	1,116,612,155,400
Short-term financial investments	2,069,739,158,189	-	2,069,739,158,189
Claim reserve for outward reinsurance	618,680,560,372	-	618,680,560,372
Long-term financial investments	-	195,615,300,000	195,615,300,000
	3,953,974,339,908	207,990,461,229	4,161,964,801,137
Trade and other payables	677,439,585,259	-	677,439,585,259
Claim reserve for direct insurance and inward reinsurance	860,356,686,986	-	860,356,686,986
Deposits received	-	166,368,730	166,368,730
	1,537,796,272,245	166,368,730	1,537,962,640,975
Net liquidity gap	2,416,178,067,663	207,824,092,499	2,624,002,160,162
	Less than 1 year	From 1-5 years	Total
	VND	VND	VND
Opening balance			
Cash and cash equivalents	183,614,229,316	-	183,614,229,316
Trade and other receivables	941,224,296,680	11,990,914,273	953,215,210,953
Short-term financial investments	1,947,310,602,864	-	1,947,310,602,864
Claim reserve for outward reinsurance	819,422,001,098	-	819,422,001,098
Long-term financial investments	-	330,615,300,000	330,615,300,000
	3,891,571,129,958	342,606,214,273	4,234,177,344,231
Trade and other payables	684,534,457,707	-	684,534,457,707
Claim reserve for direct insurance and inward reinsurance	1,015,021,002,623	-	1,015,021,002,623
Deposits received	-	156,368,730	156,368,730
	1,699,555,460,330	156,368,730	1,699,711,829,060
Net liquidity gap	2,192,015,669,628	342,449,845,543	2,534,465,515,171

The Board of Executives assessed the liquidity risk at low level. The Board of Executives believes that the Corporation will be able to generate sufficient funds to meet its financial obligations as and when they fall due.

Insurance risk

The risk under any insurance policy is the possibility that the insured event occurs and the treaty agreement uncertainty of the amount of the resulting claim. As the nature of an insurance policy, this risk is random and therefore unpredictable.

To achieve risk management objectives, the Corporation has established and applied strict policies on all operation processes including underwriting, reinsurance, loss survey and claim settlement.

In underwriting operation, the Corporation has diversified the insurance risks through individual customers and retail channels. Furthermore, the Corporation applies risk selective criteria. It pays special attention to insurance risks with high probability of claims or potential fraud. Besides, the Corporation also has enhanced cumulative risk evaluation and established regulations on insurance acceptance for difference product categories, for each location in order to diversify risks and avoid cumulative risk.

The Corporation has revised the premium rate for each risk categories based on analysis of the loss experience and trends of risks, inflation, competition and change in regulations. With high loss rate and expenses categories, the Corporation only accepts to enter the insurance policy with higher premium or limited insurance coverage or increased deductible amount. The Corporation also increased the insurance acceptance rate for low risk group to increase market share and revenue.

Loss assessment and claim settlement have been executed at two levels. The large and complicated losses are handled and settled at Head Office. Small and less complicated ones which the member companies have experience in receiving and settling are handled at branch level. The Corporation has also enhanced claims processing and compensation procedure to avoid the additional risks that may arise such as: exchange rate, additional claim cost, inflation, ethics risks, etc.

41. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties:

Related party

State Capital Investment Corporation
AXA.SA – France
United Insurance Company (UIC)

Relationship

Major shareholder
Major shareholder
Joint-venture

During the year, the Corporation has significant transactions with related parties as below:

	Current year VND	Prior year VND
Outward reinsurance premium		
AXA.SA - France	19,730,714,090	17,472,196,936
Inward reinsurance premium		
United Insurance Company	135,791,617,441	112,156,949,299
Commission income from outward reinsurance		
AXA.SA - France	1,401,746,678	1,318,651,816
Commission expenses to inward reinsurance		
United Insurance Company	41,444,768,034	32,480,345,640
Dividends paid		
State Capital Investment Corporation	46,317,348,000	46,317,348,000
Firstland Co., Ltd.	5,162,646,000	5,162,646,000
AXA.SA - France	15,209,700,000	15,209,700,000
Dividends received		
United Insurance Company	-	14,435,000,000

Remuneration paid to the Corporation's Boards of Directors, Executives and Supervisors during the year was as follows:

	Current year VND	Prior year VND
Salaries and benefits in kind	15,620,129,958	6,861,508,002

Significant related party's balance as at balance sheet date is as follows:

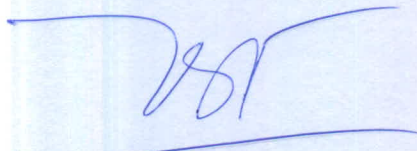
	Closing balance VND	Opening balance VND
Receivables		
United Insurance Company	22,797,271,684	15,360,717,531
Payables		
United Insurance Company	7,715,132,740	4,088,090,345
AXA.SA - France	4,651,575,010	3,455,651,539

42. GENERALLY ASSESSMENT OF FINANCIAL SITUATION

Items	Unnit	Closing balance	Opening balance
1. Arranging asset structure and capital structure			
1.1. Arranging asset structure			
- Current assets/Total assets	%	84.75	81.86
- Non-current assets/Total assets	%	15.25	18.14
1.2. Arranging capital structure			
- Liabilities/Total resources	%	59.08	60.89
- Equity/Total resources	%	40.92	39.11
2. Liquidity			
2.1. Current liquidity	times	1.43	1.34
2.2. Quick liquidity	times	1.35	1.27
3. Profitability ratios			
3.1. Profit margin			
- Profit before tax/Net revenue	%	6.31	6.24
- Profit after tax/Net revenue	%	5.10	5.14
3.2. Return on assets ratios			
- Profit before tax/Total assets	%	3.67	3.65
- Profit after tax/Total assets	%	2.96	3.00
3.2. Return on equity ratio	%	7.24	7.67



Sai Van Hung
Preparer



Le Minh Tri
Chief Accountant



Le Van Thanh
Chief Executive Officer
31 March 2019