



**BAOVIET
TOKIO MARINE**
INSURANCE

ANNUAL
REPORT
2018

CONTENTS

03	Message from General Director
05	Overview - Mission - Vision - Core Value
06	History
07	Corporate Profile
08	Management Team
10	Products & Services
14	Financial Highlights
15	Corporate Social Responsibility
16	Audited Financial Statements
	General information
	Balance sheet
	Income statement
	Cash flow statement
	Notes to the financial statements





MESSAGE FROM GENERAL DIRECTOR

First of all, I would like to extend my sincere gratitude to all of our stakeholders for continued trust and support to our Bao Viet Tokio Marine Insurance Company (BVTM) during the past year. Thanks to such tireless contribution of all concerned, we could have a successful achievement in 2018 in terms of both top and bottom line business targets.

At the end of fiscal year 2018, our total Gross Written Premium reached VND 666,210 million, achieving 116.8% of 2018 business plan and increasing by 31.9% compared to last year result. At the same time, both Underwriting Profit and Profit before Tax results were equivalent to 112.2% and 112.5% compared to 2017 respectively, showing our strong efforts in monitoring the result of our portfolio and our operating expenses.

In order to achieve such positive results, the Company have been working at its best under our core identity of "To be a Good Company in Vietnam" to fulfill 2018 corporate initiatives and business innovations for the enhancement of operation efficiency as well as corporate culture.

The Vietnamese economy grew by 7.08% in 2018, the fastest rate in the past 11 years and beating the target of 6.7%, and posted a total foreign direct investment (FDI) of US\$35.46 billion in 2018, equivalent to 98.8% of the 2017 period. In

2018, 112 countries and territories invested in Vietnam, of which, Japan was the largest investor in Vietnam with a total investment of US\$8.59 billion, accounting for 24.2% of the total investment capital, and the number of investments also showed big increase from 1,025 in 2017 to 1,215 in 2018.

In order to support our customers' success in Vietnam, we have improved not only our insurance products, but also our Engineering services, to support them mitigate their variety of risks. 150 loss control surveys & risk management trainings were conducted in 2018, which served as an effective tool to support clients in reviewing any risk exposure and developing appropriate loss prevention measures.

Besides, we steadily implemented productivity and corporate governance improvement projects by streamlining internal process to deliver the fast and fair service as well as claims settlement to all clients.

In fact, the local insurance market is going to experience significant changes in the rapid development of technology, business environment and the progress of globalization in the coming years. As a result, we are committed to continue to develop more innovative insurance products as well as

strengthen our services to provide better experience and security solutions to our customers. We have established and defined our targeted “Japan Quality” in the beginning of 2018, and in order for all BVTM member to realize such commitment, I have delivered my message to them again through our corporate annual conference at the beginning of 2019 to take challenge to improve our “Japan Quality” by focusing on embedding and improving below five qualifications so that BVTM could deliver better and higher values to our clients:



- Speed - *Important element with our top priority*
- Accuracy - *Our minimum service standard*
- Professionalism - *Our pride never to be compromised*
- Sincerity - *Basis of our ethics*
- Security - *Reason for our existence*

As we are working to achieve this, I would highly appreciate your continued support our endless journey to bring about safety and security to clients and society.

A handwritten signature in black ink, consisting of four characters in Japanese: 前, 圭, 秀, 明.

Hideaki Maeomote
General Director

OVERVIEW

Established in 1996, Bao Viet Tokio Marine (previously known as Vietnam International Assurance Company – VIA) was the first foreign insurance investment joint-venture in Vietnam with its current partners being Baoviet Holdings – a leading Finance-Insurance group in Vietnam and Tokio Marine - a leading giant insurance group in Japan. Baoviet Tokio Marine provides non-life insurance products and services for all international and domestic clients including both organizations and individuals in accordance with Viet Nam's Law.

MISSION

BVTM will be the BEST QUALITY insurance company in Vietnam through providing excellent products, services & delivering satisfaction to all stake holders with sustainable growth.

VISION

- Expanding business to strengthen "Corporate Value"
- Being a respected company
- Being a happy place to work

CORE VALUE



Social responsibility

- Be a good cooperate citizen in vietnam
- Strong commitment for vietnamese society & development



Customer oriented

- Customer oriented
- Stand on the customer side
- Listen to customer's voice sincerely
- Protect customer's benefits



Professionalism

- High level expertise
- Proactive
- Be responsibility



Teamworking

- More effective cooperation to bring the best & promptest resolution as "BVTM family"
- Enhance communication
- Imagine other staff situation

HISTORY

05 AUG 1996 —

Vietnam International Assurance Company (VIA) was established by 3 shareholders: Bao Viet (51%), Commercial Union (24.5%) and Tokio Marine (24.5%), being the very first insurer with foreign investment in Vietnam. The Company had the legal capital of USD 6,000,000 and was based in Ho Chi Minh City
10 PEOPLE

— **19 DEC 1997** —

Hanoi Branch Office was established and started market penetration in the North of Vietnam

09 JAN 2002 —

Tokio Marine purchased the shares of Commercial Union. Since then, the capital ratio has been 49% from Tokio Marine and 51% from Bao Viet
18 PEOPLE

— **14 JAN 2009** —

The Chartered capital was VND 300,000,000,000. The Company acquired full business license to provide insurance services to all clients in Vietnam

76 PEOPLE

25 MAY 2009

A Representative Office was established in Da Nang

76 PEOPLE

04 SEP 2009

Head Office was relocated to Hanoi

76 PEOPLE

10 SEP 2010 —

Vietnam International Assurance Company was renamed to "Baoviet Tokio Marine Insurance Joint Venture Company"
79 PEOPLE

— **24 APR 2012** —

A Representative Office was established in Hai Phong

91 PEOPLE

01 JULY 2013 —

The company has changed its name from Bao Viet Toiko Marine Insurance Joint Venture Company into Bao Viet Tokio Marine Insurance Company Limited
99 PEOPLE

— **08 JULY 2016** —

Tokio Marine increased share in BVTM from 49% to 51%.

2019 —

23 years of development

CORPORATE PROFILE

Name BAO VIET TOKIO MARINE INSURANCE COMPANY LIMITED

Establishment 1996

Address

- **Head Office** Room 601, 6th Floor, Sun Red River Building,
23 Phan Chu Trinh Street, Hoan Kiem District, Hanoi, Vietnam
- **Branch Office** 19th Floor, Green Power Building,
35 Ton Duc Thang, Dist. I, Ho Chi Minh City, Vietnam
- **Rep. Office**

Da Nang: Room 503, 5th Floor, Thanh Loi Building,
135 Nguyen Van Linh, Thanh Khe Dist., Danang City

Hai Phong: Lot B2, 2nd Floor, Harbor View Building,
12 Tran Phu, Ngo Quyen, Hai Phong, Vietnam

Charter capital VND 300,000,000,000

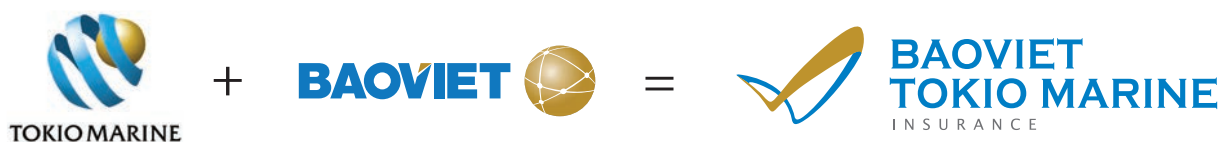
Capital Contributors

Tokio Marine Asia Pte. Ltd 51%
Bao Viet Holdings 49%

Members' Council

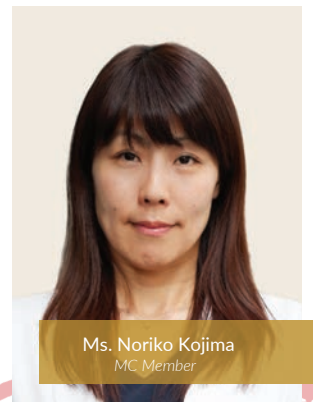
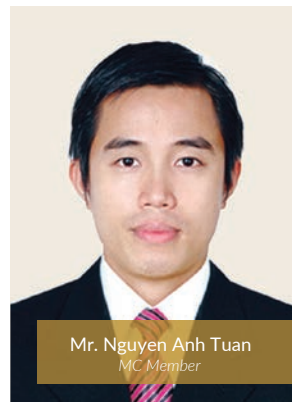
- **Chairman** Mr. Nguyen Quang Phi
- **Members** Mr. Shinkichi Mike Miki- Vice Chairman
Mr. Hideaki Maeomote -MC Member and General Director
Mr. Ha Vu Hien - MC Member
Mr. Nguyen Anh Tuan - MC Member
Mr. Noriko Kojima - MC Member

Trademark

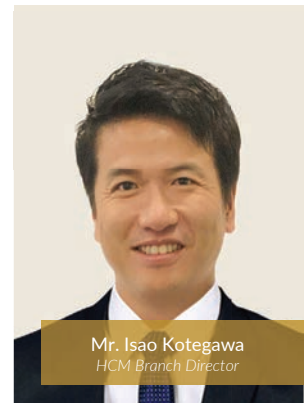
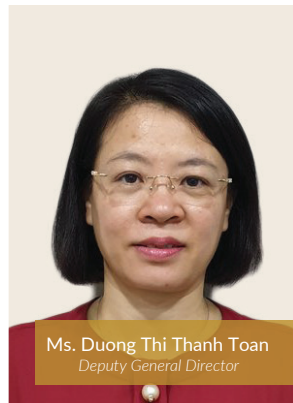


Tokio Marine Asia Pte. Ltd, the Asia – Pacific Regional Head Quarter of Tokio Marine Holdings – a top-tier global insurance group in Japan with overseas offices located in 486 cities in 39 countries and more than 33,829 employees. Bao Viet Holdings (BVH), one of the leading and longest serving financial insurance group in Vietnam with Over 168 branches, over 700 transaction offices in 63 cities & provinces in Vietnam and more than 6,000 employees and 45,000 agents nationwide.

MEMBERS' COUNCIL



MANAGEMENT TEAM





PRODUCTS & SERVICES

PRODUCTS

MARINE CARGO INSURANCE



More than 100 years of experience in Marine Cargo insurance of Tokio Marine Group enables us to perfectly understand your needs and design our Marine Cargo Insurance product, basing on standard Institute Cargo Clauses (A), (B) or (C), to best protect your cargo against physical losses, expenses and damages during transit, including but not limited to following special features:

- Stock throughput policy
- Designated worldwide master policy for Multinational transport cargo

On the other hand, the broad network of as many as 250 Claims Setting Agents throughout the world of Tokio Marine Group allows us to provide response quickly and effectively when your goods suffer loss or damage

PROPERTY INSURANCE



We write property insurance for a wide range of customers, from smaller business owners to large corporations to provide your business with the comprehensive insurance coverage from property's damage as well as any business interruption loss caused by fire, natural disaster, or other damage with sudden occurrence.

With a broad suite of products in the insurance industry, a team of experiment risk engineering, property underwriting and claims professionals and our property solution, we are committed to helping you prevent loss and recovery quickly and manage property risks confidently and effectively.

ENGINEERING INSURANCE



Mechanical and electrical contracts for the construction of buildings, towers, erectors of platforms, etc. are complex projects and exposed to accidental or unforeseen loss, damage or liability during the construction or erection period, as well as equipment and electronic damage or loss. A suitable insurance cover should provide the peace of mind to the owner of the project as well as to the contractor. You can rely on our Innovative and Comprehensive Engineering Protection which is categorized into two branches:

- Project Engineering:
 - Construction All Risks Insurance
 - Erection All Risks Insurance
- Non Project Engineering:
 - Machinery Breakdown Insurance
 - Electronic Equipment Insurance
 - Others

Tailor-made policies can be designed to meet your specific demands.

MOTOR INSURANCE



With our insurance policy, your vehicles will receive the comprehensive protection including the physical damage, third party liability and also the personal accident for the motorists due to any accidents that they might cause or be involved in. Buying insurance means You will not be worry about the risks like an accident, fire which suffer and cause an injury or death. In additional, we also offer you the broader coverage with the best benefits:

- Partial Theft Coverage
- Damaged vehicles to be repaired at Authorised Nominated Garage
- Water Damage Coverage
- Car Substitution Expense while your car is kept by
- The police for accident investigation

LIABILITY INSURANCE



Since the liability insurance has become increasingly popular with an increasing number of liability lawsuits being filed ever year, we have developed our Liability Insurance to provide important coverage that organizations need in today's challenging times. This policy shall indemnify you in respect of your legal liability to someone who suffers:

- Bodily injury
- Loss of or damage to property

We will pay the amount of any court award or reasonable negotiated "out of court" settlement plus costs and expenses arising in connection with the claim and other expenses which have been incurred.

Besides, the Company has also developed "Premise pollution liability insurance" which is to offer organizations against various premise-based risks.

PERSONAL ACCIDENT INSURANCE



In daily life, an accident could be just around the corner and could come at the most unexpected time. You can minimize these unforeseen events by choosing the suitable insurance coverage from our Personal Insurance products. This will ensure you and your family members, your employees, etc. to have the best protection against the unfortunate accident. The coverage can be included all cases of injury caused by accident for:

- Death or Permanent Disablement
- Temporary Disablement
- Medical Expenses

WORKERS' COMPENSATION INSURANCE



Almost every company from small size with a few loyal employees to large chains with many employees at any level, workers' compensation insurance is always necessary. This insurance does not only provide the compensation to your staff but also protect you, the employer, from the legal liability against your employee benefits. For this reason, our Workers' Compensation Insurance is designed to indemnify for death or disability arising from the bodily injury caused by accident or disease in the course of employment.

In additional, we help you reduce your workers' compensation costs by providing the Safety Training for the employees and keep the indemnification costs in line with the best practices for growing your workforce.



WELLCARE INSURANCE

Insurance for company's employees & their family



Wellcare is a family-friendly health insurance package specially developed by Bao Viet Tokio Marine with medical assistance offered by Wellbe - a company with many years of experience in medical support services for Japanese in Vietnam.

The package offers sound protection and contributes to employees and their families' physical, emotional and financial well-being with below major benefits:

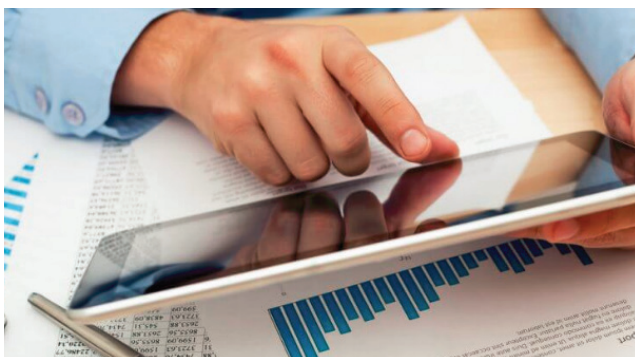
- Health counselling service provided by Wellbe from 9:30 to 17:00 weekdays
- Incentives to register for Wellbe periodic health check-up at associated private clinics
- Report on hospitalization status
- Four different flexible insurance package options



TRADE CREDIT INSURANCE



Together with Marine Cargo Insurance, Trade Credit Insurance is the protector for manufacturing and trading companies during transactions with their customers. While Marine Cargo Insurance covers the physical loss/damages to the cargo during transit and before reaching the buyer, Trade Credit Insurance protects the sellers from non-payment exposures. This insurance works much more efficiently than traditional methods of seller-protectors such as L/C due to its simplicity and wider protection.



TRAVEL MATE INSURANCE



The product is developed to provide a comprehensive protection to our clients traveling abroad for various purposes like business, holidays, study... No matter what type of travel you may take, our travel mate insurance ensures you a safe and secured trip with a lot of benefits including wide coverage, flexible premium packages and 24hour support call center which offers clients support at any time in any case worldwide.

Our Travel Mate product offers below types of coverage:

- Personal Accident;
- Medical Expenses;
- Travel Assistance;
- Other Extensions;



SPECIALTY INSURANCE



Responding to new risk exposures in the increasingly fluctuating world of business nowadays, we also developed new insurance products to protect our clients of all sizes in various industries. For the past two years, there are several packages of specialized insurance designed to meet our clients' arising demand:

Directors & Officers Liability

D&O insurance protects personal assets and liability of directors, officers and senior personnel against claims arising from wrongful acts or decisions made in their business capacity, including but not limited to:

- Accounting irregularities
- Mergers and acquisitions
- Insolvency-related proceedings (wrongful trading/disqualification)
- Employment-related claims
- Corporate manslaughter/breaches of health and safety legislation
- Environment liability
- Breaches of competition law

Cyber Security Insurance

Our cyber insurance is designed to protect companies that may face different kinds of risks including but not limited to computer attacks, operational errors, network outages or data breaches...Coverage may include both third party liability such as failure to properly handle, manage, store or destroy data; transmission of a virus; defamation or first party liability such as notification costs; data breach, forensic, security and crisis management services.

Bankers Blanket Bond and Electronic Computer Crime Insurance

The BBB & ECC is a protection for financial organizations against any losses incurred as a direct result of fraud, theft, forgery of employee or changes to the Computer System, electronic data, and fax machines with fraudulent purposes that result in financial loss of the Assured.

Environmental liabilities, either suddenly or gradually occurred, could impact almost any business operations & responsibility. The premise pollution liability insurance is to offer protection to companies/organizations against various premise-based risks.

Main coverages may include own site clean-up costs; off site clean-up costs; third party claims for bodily injury & property damage; emergency response costs and legal defence cost.
etc.

MISCELLANEOUS INSURANCE:

Other than our main insurance products, many different types of insurance now are available in our Miscellaneous Insurance category which gives you an additional security to your existing insurance. Miscellaneous Insurance provides the diversified coverage such as:

- Office Multi Risk Insurance,
- Money Insurance,
- Fidelity Insurance,
- Golfer Insurance,
- etc.



SERVICES

The company has a Specialized Risk Engineering Team for property risk. This team is fully backed up and supported by Risk Engineering Service of Tokio Marine Asia Pte. Ltd. Apart from risk assessment service, the team also offers Loss Control Report for the Insureds both in English or Vietnam languages.

Safety Training course will be operated by Safety Engineers, who have experience safety management in various fields including hands-on experience with chemical industry, paint manufacturing, food industry, pharmaceutical, steel manufacturing, furniture manufacturing and semi-conductor & electronics industries.

RISK SURVEY

As an added-value service, we regularly conduct risk surveys to help our customers identify risk exposures that may exist in their premises, whereby giving appropriate recommendations for the loss prevention and mitigation purpose.



SAFETY TRAINING

The purpose of the basic safety courses is to increase safety awareness for everyone working in your factory of the various existing on-site hazards, and how to recognize and avoid them.



LOSS PREVENTION TRAINING/ SEMINARS

The purpose of Loss Prevention seminars is to enhance the awareness of property loss prevention within an organization and to provide assistance to the insured in achieving risk improvement.



FINANCIAL HIGHLIGHTS

2018 Result

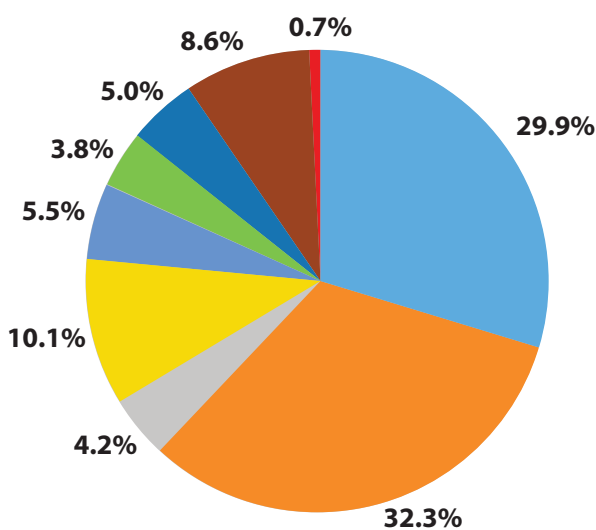
Financial results at the end of 2018 were relatively positive with major Key Performance Indicators achieving stable growth.

Total Gross Written Premium reached VND 666,209 million which is equivalent to 132% compared to previous year figure and contributed to a sustainably upward trend over the past five years. Operating revenue reached VND 322,540 million achieving 113.4% compared to previous year result.

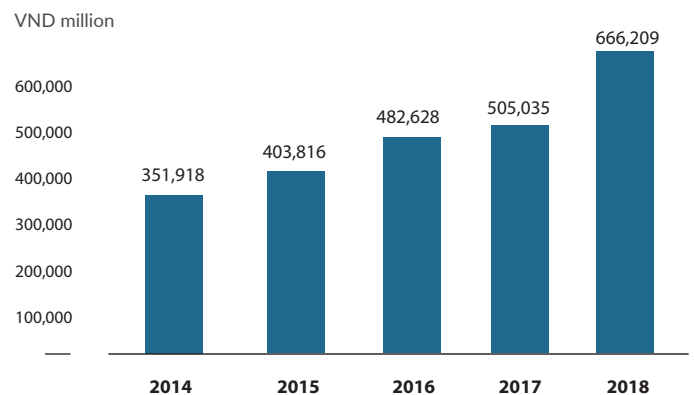
Thanks to efficient expense management, profitability was achieved at good result of VND 93,772 million, which is 112.4% of 2017 figure.

No.	Index	2018	2017	Change
1	Gross revenue	368,909,964,854	325,117,966,371	113.5%
	Total operating revenue (*)	322,540,600,091	284,410,495,370	113.4%
	Financial revenue	46,266,756,878	39,560,561,912	117.0%
	Other revenue	102,607,885	1,146,909,089	8.9%
2	Expense	250,488,941,491	88,383,031,655	283.4%
	Insurance related expense	156,527,447,835	131,471,048,673	119.1%
	Financial activities expense	2,119,380,503	2,060,617,028	102.9%
	Management expense	91,784,180,348	86,301,263,503	106.4%
	Other expense	57,932,805	21,151,124	273.9%
3	Profit before Tax	118,421,023,363	105,263,886,043	112.5%
4	Corporate Income Tax	24,649,006,017	21,858,407,873	112.8%
5	Profit after Tax	93,772,017,346	83,405,478,170	112.4%

GWP By Line in 2018



GWP Over 5 Years 2013 - 2018



FIRE MARINE ENG PA MOTOR

TRADE CREDIT LIA WCA OTHERS

CORPORATE SOCIAL RESPONSIBILITY

On the endless path to pursue one of BVTM core values of being a socially responsible corporate citizen to contribute to the sustainability of Vietnamese society, the Company has successfully conducted its annual Corporate Social Responsibility (CSR) project in 2018.

Environment Protection Project - Mangrove plantation trip in Quang Ninh province.

Participating in mangrove planting project is one of traditional environmental protection activities of Bao Viet Tokio Marine Insurance Company. Supported by the Mangrove Ecosystem Research Division – Centre for Natural Resource & Environmental Study of Vietnam, the project was conducted in Sept. 2019 to contribute to preservation of local biodiversity and protection of natural environment.

Over three-day campaign in Tien Yen commune – Quang Ninh province, mangrove trees were planted over 900 hectares throughout the region. The activity was also a good chance of culture exchange for Tokio Marine global volunteers and BVTM staffs as well as improving awareness of green attitudes and actions towards a sustainable green environment for all participants involved in the program.



Charity Project – Run for Charity by Japanese Business Association of Hochiminh City.

Besides, in December the Company also participated in the Charity Run activity organized by the Japanese Business Association of Hochiminh City to contribute to the donation fund for the medical treatment of the disabled children in local hospitals. It's considered not only a meaningful charity activity but also an opportunity to promote the heroic efforts, integrity and sports spirit for all company members.



BAOVIET TOKIO MARINE INSURANCE COMPANY LIMITED

FINANCIAL STATEMENTS

General information	17
Report of the Members' Council	19
Independent auditors' report	20
Balance sheet	21 - 24
Income statement	25 - 27
Cash flow statement	28 - 29
Notes to the financial statements	30 - 73



GENERAL INFORMATION

THE COMPANY

Baoviet Tokio Marine Insurance Company Limited ("The Company") was formerly a joint-venture among Bao Viet Holdings, Commercial Union Assurance Company Plc and Tokio Marine and Fire Insurance Co., Ltd. The Company was established under the Investment Licence No. 1639/GP issued by the Ministry of Planning and Investment on 5 August 1996. Establishment and Operation License No. 65/GP/KDBH was issued by the Ministry of Finance on 1 July 2013 and subsequent amendments as follows:

Amendment license No.	Date
65/GPDC1/KDBH	08 July 2016
65/GPDC2/LDBH	19 April 2018

Main activities of the Company are to provide general insurance products, reinsurance, loss survey, investing activities and other business operations that are in line with prevailing laws and regulations.

The Company's head office is located at Room 601, 6th Floor, The Sun Red River Building, 23 Phan Chu Trinh, Hoan Kiem District, Hanoi. The branch is located at Room 3, 19th Floor, Green Power Building, 35 Ton Duc Thang, District 1, Ho Chi Minh City.



MEMBERS' COUNCIL

The members of Members' Council during the year and at the date of this report are:

Name	Position	Date of appointment/resignation
Mr. Nguyen Quang Phi	Chairperson	Appointed on 15 January 2019
Ms. Than Hien Anh	Chairperson	Resigned on 13 September 2018
Mr. Shinjiro Hamada	Vice Chairperson	Appointed on 01 October 2017
Mr. Toru Sanada	Member	Appointed on 01 April 2017
Mr. Ha Vu Hien	Member	Appointed on 16 September 2003
Mr. Nguyen Anh Tuan	Member	Appointed on 20 March 2006
Mr. Hideaki Maeomote	Member	Appointed on 20 April 2017

MANAGEMENT

The members of the Management during the year and at the date of this report are:

Name	Position	Date of appointment/resignation
Mr. Hideki Mishima	General Director	Appointed on 20 April 2017
Ms. Duong Thi Thanh Toan	Deputy General Director	Appointed on 01 January 2019
Mr. Ha Vu Hien	Deputy General Director	Resigned on 01 January 2019
Ms. Pham Thu Trang	Chief Accountant	Appointed on 1 January 2017

LEGAL REPRESENTATIVE

The legal representative of the Company for the year ended 31 December 2018 and at the date of this report is Mr. Hideaki Maeomote, General Director of the Company.

AUDITORS

The auditor of the Company is Ernst & Young Vietnam Limited.



REPORT OF THE MEMBERS' COUNCIL

Members' Council of BaoViet Tokio Marine Insurance Company Limited ("the Company") is pleased to present its report and approve the financial statements for the year ended 31 December 2018.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management of the Company is responsible for the financial statements of each financial year which give a true and fair view of the financial position of the Company and of the results of its operations and its cash flows for the year. In preparing those financial statements, the management is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue its business.

Management of the Company is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management of the Company confirmed that it has complied with the above requirements in preparing the accompanying financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Company as at 31 December 2018 and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System, the accounting guidance applicable to insurance companies and statutory requirements relevant to preparation and presentation of financial statements.

For and on behalf of the Members' Council:

Mr. Nguyen Quang Phi
Chairperson

Hanoi, Vietnam
28 March 2019

INDEPENDENT AUDITORS' REPORT

**To: The Members' Council
Baoviet Tokio Marine Insurance Company Limited**

We have audited the accompanying financial statements of Baoviet Tokio Marine Insurance Company Limited ("the Company") as prepared on 28 March 2019 and set out on pages 5 to 53 which comprise the balance sheet as at 31 December 2018, the income statement and the cash flow statement for the year then ended and the notes thereto.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System, the accounting guidance applicable to insurance companies and the statutory requirements relevant to preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Company, 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 give a true and fair view, in all material respects, of the financial position of the Company as at 31 December 2018 and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System, the accounting guidance applicable to insurance companies and the statutory requirements relevant to preparation and presentation of financial statements.

Ernst & Young Vietnam Limited



Trinh Hoang Anh
Deputy General Director
Audit Practising Registration
Certificate No. 2071-2018-004-1

Hanoi, Vietnam
28 March 2019

A blue ink signature of Nguyen Van Trung, written in a cursive style.

Nguyen Van Trung
Auditor
Auditor Practising Registration
Certificate No. 3847-2016-004-1

BALANCE SHEET

as at 31 December 2018

B01-DNPNT

Currency: VND

Code	Assets	Notes	Ending balance	Beginning balance
100	A. CURRENT ASSETS		1,420,576,262,640	1,251,834,350,434
110	I. Cash and cash equivalents	4	15,548,486,858	19,902,343,808
111	1. Cash		11,248,486,858	19,902,343,808
112	2. Cash equivalents		4,300,000,000	-
120	II. Short-term investments	5	622,741,250,000	575,903,000,000
121	1. Trading securities		8,430,000,000	8,430,000,000
123	2. Held-to-maturity investments		614,311,250,000	567,473,000,000
130	III. Current account receivables	6	79,579,130,503	72,127,883,518
131	1. Short-term trade receivables		55,704,333,089	51,990,175,065
131.1	1.1. Insurance receivables		48,592,684,524	50,003,134,877
131.2	1.2. Other trade receivables		7,111,648,565	1,987,040,188
135	2. Other short term receivables		24,258,098,959	20,313,568,382
139	3. Allowance for doubtful debts		(383,301,545)	(175,859,929)
150	IV. Other short-term assets		15,333,614,853	15,166,550,435
151	1. Prepaid expenses		14,869,260,079	14,703,910,431
151.1	1.1. Unallocated commission expense	7	13,959,938,455	13,018,598,711
151.2	1.2. Other prepaid expenses		909,321,624	1,685,311,720
152	2. Deductible VAT		464,354,774	462,640,004
190	V. Reinsurance assets	16	687,373,780,426	568,734,572,673
191	1. Reinsurance assets from unearned premium reserve	16.1.1	183,197,758,389	105,276,332,488
192	2. Reinsurance assets from claim reserve	16.1.2	504,176,022,037	463,458,240,185

BALANCE SHEET

as at 31 December 2018

B01-DNPNT

Currency: VND

Code	Assets	Notes	Ending balance	Beginning balance
200	B. NON-CURRENT ASSETS		133,268,612,198	121,866,864,295
210	I. Long-term receivables		10,478,133,060	10,029,592,750
216	1. Other long-term receivables		10,478,133,060	10,029,592,750
216.1	1.1. Statutory deposit	8	8,683,125,000	8,499,375,000
216.2	1.2. Other long-term receivables		1,795,008,060	1,530,217,750
220	II. Fixed assets		3,317,032,264	3,964,518,471
221	1. Tangible fixed assets	9	2,993,480,174	3,529,716,385
222	Cost		8,642,351,552	8,247,036,552
223	Accumulated depreciation		(5,648,871,378)	(4,717,320,167)
227	2. Intangible fixed assets	10	323,552,090	434,802,086
228	Cost		5,293,594,344	5,293,594,344
229	Accumulated amortisation		(4,970,042,254)	(4,858,792,258)
250	III. Long-term investments	5	114,736,573,104	103,715,364,404
255	1. Held-to-maturity investments		114,736,573,104	103,715,364,404
260	IV. Other non-current assets		4,736,873,770	4,157,388,670
261	1. Long-term prepaid expense	11	4,736,873,770	4,157,388,670
270	TOTAL ASSETS		1,553,844,874,838	1,373,701,214,729

Currency: VND

Code	Assets	Notes	Ending balance	Beginning balance
300	A. TOTAL LIABILITIES		1,126,213,941,282	910,918,493,178
310	I. Current liabilities		1,118,724,666,071	903,429,217,967
311	1. Trade payables	12	104,607,294,213	94,053,371,595
311.1	1.1. Insurance payables		99,692,032,995	89,276,418,254
311.2	1.2. Other trade payables		4,915,261,218	4,776,953,341
313	2. Tax and other statutory obligations	13	14,355,623,417	11,629,008,661
314	3. Payables to employees		14,876,064,390	11,372,746,456
318	4. Short-term deferred revenue		1,246,218,964	1,193,891,518
318.1	5. Un-earned commission revenue	14	28,881,220,989	25,371,991,412
319	6. Other short-term payables	15	45,364,241,633	252,160,361
322	7. Bonus and welfare funds		9,613,295,283	9,019,690,118
329	8. Technical reserves		899,780,707,182	750,536,357,846
329.1	8.1. Gross un-earned premium reserve	16.1.1	251,164,376,671	164,656,991,842
329.2	8.2. Gross claim reserve	16.1.2	590,142,180,968	534,871,449,007
329.3	8.3. Catastrophe reserve	16.2	58,474,149,543	51,007,916,997
330	II. Non-current liabilities		7,489,275,211	7,489,275,211
341	1. Deferred tax liability	27.2	7,489,275,211	7,489,275,211

Currency: VND

Code	Assets	Notes	Ending balance	Beginning balance
400	B. OWNERS' EQUITY		427,630,933,556	462,782,721,551
410	I. Capital	17	427,630,933,556	462,782,721,551
411	1. Contributed chartered capital		300,000,000,000	300,000,000,000
417	2. Foreign exchange translation reserve		31,520,800,000	31,520,800,000
419	3. Statutory reserve		30,000,000,000	30,000,000,000
421	4. Undistributed earnings		66,110,133,556	101,261,921,551
421a	4.1. Accumulated undistributed profit of previous years		22,026,717,077	22,026,717,077
421b	4.2. Undistributed profit of current year		44,083,416,479	79,235,204,474
440	TOTAL LIABILITIES AND OWNERS' EQUITY		1,553,844,874,838	1,373,701,214,729



Ms. Pham Thu Trang
Chief Accountant

28 March 2019



Mr. Hideaki Maeomote
General Director

INCOME STATEMENT

PART I: COMPREHENSIVE INCOME STATEMENT

for the year ended 31 December 2018

B02-DNPNT

Currency: VND

Code	Items	Current year	Previous year
10	1. Total operating income	322,540,600,091	284,410,495,370
12	2. Finance income	46,266,756,878	39,560,561,912
13	3. Other income	102,607,885	1,146,909,089
20	4. Total direct operating expenses	156,527,447,835	131,471,048,673
22	5. Finance expense	2,119,380,503	2,060,617,028
23	6. General and administrative expenses	91,784,180,348	86,301,263,503
24	7. Other expenses	57,932,805	21,151,124
50	8. Profit before corporate income tax (50 = 10 + 12 + 13 - 20 - 22 - 23 - 24)	118,421,023,363	105,263,886,043
51	9. Current corporate income tax	24,649,006,017	21,858,407,873
52	10. Deferred income tax expense	-	-
60	11. Net profit for the year after corporate income tax (60 = 50 - 51 - 52)	93,772,017,346	83,405,478,170

PART II: OPERATIONAL INCOME STATEMENT

for the year ended 31 December 2018

B02-DNPNT

Currency: VND

Code	Items	Notes	Current year	Previous year
1	1. Insurance revenue (01 = 01.1 + 01.2 - 01.3) <i>In which:</i>	18	579,702,499,408	503,848,199,120
1.1	Direct written premiums	18.1	538,926,040,309	452,366,667,327
1.2	Reinsurance premium assumed	18.2	127,283,843,928	52,667,917,389
1.3	Increase in un-earned premium reserve	16.1	86,507,384,829	1,186,385,596
2	2. Reinsurance premium ceded (02 = 02.1 - 02.2) <i>In which:</i>	19	339,414,040,118	294,505,499,376
2.1	Reinsurance premium ceded	19.1	417,335,466,019	285,074,798,717
2.2	(Decrease)/increase in ceded premium reserve	16.1	77,921,425,901	(9,430,700,659)
3	3. Net insurance premiums (03 = 01 - 02)		240,288,459,290	209,342,699,744
4	4. Commission on reinsurance ceded and other insurance income (04 = 04.1 + 04.2) <i>In which:</i>	20	82,252,140,801	75,067,795,626
4.1	Commission on reinsurance ceded	20.1	69,816,664,268	64,981,126,026
4.2	Other income from insurance activities	20.2	12,435,476,533	10,086,669,600
10	5. Total net revenue from insurance business (10 = 03 + 04)		322,540,600,091	284,410,495,370
11	6. Claim expenses (11 = 11.1 - 11.2) <i>In which:</i>		222,657,256,662	236,957,376,752
11.1	Claim expenses		224,656,566,033	255,570,849,151
11.2	Claim expense reductions		1,999,309,371	18,613,472,399
12	7. Recoveries from reinsurance ceded	21.3	136,197,628,411	159,959,136,050
13	8. Increase in direct and assumed claim reserve	16.1	55,270,731,961	4,262,909,113
14	9. (Decrease)/increase in ceded claim reserve	16.1	40,717,781,852	(4,792,279,973)
15	10. Net claim expenses (15 = 11 - 12 + 13 - 14)	21	101,012,578,360	86,053,429,788
16	11. Increase in catastrophe reserve		7,466,232,546	6,598,793,545

Currency: VND

Code	Items	Notes	Current year	Previous year
17	12. Other operating expenses (17 = 17.1 + 17.2) <i>In which:</i>		48,048,636,929	38,818,825,340
17.1	Commission expense	7	37,378,422,604	32,811,487,314
17.2	Other underwriting expenses	22	10,670,214,325	6,007,338,026
18	13. Total direct operating expenses (18 = 15 + 16 + 17)		156,527,447,835	131,471,048,673
19	14. Gross insurance operating profit (19 = 10 - 18)		166,013,152,256	152,939,446,697
23	15. Finance income	23	46,266,756,878	39,560,561,912
24	16. Finance expense	24	2,119,380,503	2,060,617,028
25	17. Profit from financial activities (25 = 23 - 24)		44,147,376,375	37,499,944,884
26	18. General and administrative expenses	25	91,784,180,348	86,301,263,503
30	19. Net operating income (30 = 19 + 25 - 26)		118,376,348,283	104,138,128,078
31	20. Other income	26	102,607,885	1,146,909,089
32	21. Other expenses	26	57,932,805	21,151,124
40	22. Net other profit (40 = 31 - 32)		44,675,080	1,125,757,965
50	23. Profit before corporate income tax (50 = 30 + 40)		118,421,023,363	105,263,886,043
51	24. Current corporate income tax	27	24,649,006,017	21,858,407,873
52	25. Deferred income tax expense	27	-	284,213,114
60	26. Net profit for the year after corporate income tax (60 = 50 - 51 - 52)		93,772,017,346	83,405,478,170



Ms Pham Thu Trang
Chief Accountant

28 March 2019



Mr. Hideaki Maeomote
General Director

CASH FLOW STATEMENT

for the year ended 31 December 2018

B03-DNPNT

Currency: VND

Code	Items	Notes	Current year	Previous year
I. CASH FLOWS FROM OPERATING ACTIVITIES				
1	Receipt from sale of goods and rendering of services		742,483,932,864	529,037,852,130
2	Payments to suppliers		(595,045,937,773)	(488,508,802,560)
3	Payment to employees		(60,909,147,010)	(49,491,738,355)
5	Payment of corporate income tax	13	(22,394,679,846)	(20,319,438,084)
6	Receipts from other operating activities		90,772,176,772	136,344,925,031
7	Payment of other operating activities		(62,412,374,636)	(52,370,009,806)
20	Net cash inflows from operating activities		92,493,970,371	54,692,788,356
II. CASH FLOWS FROM INVESTING ACTIVITIES				
21	Payment to purchase fixed assets and constructions		(434,846,500)	(2,258,232,000)
22	Receipts on disposals of fixed assets		-	1,259,472,727
23	Disbursement for loans and purchase of investment securities		(770,366,567,602)	(881,339,741,158)
24	Receipts from loans and sale of investment securities		712,986,034,227	802,752,850,000
27	Receipts from investment interest and dividends		40,179,101,066	31,997,273,307
30	Net cash flow (used in)/from investing activities		(17,636,278,809)	(47,588,377,124)

Currency: VND

Code	Items	Notes	Current year	Previous year
III. CASH FLOWS FROM FINANCIAL ACTIVITIES				
36	Dividend paid	17.1	(79,235,204,474)	(73,552,478,168)
40	Net cash flow used in financial activities		(79,235,204,474)	(73,552,478,168)
50	Net change in cash and cash equivalents		(4,377,512,912)	(66,448,066,936)
60	Cash and cash equivalents at the beginning of the year	4	19,902,343,808	86,293,880,449
61	Impact of exchange rate fluctuation		23,655,962	56,530,295
70	Cash and cash equivalents at the end of the year	4	15,548,486,858	19,902,343,808

Ms Pham Thu Trang
Chief Accountant

28 March 2019

Mr.Hideaki Maeomote
General Director

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

B09-DNPNT

1. CORPORATE INFORMATION

Baoviet Tokio Marine Insurance Company Limited ("The Company") was a joint-venture among Bao Viet Holdings, Commercial Union Assurance Company Plc and Tokio Marine and Fire Insurance Co., Ltd. The Company was established under the Investment Licence No. 1639/GP issued by the Ministry of Planning and Investment on 5 August 1996. Establishment and Operation License No. 65/GP/KDBH was issued by the Ministry of Finance on 1 July 2013 and subsequent amendments as follows:

Amendment license No.	Date
65/GPDC1/KDBH	08 July 2016
65/GPDC2/KDBH	19 April 2018

Main activities of the Company are to provide general insurance products, reinsurance, loss survey, investing activities and other business operations that are in line with prevailing laws and regulations.

Head office is located at Room 601, 6th Floor, The Sun Red River Building, 23 Phan Chu Trinh, Hoan Kiem District, Hanoi. The branch is located at Room 3, 19th Floor, Green Power Building, 35 Ton Duc Thang, District 1, Ho Chi Minh City.

The charter capital of the Company as at 31 December 2018 is VND 300,000,000,000.

Total number of employees of the Company as at 31 December 2018 is 123 people (as at 31 December 2017: 123 people).

2. BASIS OF PREPARATION

2.1. Accounting standard and system

The financial statements of the Company, which are expressed in Vietnam Dong (VND), are prepared in accordance with the Vietnamese Accounting System for non-life insurance companies issued by the Ministry of Finance in Circular No. 232/2012/TT-BTC dated 28 December 2012 providing accounting guidance for non-life insurance, reinsurance and branch of foreign non-life insurance companies and the Circular No. 200/2014/TT-BTC dated 22 December 2014 ("Circular 200") about the accounting regime for enterprises and in accordance with Vietnamese Accounting Standards issued by the Ministry of Finance as per the:

- Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 3);
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 4); and
- Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 5).

Accordingly, the accompanying balance sheet, income statement, cash flow statement and related notes, including their utilization are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

2.2. Registered accounting documentation system

Company's applied accounting documentation system is the journal ledger system.

2.3. Fiscal year

The Company's fiscal year applicable for the preparation of its financial statements starts on 1 January and ends on 31 December.

2.4. Accounting currency

The financial statements are prepared in VND which is also the Company's accounting currency.

2.5. Statement on the compliance with Vietnamese accounting standards and systems

Management of the Company confirms that the Company has complied with the Vietnamese Accounting Standards and Vietnamese Enterprise Accounting Systems, the accounting guidance applicable to insurance companies and statutory requirements relevant to preparation and presentation of financial statements in the preparation of the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with an original maturity of three months or less which are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

3.2. Receivables

Receivables comprise of trade receivables and other receivables that are initially recognized at cost and subsequently recognized at cost.

Provision for impairment of trade receivables and other receivables will be made based on their overdue ages. For undue receivables but those were owned by indebted economic organizations which fall bankrupt or are undergoing dissolution procedures, debtors are missing, have absconded, are prosecuted, detained or tried by law enforcement bodies, are serving sentences or have deceased, these undue receivables should be estimated the irrecoverable loss for appropriating the provision. The increase or decrease to the provision balance is recorded as the administration expense in the income statement.

The Company uses the provisioning policy regulated by the MoF in Circular 228/2009/TT-BTC dated 7 December 2009 ("Circular 228") issued by the Ministry of Finance and Circular 89/2013/TT-BTC dated 28 June 2013 issued by the Ministry of Finance ("Circular 89), which provides the amendments and supplements to Circular 228. Details are as follows:

Overdue receivables	Allowance rate
Over six (6) months to less than one (1) year	30%
From one (1) to less than two (2) years	50%
From two (2) to less than three (3) years	70%
From three (3) years	100%

3.3. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset comprises of its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use.

Expenditures for additions, improvements, and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the income statement.

When tangible fixed assets are sold or liquidated, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the income statement.

3.4. Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

The cost of an intangible fixed asset comprises of its purchase price and any directly attributable costs of bringing the intangible fixed asset to working condition for its intended use.

Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the income statement as incurred.

When intangible fixed assets are sold or liquidated, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the income statement.

3.5. Depreciation and amortisation

Depreciation and amortisation of tangible and intangible fixed assets are calculated on a straight-line basis over the estimated useful lives of these assets, which are as follows:

Office equipment	3 - 7 years
Motor vehicles	6 - 10 years
Software	3 - 5 years

3.6. Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the balance sheet and amortised over the period for which the amounts are paid or the period in which economic benefits are generated in relation to these expenses.

3.7. Financial investments

3.7.1 Trading Securities

Trading securities held for trading purpose which also includes securities with maturity more than 12 months bought and sold to margin gain:

- Shares, bonds listed on securities market;
- Securities and other financial instruments.

Trading securities are stated at their acquisition cost.

3.7.2 Held to maturity investments

Periodically, held-for-trading securities and investments in other entities are subject to review for impairment. Increases or decreases to the provision balance for diminution in value of held-for-trading securities and investments in other entities are recorded as finance expenses in the income statement.

Held to maturity investments include: term deposits (including treasury bills, promissory notes), bonds, preference shares which the issuer is required to repurchase in a certain time in the future. These investments are held for the purpose of periodic interest income.

All held-to-maturity investments are initially recognized at cost and are subsequently recognized at cost during the holding period, except for debt securities.

Debt securities are initially recognized at par value as at the purchase date. Accumulated interest before the purchase date (for debt securities with interest payment in arrears) and prepaid interest (for debt securities with interest payment in advance) are recorded in separate accounts. Any discount or premium, which is the difference between original cost and the amount equal to par value plus (+) pre-acquisition interest (if any) or minus (-) prepaid interest waiting for amortization (if any), is recorded in a separate account.

In subsequent periods, debt securities are recognized at par value. Any discount or premium (if any) is amortized to the income statement using straight-line method over the estimated remaining term of the respective securities. Interest is accrued and recognized to the income statement using straight-line method based on nominal rate.

Investment held to maturity is considered for the possibility of decline in their value at each reporting date. Provision for any impairment loss is recognized in the income statement when its cost is more than the market value.

3.7.3 Provision for diminution in value of investment

Provision for impairment of investment is made with reference to Circular 228 and Circular 89. Details of the basis of determination of impairment of investment are as follows:

The market prices of listed securities on Hanoi Stock Exchange and on Ho Chi Minh City Stock Exchange are the closing prices as at 28 December 2018.

The market values of unlisted shares which have been registered in the unlisted public companies market ("UPCom") is the average price of the trading market at the date of provision.

3.8. Payables and accruals

Payables and accruals are recognised for amount to be paid in the future for goods and services received, whether or not billed to the Company.

3.9. Severance allowance

3.9.1 Post-employment benefits.

Post-employment benefits are paid to retired employees of the Company by the Social insurance agency which belongs to the Ministry of Labour, Invalids and Social Affairs. The Company is required to contribute to these post-employment benefits by paying social insurance premiums to the social insurance agency at the regulated rate of employee basic salaries and allowances. The Company has no further obligation concerning post-employment benefits for its employees other than this.

3.9.2 Unemployment benefits

According to current regulations, employees contribute 1% of their salary, employer contributes 1% of salary of their employees participating in the unemployment insurance, and the Government contributes 1% of salary of all those participating in the unemployment insurance from the State budget. Vietnam Social Insurance Agency is responsible for the collection, distribution and management of the fund.

3.10. Technical reserves

The technical reserves include technical reserves for non-life insurance and technical reserve of health insurance.

The reserving methodologies are based on Circular No. 50/2017/TT-BTC dated 01 July 2017 issued by the Ministry of Finance ("Circular No. 50") as follows:

a) Technical reserves for non-life insurance

(i) Unearned premium reserve

The Company applied the daily basis to calculate unearned premium reserve for all types of insurance. The formula is as follow:

$$\text{Unearned premium reserve} = \frac{\text{Retained premiums} \times \text{Remaining day of insurance policy}}{\text{Number of coverage days}}$$

a) Technical reserves for non-life insurance (continued)

(ii) Claim reserves

Claim reserves include the reserve for outstanding claims and for claims incurred but not reported ("IBNR").

Outstanding claim reserve: to be set aside for each line of insurance according to estimates of indemnities for single covered loss have been reported or claimed but not yet resolved at the end of the fiscal year in accordance to Circular No. 50.

Reserve for incurred but not reported claims for which the insurer is liable ("IBNR reserve"): is established based on the formula in Circular No. 50 as follows:

$$\begin{aligned} \text{Reserve for payment of losses which have incurred but not yet reported for the current fiscal year} &= \frac{\text{Total indemnity for claims incurred but not reported as at the end of last 3 consecutive fiscal years}}{\text{Total indemnity for losses arising in the last 3 consecutive fiscal years}} \times \text{Indemnity for losses arising in the current fiscal year} \times \frac{\text{Net operating revenue of current fiscal year}}{\text{Net operating revenue of the previous fiscal year}} \times \frac{\text{Average delay in reporting claims of current fiscal year}}{\text{Average delay in reporting claims of previous fiscal year}} \end{aligned}$$

(iii) Catastrophe reserve

Catastrophe reserve is set aside annually for catastrophe in loss. In 2018, the catastrophe reserve ratio was 3% of net written premium. The balance of catastrophe reserve fund does not exceed 100% of net written premium (not including net premium of health and personal accident insurance) of the current fiscal year.

On 28 December 2005, the Ministry of Finance issued Decision 100/2005/QD-BTC governing the publication of four new accounting standards, one of which is Vietnamese Accounting Standard ("VAS") 19 - Insurance Contract. Following the issuance of this Standard, starting from January 2006, the provision of catastrophe reserve is no longer required since it represents "possible claims under contracts that are not in existence at the reporting date". However, since the Ministry of Finance has not issued detailed guidance for the implementation of VAS 19 and in accordance with the provision set out in Decree 73/2016/ND-CP issued by the Government of Vietnam on 1 July 2016 regarding financial regulations for insurance enterprises. The company still allocates catastrophe reserve on the financial statements for the financial year ended at 31 December 2018.

:b) Technical reserve of health insurance

(i) Mathematical reserve applies for insurance policies and reinsurance policies with a term of more than a year. Mathematical reserve is set aside as follows:

$$\text{Mathematical reserve} = \frac{\text{Retained premiums} \times \text{Remaining day of insurance policy}}{\text{Number of coverage days}}$$

As the period of all health insurance policies issued by the Company is maximum 1 year so the Company do not apply mathematical reserves.

(ii) Unearned premiums reserve

Regarding insurance policies with a term of less than or equal to 1 year. Unearned premiums reserve is set aside as follows:

$$\text{Unearned premium reserve} = \frac{\text{Retained premiums} \times \text{Remaining day of insurance policy}}{\text{Number of coverage days}}$$

(ii) Claim reserves

Claim reserves include reserve for outstanding claims and for claims incurred but not reported ("IBNR").

- Outstanding claim reserve: to be set aside for each line of insurance according to estimates of indemnities for single covered loss have been reported or claimed but not yet resolved at the end of the fiscal year in accordance to Circular No. 50.
- Reserve for incurred but not reported claims for which the insurer is liable ("IBNR reserve"): is established based on the formula in Circular No. 50 as follows:

$$\begin{aligned} \text{Reserve for payment of losses which have incurred but not yet reported for the current fiscal year} &= \frac{\text{Total indemnity for claims incurred but not reported as at the end of last 3 consecutive fiscal years}}{\text{Total indemnity for losses arising in the last 3 consecutive fiscal years}} \times \text{Indemnity for losses arising in the current fiscal year} \times \frac{\text{Net operating revenue of current fiscal year}}{\text{Net operating revenue of the previous fiscal year}} \times \frac{\text{Average delay in reporting claims of current fiscal year}}{\text{Average delay in reporting claims of previous fiscal year}} \end{aligned}$$

(iv) Equalization reserve

Equalization reserve for health insurance is established at 3% of net premium and recognised in the catastrophe reserve account on balance sheet.

3.11. Foreign currency transactions

The Company follows the guidance under Vietnamese Accounting Standard No. 10 "The Effects of Changes in Exchange Rates" (the "VAS 10") and Circular 200.

Transactions in currencies other than the Company's reporting currency of VND are recorded at the actual transaction exchange rates at transaction dates which are determined as follows:

- Transaction resulting in receivables are recorded at the buying exchange rates of the commercial banks designated for collection;
- Transactions resulting in liabilities are recorded at the selling exchange rates of the commercial banks designated for payment;
- Capital contributions are recorded at the buying exchange rates of the commercial banks designated for capital contribution.
- Payments for assets or expenses without liabilities initially being recognised is recorded at the buying exchange rates of the commercial banks that process these payments.

At the end of the year, monetary balances denominated in foreign currencies are translated at the actual transaction exchange rates at the balance sheet dates which are determined as follows:

- Deposit assets are translated at buying exchange rate of the commercial bank where the Company deposits;
- Monetary assets are translated at average buying exchange rate of the commercial banks where the Company conducts transactions regularly;

- Monetary liabilities are translated at average selling exchange rate of the commercial banks where the Company conducts transactions regularly.

All foreign exchange differences incurred during the year and arisen from the translation of monetary accounts denominated in foreign currencies at year-end are taken to the income statement.

3.12. Appropriation of net profit after tax

Based on the approval of the appropriate level of authority/Members' Council, net profit after tax shall be considered as dividend to investors/shareholders. Dividend shall be paid after consideration of any deduction of profit not for dividend and after making funds in accordance with the Company's Charter and Vietnam's regulatory requirements.

- The Company Statutory reserve is set in order to supplement the Company's charter capital and ensure its solvency. This fund shall deduct 5% of the Company's annual profit after tax until it equals to 10% of the Company's charter capital based on Decree 73.
- Every year, the Company establishes Bonus and welfare fund. This fund is set aside for the purpose of pecuniary rewarding and encouraging, common benefits and improvement of the employees' benefits.

3.13. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Gross written premium

Gross written premiums are recognized in accordance with Circular No. 50 on financial regime applicable to insurers, reinsurers, insurance brokers and foreign non-life insurance branches.

Gross written premium is recognized as revenue at the point of time when the insurance liability is incurred, specific as follow:

- (1) The insurance contract has been entered into by the insurer and the insured, and the insured has paid full premium;
- (2) There's evidence about coverage acceptance and the insured has paid full premium;
- (3) The insurance contract has been entered into by the insurer and the insured and there is agreement between the Company and the insured for term payment of insurance premium, which in such case the insurer still should recognize as revenue the premium payables according to agreement in the insurance contract. According to Circular 50, the credit term shall not exceed 30 days from policy inception date. For installment contracts, general insurers are required to record revenue from insurance premium of the first installment on the insurance contract's effective date and record revenue from premium of the remaining installments only when the policyholder makes full premium payment under the agreement of the contract. If policyholder cannot make full premium payment, insurance contract shall automatically terminate after contractual premium payment date.

Prepaid premium is recorded as "Short-term unearned revenue" in the separate balance sheet.

Premium return and premium reduction are considered as revenue deduction and must be booked separately. At year end, these amounts are net-off to gross written premium to calculate net written premium.

(ii) Interest

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

(iii) Dividends

Income is recognised when the Company's entitlement as an investor to receive the dividend in cash is established. According to Circular 200, if the Company receives the dividend in the form of share or the company is entitled to receive bonus share, only the number of share entitled will be reflected in the share portfolio of the Company.

(iv) Other income

Other income is recognised on an accrual basis in the separate income statement.

3.14. Expense recognition

(i) Claim expense

Claim expense is recognized at the point of time when the claim documents are completed and approved by authorized persons. In case that the final claim amount has not been finalized but the Company is certain that the loss is within its insured liabilities and has paid an advance to the customer as per their request, such advance would also be recognized as claim expenses. Any

claim that is not yet approved by authorized persons is considered an outstanding claim and included in claims reserve.

(ii) Commission expense

Commission is calculated for all products with specific percentages for each type of products, and in accordance with Circular No.50. Commission expenses are calculated as the percentages of premium revenue and are recognized in the income statement. Commission expense which incurred, however, was not accounted in income statement shall be recorded in "short-term prepaid expense".

(iii) General & administration expense

Other administration expense is recognized on accrual basis.

(iv) Operating lease

Rentals paid under operating leases are charged to the separate income statement on a straight-line basis over the term of the lease.

(v) Other expenses

Other expenses are recognized on an accrual basis in the separate income statement.

3.15. Recognition of reinsurance activities

(i) Reinsurance ceded

Reinsurance premiums ceded under treaty reinsurance agreements are recognized when gross written premiums within the scope of the treaty agreements are recognized.

Reinsurance premiums ceded under facultative reinsurance agreement is recognized when the facultative reinsurance agreement has been entered into by the Company and when gross written premiums within the scope of the facultative agreements are recognized.

Reinsurance recovery is recognized when there is evidence of liability on the part of the reinsurer.

Reinsurance commission is recognized when there is a corresponding reinsurance premium ceded. At the end of accounting period, the part of reinsurance commission which is not included in income and expense of period corresponding to unearned premium of reinsurance ceded shall be determined and allocated in the subsequent periods based on registered method for unearned premium reserve.

(ii) Reinsurance assumed

Reinsurance assumed under treaty arrangement:

- Income and expenses relating to reinsurance assumed under treaty arrangements are recognized when the statement of account is received from the cedants. As at the reporting date, income and expenses relating to reinsurance assumed under treaty arrangements for which the cedants have not sent their statement of accounts have been estimated based on statistical data and based on the cedants' own estimate.

Reinsurance assumed under facultative arrangement:

- Reinsurance premium assumed is recognized when the facultative reinsurance agreement has been entered into by the Company and a statement of account (for each facultative reinsurance agreement) has been received from the cedants;
- Claim expenses for reinsurance assumed are recognized when there is evidence of liability of the Company and when a statement of account has been sent to the Company;
- Reinsurance commission is recognized when the reinsurance premium is ceded and when a statement of account has been sent to the Company. At the end of accounting period, the part of reinsurance commission which is not included in income and expense of period corresponding to unearned premium of reinsurance assumed shall be determined and allocated in the subsequent periods based on registered method for unearned premium reserve – daily method.

3.16. Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the balance sheet date.

Current income tax is charged or credited to the income statement, except when it relates to items recognised directly to equity, in which case the current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Company to set off current tax assets against current tax liabilities and when the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purpose.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilized, except where the deferred tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit (or loss).

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Previously unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied in the period when the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted at the balance sheet date.

Deferred tax is charged or credited to the income statement, except when it relates to items recognized directly to equity, in which case the deferred tax is also dealt with in the equity account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Company to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on:

- Either the same taxable entity; or
- When the Company intends either settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.17. Use of estimates

The preparation of the financial statements requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the income and expenses and the resultant provisions. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

3.18. Use of estimates

Parties are considered to be related parties of the Company if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, or when the Company and other party are under common control or under common significant influence. Related parties can be enterprise or individual, including close members of the family of any such individual.

4. CASH AND CASH EQUIVALENTS

	Ending balance VND	Beginning balance VND
Cash	11,248,486,858	19,902,343,808
Cash on hand (VND)	25,958,579	24,427,900
Cash at bank	11,222,528,279	19,877,915,908
<i>In which:</i>		
VND	10,549,585,444	11,226,916,845
Foreign currency	672,942,835	8,650,999,063
Cash equivalents	4,300,000,000	-
<i>In which:</i>		
Term deposit in VND	4,300,000,000	-
	15,548,486,858	19,902,343,808

5. FINANCIAL INVESTMENTS

	Note	Ending balance VND	Beginning balance VND
TRADING SECURITIES			
Listed shares	(i)	3,430,000,000	3,430,000,000
Open - ended fund at BVBF	(ii)	5,000,000,000	5,000,000,000
		8,430,000,000	8,430,000,000
HELD-TO-MATURITY INVESTMENTS			
Short-term		614,311,250,000	567,473,000,000
- Term deposits	(iii)	614,311,250,000	567,473,000,000
Long-term		114,736,573,104	103,715,364,404
- Bonds	(iii)	11,600,000,000	-
	(iv)	103,136,573,104	103,715,364,404
NET VALUE OF INVESTMENTS		729,047,823,104	671,188,364,404
		737,477,823,104	679,618,364,404

(i) Including 668,850 VNR shares.

(ii) Including 492,810 BVBF certificates.

(iii) Term deposits in VND have original terms of more than three (3) months and interest rate from 4.60% to 7.30%/year.
Term deposits in USD with original terms less than a year and interest rate 0.00%/year.

(iv) Including government bonds code TD1424092, which have a term of 10 years, par value of VND 100,000,000,000 and interest of 8.70%/year.

6. CURRENT ACCOUNT RECEIVABLES

	Ending balance VND	Beginning balance VND
INSURANCE RECEIVABLES		
Gross written premium receivables	20,894,029,498	20,171,655,028
Premium receivable from the Insured	10,286,412,476	11,510,996,500
- Premium receivable from brokers	10,149,808,118	8,152,497,786
- Premium receivable from agents	457,808,904	508,160,742
Reinsurance assumed receivables	1,415,918,940	1,822,074,226
Reinsurance ceded receivables	22,611,681,354	19,151,355,878
Receivables from co-insurers	3,671,054,732	8,789,613,429
Claims recoveries from co-insurers	2,202,507,443	4,995,347,305
Other receivables from co-insurers	1,468,547,289	3,794,266,124
Other receivables from insurance business	-	68,436,316
	48,592,684,524	50,003,134,877
Other trade receivables		
Receivables from claim handling services	5,937,172,628	1,975,091,988
Other trade receivables	1,174,475,937	11,948,200
	7,111,648,565	1,987,040,188
Other short-term receivables		
Bank deposit interest receivables	17,357,197,196	14,006,666,682
Bond coupon receivables	5,124,657,534	5,124,652,961
Deposit for third party claim handling service	1,050,000,000	900,000,000
Advances, other short-term deposits	116,910,367	159,660,808
Other receivables	609,333,862	122,587,931
	24,258,098,959	20,313,568,382
Total receivables	79,962,432,048	72,303,743,447
Allowance for doubtful debts	(383,301,545)	(175,859,929)
NET CURRENT ACCOUNT RECEIVABLES	79,579,130,503	72,127,883,518

7. UNALLOCATED COMMISSION EXPENSE

Unallocated commission expenses were the part of commission expenses which were not included in expenses of the year corresponding with direct and reinsurance unearned premium and will be allocated in subsequent years in accordance with Circular 232.

	Ending balance VND	Beginning balance VND
Opening balance	13,018,598,711	11,847,850,428
Paid commission during the year	38,319,762,348	33,982,235,597
Allocated commission during the year	(37,378,422,604)	(32,811,487,314)
Closing balance	13,959,938,455	13,018,598,711

8. COMPULSORY DEPOSITS

Compulsory deposit is denominated in USD. Under the prevailing regulation, the Company has to maintain statutory insurance deposit equivalent to 2% of its legal capital.

9. TANGIBLE FIXED ASSETS

	Motor vehicles VND	Office equipment VND	Total VND
COST:			
Beginning balance	3,861,436,364	4,385,600,188	8,247,036,552
<i>Additions during the year</i>	-	395,315,000	395,315,000
Ending balance	3,861,436,364	4,780,915,188	8,642,351,552
ACCUMULATED DEPRECIATION:			
Beginning balance	(977,581,661)	(3,739,738,506)	(4,717,320,167)
<i>Charge for the year</i>	(641,811,816)	(289,739,395)	(931,551,211)
Ending balance	(1,619,393,477)	(4,029,477,901)	(5,648,871,378)
NET BOOK VALUE:			
Beginning balance	2,883,854,703	645,861,682	3,529,716,385
Ending balance	2,242,042,887	751,437,287	2,993,480,174

10. INTANGIBLE FIXED ASSETS

	Software VND	Total VND
COST:		
Beginning balance	5,293,594,344	5,293,594,344
<i>Additions during the year</i>	-	-
Ending balance	5,293,594,344	5,293,594,344
ACCUMULATED DEPRECIATION:		
Beginning balance	(4,858,792,258)	(4,858,792,258)
<i>Charge for the year</i>	(111,249,996)	(111,249,996)
Ending balance	(4,970,042,254)	(4,970,042,254)
NET BOOK VALUE:		
Beginning balance	434,802,086	434,802,086
Ending balance	323,552,090	323,552,090

11. LONG-TERM PREPAID EXPENSE

	Ending balance VND	Beginning balance VND
Tools and equipment	1,436,515,292	1,215,854,736
Office renovations	836,369,067	1,046,076,423
Others	2,463,989,411	1,895,457,511
	4,736,873,770	4,157,388,670

12. TRADE PAYABLES

	Ending balance VND	Beginning balance VND
INSURANCE PAYABLES		
Payables for ceded activities	89,922,310,827	80,659,232,987
Payables to co-insurers	2,823,501,247	4,415,137,967
Commission payables	5,248,797,086	3,668,516,697
Other payables from insurance business	1,697,423,835	533,530,603
	99,692,032,995	89,276,418,254
OTHER TRADE PAYABLES		
Assessment fee for Financial Risk and Credit Policies	373,856,800	451,370,877
IT Advisory fee	1,898,666,371	1,925,429,856
Reserved funds for fire and explosion compulsory fund and TPL compulsory of motor fund	969,399,564	235,831,864
Survey fee payable	137,477,844	236,929,626
Other trade payables	1,535,860,639	1,927,391,118
	4,915,261,218	4,776,953,341
	104,607,294,213	94,053,371,595

13. TAXES AND OTHER STATUTORY OBLIGATIONS

	Beginning balance VND	Movement during the year		Ending balance VND
		Payables VND	Paid VND	
Value added tax	2,444,843,305	25,842,026,705	(25,327,717,062)	2,959,152,948
Corporate income tax	5,093,193,937	24,649,006,017	(22,394,679,846)	7,347,520,108
Personal income tax	161,782,337	5,097,869,405	(5,147,014,800)	112,636,942
Foreign contractor tax	3,929,189,082	1,051,756,302	(1,044,631,965)	3,936,313,419
	11,629,008,661	56,640,658,429	(53,914,043,673)	14,355,623,417

14. UNEARNED COMMISSION REVENUE

Unearned commission revenue was the part of commission which was not included in revenue of the year corresponding with reinsurance ceded unearned premium and will be allocated in subsequent year in accordance with Circular 232.

	Ending balance VND	Beginning balance VND
Opening balance	25,371,991,412	26,478,534,828
Increased during the year	73,325,893,845	63,874,582,610
Allocated during the year	(69,816,664,268)	(64,981,126,026)
Closing balance	28,881,220,989	25,371,991,412

15. OTHER SHORT – TERM PAYABLES

	Ending balance VND	Beginning balance VND
Payables on management fee and other payables for investing activities	267,551,614	216,615,792
Dividend payables (*)	45,000,000,000	-
Other payables	96,690,019	35,544,569
	45,364,241,633	252,160,361

(*) According to the Resolution of the Members' Council on 26 December 2018 approving the preliminary dividend for 2018.

16. TECHNICAL RESERVES

16.1. Unearned premium reserve and claim reserve

	Reserve for direct insurance and inward reinsurance VND	Reserve for outward reinsurance VND	Net reserve VND
Beginning balance			
Unearned premium reserve	164,656,991,842	(105,276,332,488)	59,380,659,354
Claim reserves	534,871,449,007	(463,458,240,185)	71,413,208,822
Outstanding claim reserve	521,451,946,779	(463,458,240,185)	57,993,706,594
Incurred but not reported claim reserve	13,419,502,228	-	13,419,502,228
Total	699,528,440,849	(568,734,572,673)	130,793,868,176
Ending balance			
Unearned premium reserve	251,164,376,671	(183,197,758,389)	67,966,618,282
Claim reserves	590,142,180,968	(504,176,022,037)	85,966,158,931
Outstanding claim reserve	572,148,707,935	(504,176,022,037)	67,972,685,898
Incurred but not reported claim reserve	17,993,473,033	-	17,993,473,033
Total	841,306,557,639	(687,373,780,426)	153,932,777,213

16.1.1. Unearned premium reserve

Unearned Gross and Assumed Premium Reserves

Product	Ending balance VND	Beginning balance VND
Health and Personal Accident Insurance	23,860,602,382	18,156,551,775
Property and Damages Insurance	159,233,720,728	85,881,933,063
Cargo Insurance	8,499,768,714	8,244,004,927
Automobile Insurance	12,504,171,046	11,461,120,371
Fire Insurance	267,512,113	375,817,397
Marine Hull and P&I Insurance	1,554,988,768	403,170,747
Liability Insurance	22,379,169,792	21,316,780,062
Business Risk Insurance	5,437,444,658	6,076,587,351
Financial Risk and Credit Insurance	17,426,998,470	12,741,026,149
	251,164,376,671	164,656,991,842

Unearned ceded premium reserve (Reinsurance assets)

Product	Ending balance VND	Beginning balance VND
Health and Personal Accident Insurance	878,336,732	1,675,400,438
Property and Damages Insurance	148,440,675,447	75,561,549,034
Cargo Insurance	2,020,384,543	1,838,280,918
Automobile Insurance	126,881,375	16,147,415
Fire Insurance	100,961,461	246,693,810
Marine Hull and P&I Insurance	1,534,926,435	400,053,440
Liability Insurance	9,005,220,557	8,090,513,858
Business Risk Insurance	5,304,377,352	5,856,858,425
Financial Risk and Credit Insurance	15,785,994,487	11,590,835,150
	183,197,758,389	105,276,332,488

16.1.2. Claim reserve

Direct and Reinsurance assumed claim reserve

Product	Ending balance VND	Beginning balance VND
Health and Personal Accident Insurance	10,145,790,539	7,039,836,348
Property and Damages Insurance	412,574,940,855	431,594,885,438
Cargo Insurance	54,014,611,049	57,103,559,291
Automobile Insurance	11,648,369,393	2,979,863,535
Fire Insurance	1,325,508,800	3,411,750,000
Marine Hull and P&I Insurance	-	370,000,000
Liability Insurance	8,943,690,833	6,662,289,490
Business Risk Insurance	16,530,484,892	13,749,392,289
Financial Risk and Credit Insurance	74,958,784,607	11,959,872,616
	590,142,180,968	534,871,449,007

Reinsurance ceded claim reserve (Reinsurance assets)

Product	Ending balance VND	Beginning balance VND
Property and Damages Insurance	398,819,061,948	407,907,826,226
Cargo Insurance	22,316,524,185	27,348,908,422
Fire Insurance	1,259,233,360	3,241,162,500
Marine Hull and P&I Insurance	-	369,877,900
Liability Insurance	185,902,752	982,419,635
Business Risk Insurance	16,152,831,228	13,398,281,525
Financial Risk and Credit Insurance	65,442,468,564	10,209,763,977
	504,176,022,037	463,458,240,185

16.2. Catastrophe reserve

Product	Ending balance VND	Beginning balance VND
Health and Personal Accident Insurance	9,498,907,699	7,564,009,412
Property and Damages Insurance	6,627,725,653	5,825,717,297
Cargo Insurance	22,331,680,726	20,017,665,178
Automobile Insurance	10,543,286,747	9,463,446,603
Fire Insurance	237,044,815	228,230,467
Marine Hull and P&I Insurance	110,007,694	108,528,399
Liability Insurance	8,552,436,645	7,414,177,222
Business Risk Insurance	133,774,973	124,461,792
Financial Risk and Credit Insurance	439,284,591	261,680,628
	58,474,149,543	51,007,916,997

Catastrophe reserve is accrued annually and calculated at 3% of net written premiums. Details are as follow:

	Ending balance VND	Beginning balance VND
Opening balance	51,007,916,997	44,409,123,452
Increased during the year	7,466,232,546	6,598,793,545
Closing balance	58,474,149,543	51,007,916,997

17. OWNERS' EQUITY

17.1. Increase and decrease in owners' equity

	Contributed chartered capital VND	Statutory reserve fund (*) VND	Undistributed after-tax profits VND	Foreign exchange translation reserve (**) VND	Total VND
Previous year					
Beginning balance	300,000,000,000	30,000,000,000	95,579,195,245	31,520,800,000	457,099,995,245
Dividends paid	-	-	(73,552,478,168)	-	(73,552,478,168)
Profit for the year	-	-	83,405,478,170	-	83,405,478,170
Appropriation of profit to bonus and welfare fund	-	-	(4,170,273,696)	-	(4,170,273,696)
Ending balance	300,000,000,000	30,000,000,000	101,261,921,551	31,520,800,000	462,782,721,551
Current year					
Beginning balance	300,000,000,000	30,000,000,000	101,261,921,551	31,520,800,000	462,782,721,551
Dividends paid (***)	-	-	(124,235,204,474)	-	(124,235,204,474)
Profit for the year	-	-	93,772,017,346	-	93,772,017,346
Appropriation of profit to bonus and welfare fund	-	-	(4,688,600,867)	-	(4,688,600,867)
Ending balance	300,000,000,000	30,000,000,000	66,110,133,556	31,520,800,000	427,630,933,556

(*)In accordance with Decree 73, insurance businesses are required to appropriate 5% of annual profit after tax to set up statutory reserve fund until it reaches 10% of the charter capital.

(**)The balance of foreign exchange translation reserve of VND 31,520,800,000 as at 31 December 2018 represents the foreign exchange difference resulted from the conversion of accounting currency from USD to VND in 2008.

(***)During 2018, according to the Resolution of the Members' Council, the Company paid dividend for 2017 and advanced dividend for 2018.

17.2. Contributed charter capital

	Charter capital amount VND	Percentage of ownership %	Contributed charter capital VND	Uncontributed charter capital VND
Foreign party:				
Tokio Marine Asia Pte. Ltd	153,000,000,000	51%	153,000,000,000	-
Vietnamese party:				
Bao Viet Holdings	147,000,000,000	49%	147,000,000,000	-
	300,000,000,000	100%	300,000,000,000	-

17.3 Capital transactions with owners and distributions of dividends

	Ending balance VND	Beginning balance VND
Paid-in Capital		
Contributed capital at the beginning of the year	300,000,000,000	300,000,000,000
Contributed capital at the end of the year	300,000,000,000	300,000,000,000
Distributed dividends and profits	124,235,204,474	73,552,478,168

18. REVENUE

	Current year VND	Previous year VND
Gross written premiums	546,115,662,516	459,184,627,927
Deductions	(7,189,622,207)	(6,817,960,600)
Net direct premium	538,926,040,309	452,366,667,327
Reinsurance assumed premiums	131,475,372,941	52,900,703,681
Deductions	(4,191,529,013)	(232,786,292)
Net assumed premium	127,283,843,928	52,667,917,389
Increase in un-earned premium reserve	(86,507,384,829)	(1,186,385,596)
	579,702,499,408	503,848,199,120

18.1. Gross written premiums

Product	Current year VND	Previous year VND
Health and Personal Accident Insurance	66,887,833,645	49,460,546,828
Property and Damages Insurance	203,182,115,140	164,317,260,074
Cargo Insurance	104,718,760,353	100,513,183,476
Automobile Insurance	36,144,911,568	30,298,797,685
Fire Insurance	423,543,725	318,490,931
Marine Hull and P&I Insurance	4,046,799,284	2,606,977,068
Liability Insurance	55,967,125,994	52,645,433,099
Business Risk Insurance	12,201,891,311	12,019,615,818
Financial Risk and Credit Insurance	55,353,059,289	40,186,362,348
	538,926,040,309	452,366,667,327

18.2. Reinsurance assumed premiums

Product	Current year VND	Previous year VND
Health and Personal Accident Insurance	146,863,257	210,395,915
Property and Damages Insurance	119,502,367,820	43,083,255,641
Cargo Insurance	1,130,521,147	1,838,757,347
Fire Insurance	112,720,379	475,234,257
Liability Insurance	3,370,114,028	4,026,627,981
Business Risk Insurance	681,512,336	715,350,293
Financial Risk and Credit Insurance	2,118,294,268	2,318,295,955
	127,283,843,928	52,667,917,389

19. REINSURANCE PREMIUMS CEDED

	Current year VND	Previous year VND
Reinsurance premium ceded	417,335,466,019	285,074,798,717
Decrease/(increase) in ceded premium reserve	(77,921,425,901)	9,430,700,659
	339,414,040,118	294,505,499,376

19.1. Reinsurance premium ceded

Product	Current year VND	Previous year VND
Health and Personal Accident Insurance	2,538,087,325	3,545,531,319
Property and Damages Insurance	295,950,871,117	181,855,297,688
Cargo Insurance	28,715,429,908	24,763,778,235
Automobile Insurance	371,690,773	47,614,895
Fire Insurance	242,452,493	577,802,467
Marine Hull and P&I Insurance	3,997,489,425	2,562,322,231
Liability Insurance	21,395,259,263	21,112,939,532
Business Risk Insurance	12,572,964,281	12,373,958,560
Financial Risk and Credit Insurance	51,551,221,434	38,235,553,790
	417,335,466,019	285,074,798,717

20. COMMISSION ON REINSURANCE CEDED AND OTHER INSURANCE INCOME

	Current year VND	Previous year VND
Commission on reinsurance ceded	69,816,664,268	64,981,126,026
Other income from insurance activities	12,435,476,533	10,086,669,600
	82,252,140,801	75,067,795,626

20.1. Commission on reinsurance ceded

Product	Current year VND	Previous year VND
Health and Personal Accident Insurance	51,583,903	56,416,185
Property and Damages Insurance	47,246,969,675	46,045,773,418
Cargo Insurance	3,827,378,113	3,053,827,871
Automobile Insurance	62,255,491	7,984,407
Fire Insurance	91,463,339	191,978,055
Marine Hull and P&I Insurance	880,400,344	693,906,656
Liability Insurance	4,759,562,102	4,528,512,182
Business Risk Insurance	3,541,171,156	2,893,581,906
Financial Risk and Credit Insurance	9,355,880,145	7,509,145,346
TOTAL	69,816,664,268	64,981,126,026

20.2. Other income from insurance activities .

	Current year VND	Previous year VND
Claim settling Agent income	8,282,919,592	7,851,756,846
Handling charge income	1,466,618,783	1,398,242,512
Other income	2,685,938,158	836,670,242
	12,435,476,533	10,086,669,600

21. CLAIM EXPENSES

	Current year VND	Previous year VND
Direct claim expenses and claim expenses on inward reinsurance	224,656,566,033	255,570,849,151
<i>Direct claim expense</i>	213,391,870,451	239,758,781,740
<i>Claim expense on inward reinsurance</i>	11,264,695,582	15,812,067,411
Recovery from third party, recovery from 100% compensated goods	(1,999,309,371)	(18,613,472,399)
Recovery from reinsurance ceded	(136,197,628,411)	(159,959,136,050)
Increase in gross claim reserve and reinsurance assumed claim reserve	55,270,731,961	4,262,909,113
Decrease/(increase) in outward reinsurance claim reserve	(40,717,781,852)	(4,792,279,973)
	101,012,578,360	86,053,429,788

21.1. Direct claim expense

Product	Current year VND	Previous year VND
Health Insurance and Personal Accident Insurance	28,622,838,219	20,159,783,871
Property and Damages Insurance	115,933,516,306	137,769,146,318
Cargo Insurance	43,043,881,298	39,197,433,678
Automobile Insurance	10,703,343,245	8,687,850,763
Fire Insurance	-	23,970,000
Marine Hull and P&I Insurance	262,980,000	6,360,171
Liability Insurance	9,532,403,127	9,271,511,239
Business Risk Insurance	867,314,987	19,362,528,298
Financial Risk and Credit Insurance	4,425,593,269	5,280,197,402
TOTAL	213,391,870,451	239,758,781,740

21.2. Claim expenses on reinsurance assumed

Product	Current year VND	Previous year VND
Health Insurance and Personal Accident Insurance	87,226,333	5,429,387
Property and Damages Insurance	10,812,272,441	13,672,148,790
Cargo Insurance	67,346,126	1,936,096,136
Fire Insurance	-	197,753,871
Liability Insurance	297,850,682	639,227
TOTAL	11,264,695,582	15,812,067,411

21.3. Recovery from reinsurance ceded

Product	Current year VND	Previous year VND
Health Insurance and Personal Accident Insurance	-	683,200
Property and Damages Insurance	108,824,822,634	126,722,610,022
Cargo Insurance	22,117,987,144	11,360,702,596
Automobile Insurance	252,750	58,575,875
Fire Insurance	-	184,570,214
Marine Hull and P&I Insurance	262,893,217	6,358,072
Liability Insurance	233,252,372	276,505,730
Business Risk Insurance	857,165,324	17,476,119,222
Financial Risk and Credit Insurance	3,901,254,970	3,873,011,119
Total	136,197,628,411	159,959,136,050

22. OTHER OPERATING EXPENSES

	Current year VND	Previous year VND
Underwriting risk survey expenses	2,056,049,825	1,382,052,963
Agent management fee	694,725,000	576,322,371
Handling charged	1,437,921,981	1,126,282,778
Loss prevention	19,977,315	17,430,936
Statutory contributions	1,577,270,520	856,830,054
Others	4,884,269,684	2,048,418,924
	10,670,214,325	6,007,338,026

23. FINANCE INCOME

	Current year VND	Previous year VND
Interest income from deposits	25,556,355,969	18,025,735,940
Gains from trusted investment in BVF	17,098,172,470	19,654,515,506
Dividend received from VinaRe	802,620,000	802,620,000
Foreign exchange gains	2,809,608,439	1,077,690,466
	46,266,756,878	39,560,561,912

24. FINANCE EXPENSE

	Current year VND	Previous year VND
Management fee	1,103,957,532	1,034,316,063
Foreign exchange losses	1,015,422,971	1,026,300,965
	2,119,380,503	2,060,617,028

25. GENERAL AND ADMINISTRATIVE EXPENSES

	Current year VND	Previous year VND
Employee expense	59,862,906,012	56,157,103,447
Material, tool and equipment expense	2,620,926,000	2,812,615,807
IT consultancy fee	7,069,064,597	6,821,432,640
Depreciation expense	1,042,801,207	1,029,527,203
Tax, fee, and charge	628,746,168	513,439,727
Office rental and office renewal expense	8,764,324,117	7,859,881,616
Outsourcing expenses	11,567,773,631	11,182,408,103
Additional/(reversal of) provision for doubtful debts	207,441,616	(105,145,040)
Other	20,197,000	30,000,000
	91,784,180,348	86,301,263,503

26. OTHER INCOME AND EXPENSES

	Current year VND	Previous year VND
Gain from disposal assets	5,272,727	1,146,909,089
Other income	97,335,158	-
	102,607,885	1,146,909,089
Other expenses	57,932,805	21,151,124
Net other profit	44,675,080	1,125,757,965

27. CORPORATE INCOME TAX

The Company is subject to paying Corporate Income Tax ("CIT") at the rate of 20% of its taxable profits.

The Company's tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations is susceptible to varying interpretations, amounts reported in the separate financial statements could be changed at a later date upon final determination by the tax authorities.

	Current year VND	Previous year VND
Current tax expense	24,649,006,017	21,858,407,873

27.1. Corporate income tax expense

The reconciliation between accounting profit and taxable profit is presented as follows:

	Current year VND	Previous year VND
Accounting profit before tax	118,421,023,363	105,263,886,043
At CIT rate of 20%	23,684,204,673	21,052,777,209
<i>Adjustments to increase</i>		
<i>Non-deductible expenses</i>	164,067,935	199,924,094
<i>Members' council remuneration</i>	189,700,512	115,161,664
<i>Other increase</i>	854,662,907	755,602,770
<i>Adjustments to decrease</i>		
<i>Dividend income</i>	(160,524,000)	(160,524,000)
<i>Other decrease</i>	(83,106,010)	(104,533,864)
CIT expense	24,649,006,017	21,858,407,873

The current tax payable is based on taxable profit for the current year. The taxable profit of the Company for the year differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

27.2. Deferred corporate income tax

The followings are the deferred tax assets and deferred tax liability recognized by the Company, and the movements thereon, during the current and previous years:

	Balance sheet		Effect on the income statement	
	Ending balance VND	Beginning balance VND	Current year VND	Previous year VND
Year end revaluation of assets denominated in foreign currencies	7,489,275,211	7,489,275,211	-	
Deferred tax expense	7,489,275,211	7,489,275,211	-	

28. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Company has contractual commitments for the rental of offices and apartment as follows:

	Ending balance VND	Previous year VND
Commitments for the rental of offices and apartment		
Less than 1 year	12,220,903,874	8,421,468,639
From 1 to 5 years	5,238,660,000	10,254,600,000
	17,459,563,874	18,676,068,639
Other off-balance sheet items		
Insurance policies signed but not yet effective (VND)	35,069,556,601	19,219,261,042
Ceded Insurance policies signed but for which no obligations have arisen on the part of the Company (VND)	17,402,275,610	8,030,848,486
Foreign currency (USD)	3,654,051	3,956,604

29. TRANSACTIONS WITH RELATED PARTIES

Significant transactions with some related companies during the year were as follows:

Related parties	Relationship	Transactions	Current year	Previous year
Tokio Marine Asia Pte. Ltd	Joint-Owner	Dividend paid(*)	(63,359,954,282)	(37,511,763,866)
		Consultancy fee of IT	(3,528,703,137)	(3,227,340,641)
		Consultancy fee of internal audit, compliance and risk management	(255,895,519)	(186,299,693)
		Underwriting risk survey fee	(488,200,080)	(547,009,059)
Bao Viet Holdings	Joint-Owner	Dividend paid(*)	(60,875,250,192)	(36,040,714,302)
Bao Viet General Insurance Corporation	Owned by Bao Viet Holdings	Reinsurance inward premiums	-	1,781,385,541
		Reinsurance inward commission	-	(444,616,381)
		Reinsurance inward claim expense	(2,088,501,493)	(7,404,417,013)
		Reinsurance outward premiums	(24,129,433,539)	(38,133,882,676)
		Reinsurance outward Commission	6,158,517,051	10,394,422,262
		Claim recovery reinsurance outward	17,385,641,016	27,747,165,820
		Handling charge	(3,550,747)	(8,904,609)
The Tokio Marine and Nichido Fire Insurance Co., Ltd.	Indirect investment via Tokio Marine Asia Pte.Ltd	Co-insurance premium	2,288,705,426	4,898,169,211
		Claims Settling Agent Fee	7,487,921,489	6,992,268,952
		Reinsurance outward premiums	(171,530,303,891)	(60,223,038,880)
		Reinsurance outward Commission	19,866,507,157	12,631,980,870
		Claim recovery reinsurance outward	9,615,257,140	52,807,172,094

Amounts due to and due from related parties as at 31 December 2018 and 2017 were as follows:

Related parties	Relationship	Transactions	Ending balance Receivables/ (Payables) VND	Beginning balance Receivables/ (Payables) VND
Tokio Marine Asia Pte. Ltd	Joint-Owner	Consultancy fee of IT payables	(1,898,666,371)	(1,925,429,856)
		Dividend	(22,950,000,000)	-
Bao Viet Holdings	Joint-Owner	Dividend	(22,050,000,000)	
Bao Viet General Insurance Corporation	Owned by Bao Viet Holdings	Reinsurance outward payables	(6,315,549,555)	(6,786,485,086)
		Reinsurance outward receivables	5,480,881,647	1,325,106,930
		Co-insurance payables	(7,262,713,564)	(1,077,748,592)

Amounts due to and due from related parties as at 31 December 2018 and 2017 were as follows

Related parties	Relationship	Transactions	Ending balance Receivables/ (Payables) VND	Beginning balance Receivables/ (Payables) VND
The Tokio Marine and Nichido Fire Insurance Co., Ltd.	Indirect investment via Tokio Marine Asia Pte.Ltd	Claims Settling Agent Fee receivables	5,937,172,628	1,971,516,665
		Reinsurance outward payables	(14,703,344,765)	(8,494,505,996)
		Reinsurance outward receivables	531,824,636	2,407,983,287

(*) In accordance with Resolution No.05/2018/NQ-HĐTV dated 27 March 2018 approved of 2017 profit distribution and Resolution No.22/2018/NQ-HĐTV dated 26 December 2018 approved the preliminary dividend for 2018 by Members' Council.

Remuneration of the Members' Council and salaries, bonus of the Members' Council in 2018: VND 948,502,558 (in 2017: VND 575,808,319).

The Members' Council remuneration policies are in accordance with the decision of Members' Council and in consistency with those applied in the financial year ended as at 31 December 2017.

30. RISK MANAGEMENT FRAMEWORK

30.1. Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives. The Members' Council and Board of Management recognise the importance of having efficient and effective risk management systems in place.

The Company has established a risk management function which agreed with clear terms of reference from the Members' Council and other committees. This function is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Members' Council to the Board of Management and other senior management. A policy framework has been developed and implemented which sets out the Company's risk profiles; risk management; control and business conduct standards for the Company's operations. Each policy will be overseen by a member of the Board of Management on its compliance throughout the Company.

30.2. Risk management objectives, policies and processes for management of insurance risk

The primary insurance activity carried out by the Company is the assumption of risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, accident, health, financial or other perils that may arise from an insurable event. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Company also has exposure to market risk through its insurance and investment activities.

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or those exceed set limits, risk diversification, pricing guidelines, reinsurance and monitoring of emerging issues.

30.3. Capital management and regulatory framework

The primary capital management objective of the Company is to maintain a strong capital base to support the development of its business and to comply with regulatory capital requirements at all times. The Company recognises the impact on shareholders returns of the level of equity capital employed and seek to maintain a prudent balance.

Regulatory capital requirements arise from the operations of the Company require the Company to hold assets sufficient to cover liabilities and satisfy the solvency margin requirements in Vietnam. The principal solvency requirements that apply to the Company are those set out in Circular No. 50.

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the insurance subsidiaries are satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintain appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The tables below summarise the minimum regulatory solvency margin for the Company and the solvency capital:

	Company Solvency Capital VND million	Minimum Solvency Margin VND million	Solvency Margin Ratio
31 December 2018	390,703	71,207	548.69%
31 December 2017	427,569	44,901	952.24%

The solvency ratio of the Company is calculated based on the relevant regulations promulgated by the Ministry of Finance in Vietnam.

30.4. Underwriting strategy

The Company's underwriting strategy seeks diversity to ensure a balanced mix of business portfolio and is based on a large portfolio of similar risks over a number of years and, as such, reduces the variability of the outcome.

30.5. Reinsurance strategy

The Company reinsures a portion of the insurance risks it underwrites in order to control its exposures to losses and protect its capital, through treaty and facultative reinsurance arrangements. These reinsurance agreements transfer part of the risk and limit the exposure from each insured. The amount of each risk retained depends on the Company's evaluation of the specific risk, subject in certain circumstances, to maximize limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the reinsurer agrees to pay the claim amount in the event the claim is paid. However, the Company remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

Ceded reinsurance contains credit risk, and to minimise such risk, only those reinsurers meeting the Company's credit rating standard, either assessed from public rating information or internal investigations, will be used.

31. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Company issues contracts that transfer insurance risk or financial risk or both. The following gives details of the Company's main products and the ways in which it manages the associated risks.

31.1. Insurance risk

31.1.1. General insurance contracts

Assumptions, changes in assumptions and sensitivity analysis.

The process used to determine the assumptions is intended to result in estimates of the most likely outcome. The sources of data used as inputs for the assumptions are internal, based on detailed studies that are carried out regularly. The assumptions are checked to ensure that they are consistent with other observable information. There is more emphasis on current trends, and where there is insufficient historical information, prudent assumptions are used.

The nature of the business makes it very difficult to predict with certainty the outcome of any particular claim and the ultimate cost. Each notified claim is assessed on a separate case by case basis with due regard to the circumstances, information available from loss adjusters and historical evidence of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments.

The key method is based on Circular No. 50 of such reserving methodologies are as follows:

Claim reserve includes the reserve for outstanding claims and for claims incurred but not reported.

- Outstanding claim reserve is established based on the estimated claim payments for each claim for which the insurer is liable, which is either notified to the insurer or requested for payment but is still unresolved at the end of the fiscal year, in accordance to the Circular No. 50; and
- Reserve for incurred but not reported claims for which the insurer is liable (IBNR).

The Company is calculating the reserve for incurred but not reported claims based on the following formula:

$$\begin{array}{l}
 \text{Reserve for} \\
 \text{payment of} \\
 \text{losses which} \\
 \text{have incurred} \\
 \text{but not yet} \\
 \text{reported for} \\
 \text{the current} \\
 \text{fiscal year}
 \end{array}
 =
 \frac{\text{Total indemnity for claims} \\
 \text{incurred but not reported} \\
 \text{as at the end of last 3} \\
 \text{consecutive fiscal years}}{\text{Total indemnity for} \\
 \text{losses arising in the last 3} \\
 \text{consecutive fiscal years}}
 \times
 \text{Indemnity for} \\
 \text{losses arising} \\
 \text{in the current} \\
 \text{fiscal year}}
 \times
 \frac{\text{Net operating} \\
 \text{revenue of} \\
 \text{current fiscal} \\
 \text{year}}{\text{Net operating} \\
 \text{revenue of the} \\
 \text{previous fiscal} \\
 \text{year}}
 \times
 \frac{\text{Average delay in} \\
 \text{reporting claims of} \\
 \text{current fiscal year}}{\text{Average delay in} \\
 \text{reporting claims of} \\
 \text{previous fiscal year}}$$

The Company issues general insurance contracts such as Health and Personal accident insurance, Property and Damages insurance, Cargo insurance, Automobile insurance, Fire insurance, Liability insurance, Business risk insurance, Marine hull and P&I insurance, Financial risk, and Credit insurance. Risks under general insurance contracts usually cover twelve-month duration.

The Company is exposed to risk of accumulation in view of the economic development across the country and flow of foreign investment in manufacturing and real estates, especially in the major economic hubs such as Ho Chi Minh City, Hanoi, and Da Nang.

For general insurance contracts the most significant risks arise from climate changes and natural disasters. Vietnam has suffered heavily from catastrophes loss such as tropical typhoon, river flood, flash flood, heavy rain and landslide. It is expected that tropical typhoon will affect Vietnam regularly with high severity and insured losses. In view of the exposures, the general insurance has arranged the reinsurance protection for the fire, engineering, motor, marine hull & cargo, fishing vessels portfolios against the catastrophe events to minimize the risks.

For longer tail claims that take over a year to settle; there is also inflation risk. These risks do not vary significantly in relation to the location of the risk insured by the general insurance, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors.

Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the general insurance. The general insurance further enforces a policy of managing activity and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. typhoon and flood damages).

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. typhoon and flood damages).

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the general insurance risk appetite as decided by management. The management may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

Claim development table

The table below presents estimates of net cumulative claim incurred and cumulative payment to date:

Currency: VND million

ITEMS	Accident year					Total
	2014	2015	2016	2017	2018	
At end of accident year	1	2	3	4	5	
I. Estimate of cumulative claims incurred	1	2	3	4	5	
1	61,174	52,805	72,038	81,789	97,352	
2	62,498	57,991	72,569	83,383	-	
3	59,490	57,704	70,162	-	-	
4	58,458	57,614	-	-	-	
5	58,446	-	-	-	-	
Current estimate of cumulative claims incurred (1)	58,446	57,614	70,162	83,383	97,352	366,957
II. Cumulative claim payment						
1	25,337	32,272	33,442	39,718	47,835	
2	51,449	50,732	62,803	73,745	-	
3	51,957	56,665	66,545	-	-	
4	53,373	57,596	-	-	-	
5	53,298					
Cumulative claim payment to date (2)	53,298	57,596	66,545	73,745	47,835	299,019
III. Net outstanding claim reserve (3) = (1) - (2)	5,148	18	3,617	9,638	49,517	67,938
IV. Current estimate of surplus (4)	(2,728)	4,809	(1,876)	1,594	-	
V. Percentage of current estimate of surplus over current estimate of cumulative claims incurred (5) = (4)/(1)*100%	(4.7)%	8.35%	(2.7)%	1.9%		

31.2. Financial risk

Transactions in financial instruments may result in the Company assuming financial risks. These include market risk, credit risk and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the Company manages these risks.

31.2.1. Market risk

Market risk can be described as the risk of change in fair value of a financial instrument due to changes in interest rates, equity prices and foreign currency exchange rates.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rate relates primarily to the Company's term deposits and bonds.

The Company manages interest rate risk by looking at the competitive structure of the market to obtain rates which are favourable for its purposes within its risk management limits.

An interest rate risk sensitivity analysis is not performed as the Company's exposure to interest rate risk is minimal at reporting date.

Equity price risk

The Company's listed equity securities are susceptible to market price risk arising from uncertainty about future values of the investment securities. The Company manages equity price risk by placing a limit on equity investments. The Company's Board of Management reviews and approves all equity investment decisions.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between VND and other currencies in which the Company conducts business may affect its financial condition and results of operations. The foreign currency risk facing the Company mainly comes from movements in the USD/VND exchange rates. The Company seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

Major of the Company financial assets are denominated in VND which mitigates the foreign currency risk. With assets denominated in foreign currency, most of them are in USD.

The effect of a reasonably possible movement of the foreign currency exchange rate against the VND on the separate income statement and statement of financial position of the Company with all other variables held constant is indicated in the table below:

Change in variance	Impact on profit before tax VND	Impact on equity VND
31 December 2018		
+5%	3,900,285,638	3,120,228,511
-5%	(3,900,285,638)	(3,120,228,511)
31 December 2017		
+5%	4,181,245,360	3,344,996,288
-5%	(4,181,245,360)	(3,344,996,288)

31.2.2. Credit risk

The Company's portfolio of fixed maturity investments (included its deposit arrangement with commercial banks) is subject to credit risk. This risk is defined as the potential loss in market value resulting from adverse changes in borrowers or counterparties' ability to repay the debts. The Company's objective is to earn competitive relative returns by investing in a diversified portfolio of investments. Management has a credit policy in place. Limits are established to manage credit quality and concentration risk.

The Company also has insurance and reinsurance receivables, and other receivable amounts subject to credit risk. The most significant of these are reinsurance recoveries. To mitigate the risk of the counterparties not paying the amount due, the Company has established certain business and financial guidelines for reinsurer approval, incorporating ratings by major agencies and considering currently available market information. The Company also periodically reviews the financial stability of reinsurers from public and other sources and the settlement trend of amounts due from reinsurers.

Details on credit quality by classes of assets for all financial assets exposed to credit risk as at 31 December 2018 are as follows:

31 December 2018	Not yet due VND	Past-due but not individually impaired VND	Individually impaired VND	Total VND
Financial instruments				
Available-for-sale	116,691,230,638	-	-	116,691,230,638
Listed share	8,430,000,000	-	-	8,430,000,000
Treasury bonds	108,261,230,638	-	-	108,261,230,638
Loans and receivables	737,694,730,002	-	923,616,164	738,618,346,166
Term deposits	643,234,106,100	-	-	643,234,106,100
Statutory deposit	8,683,125,000	-	-	8,683,125,000
Cash equivalents	4,334,341,096	-	-	4,334,341,096
Insurance receivables	47,669,068,360	-	923,616,164	48,592,684,524
Other receivables from customers	7,720,982,427	-	-	7,720,982,427
Other assets	26,053,107,019	-	-	26,053,107,019
Cash	11,248,486,858	-	-	11,248,486,858
	865,634,447,498	-	923,616,164	866,558,063,662

Not yet due: financial assets or the loans with interest or principal payments not yet past due and there is no evidence of impairment.

Past due but not individually impaired: financial assets with past due interest and principal payments but the Company believes that these assets are not impaired as they are secured by collaterals and has confidence in the customer's creditworthiness and other credit enhancements.

Individually impaired: debt instruments and loans to customers for which the Company considers that interests and principals are not able to be recovered under the terms of the contracts.

Details on credit quality by classes of assets for all financial assets exposed to credit risk as at 31 December 2017 are as follows:

31 December 2017	Not yet due VND	Past-due but not individually impaired VND	Individually impaired VND	Total VND
Financial instruments				
Available-for-sale	112,145,364,404	-	-	112,145,364,404
Listed share	8,430,000,000	-	-	8,430,000,000
Treasury bonds	103,715,364,404	-	-	103,715,364,404
Loans and receivables	649,293,489,906	-	512,846,291	649,806,336,197
Term deposits	567,473,000,000	-	-	567,473,000,000
Statutory deposit	8,499,375,000	-	-	8,499,375,000
Cash equivalents	-	-	-	-
Insurance receivables	49,490,288,586	-	512,846,291	50,003,134,877
Other receivables from customers	1,987,040,188	-	-	1,987,040,188
Other assets	21,843,786,132	-	-	21,843,786,132
Cash	19,902,343,808	-	-	19,902,343,808
	781,341,198,118	-	512,846,291	781,854,044,409

31.2.3. Liquidity risk

The Company has to meet daily calls on its cash resources, notably from claims arising on its insurance contracts and early surrender of policies for surrender value. There is therefore a risk that cash will not be available to settle liabilities when due at a reasonable cost.

Contractual maturity

The following table indicates contractual maturity of the income-earning financial assets and financial liabilities based on contractual undiscounted payments:

	Overdue VND	Up to one year VND	More than one year VND	No maturity date VND	Total VND
Ending balance					
Financial assets					
Available-for-sale	-	-	108,261,230,638	8,430,000,000	116,691,230,638
<i>Listed share</i>	-	-	-	8,430,000,000	8,430,000,000
<i>Treasury bond</i>	-	-	108,261,230,638	-	108,261,230,638
Loans and receivables	923,616,164	726,092,410,002	11,602,320,000	-	738,618,346,166
<i>Term deposits</i>	-	631,631,786,100	11,602,320,000	-	643,234,106,100
<i>Statutory deposit</i>	-	8,683,125,000	-	-	8,683,125,000
<i>Cash equivalents</i>	-	4,334,341,096	-	-	4,334,341,096
<i>Insurance receivables</i>	923,616,164	47,669,068,360	-	-	48,592,684,524
<i>Other receivables from customers</i>	-	7,720,982,427	-	-	7,720,982,427
<i>Other assets</i>	-	26,053,107,019	-	-	26,053,107,019
Cash	-	11,248,486,858	-	-	11,248,486,858
	923,616,164	737,340,896,860	119,863,550,638	8,430,000,000	866,558,063,662
Financial liabilities					
Trade payables	-	104,607,294,213	-	-	104,607,294,213
Other payables	-	45,364,241,633	-	-	45,364,241,633
	-	149,971,535,846	-	-	149,971,535,846
Net liquidity	923,616,164	587,369,361,014	119,863,550,638	8,430,000,000	716,586,527,816

	Overdue VND	Up to one year VND	More than one year VND	No maturity date VND	Total VND
Beginning balance					
Financial assets					
Available-for-sale	-	-	103,715,364,404	8,430,000,000	112,145,364,404
<i>Listed share</i>	-	-	-	8,430,000,000	8,430,000,000
<i>Treasury bond</i>	-	-	103,715,364,404	-	103,715,364,404
Loans and receivables	512,846,291	649,293,489,906	-	-	649,806,336,197
<i>Term deposits</i>	-	567,473,000,000	-	-	567,473,000,000
<i>Statutory deposit</i>	-	8,499,375,000	-	-	8,499,375,000
<i>Cash equivalents</i>	-	-	-	-	-
<i>Insurance receivables</i>	512,846,291	49,490,288,586	-	-	50,003,134,877
<i>Other receivables from customers</i>	-	1,987,040,188	-	-	1,987,040,188
<i>Other assets</i>	-	21,843,786,132	-	-	21,843,786,132
Cash	-	19,902,343,808	-	-	19,902,343,808
	512,846,291	669,195,833,714	103,715,364,404	8,430,000,000	781,854,044,409
Financial liabilities					
Trade payables	-	94,053,371,595	-	-	94,053,371,595
Other payables	-	252,160,362	-	-	252,160,362
	-	94,305,531,957	-	-	94,305,531,957
Net liquidity	512,846,291	574,890,301,757	103,715,364,404	8,430,000,000	687,548,512,452

32. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements as at 31 December 2018:

31 December 2017	Carrying amount				Fair value (VND)
	Cost (VND)	Accrued interest (VND)	Provision (VND)	Total (VND)	
Financial assets					
Available for sale	111,566,573,104	5,124,657,534	-	116,691,230,638	130,899,082,314
<i>Listed shares</i>	8,430,000,000	-	-	8,430,000,000	22,637,851,676
<i>Treasury bonds</i>	103,136,573,104	5,124,657,534	-	108,261,230,638	108,261,230,638
Loan and receivables	721,261,148,970	17,357,197,196	(383,301,545)	738,235,044,621	738,235,044,621
<i>Term deposits</i>	625,911,250,000	17,322,856,100	-	643,234,106,100	643,234,106,100
<i>Statutory deposit</i>	8,683,125,000	-	-	8,683,125,000	8,683,125,000
<i>Cash equivalents</i>	4,300,000,000	34,341,096	-	4,334,341,096	4,334,341,096
<i>Insurance receivables</i>	48,592,684,524	-	(383,301,545)	48,209,382,979	48,209,382,979
<i>Other receivables from customers</i>	7,720,982,427	-	-	7,720,982,427	7,720,982,427
<i>Other assets</i>	26,053,107,019	-	-	26,053,107,019	26,053,107,019
Cash	11,248,486,858	-	-	11,248,486,858	11,248,486,858
	844,076,208,932	22,481,854,730	(383,301,545)	866,174,762,117	880,382,613,793
Financial liabilities					
Trade payables	104,607,294,213	-	-	104,607,294,213	104,607,294,213
Other payables	45,364,241,633	-	-	45,364,241,633	45,364,241,633
	149,971,535,846	-	-	149,971,535,846	149,971,535,846

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements as at 31 December 2017:

31 December 2016	Carrying amount				Fair value (VND)
	Cost (VND)	Accrued interest (VND)	Provision (VND)	Total (VND)	
Financial assets					
Available for sale	112,145,364,404	5,124,652,961	-	117,270,017,365	130,318,297,365
<i>Listed shares</i>	8,430,000,000	-	-	8,430,000,000	21,478,280,000
<i>Treasury bonds</i>	103,715,364,404	5,124,652,961	-	108,840,017,365	108,840,017,365
Loan and receivables	649,806,336,197	14,006,666,682	(175,859,929)	663,637,142,950	663,637,142,950
<i>Term deposits</i>	567,473,000,000	14,006,666,682	-	581,479,666,682	581,479,666,682
<i>Statutory deposit</i>	8,499,375,000	-	-	8,499,375,000	8,499,375,000
<i>Cash equivalents</i>	-	-	-	-	-
<i>Insurance receivables</i>	50,003,134,877	-	(175,859,929)	49,827,274,948	49,827,274,948
<i>Other receivables from customers</i>	1,987,040,188	-	-	1,987,040,188	1,987,040,188
<i>Other assets</i>	21,843,786,132	-	-	21,843,786,132	21,843,786,132
Cash	19,902,343,808	-	-	19,902,343,808	19,902,343,808
	781,854,044,409	19,131,319,643	(175,859,929)	800,809,504,123	813,857,784,123
Financial liabilities					
Trade payables	94,053,371,595	-	-	94,053,371,595	94,053,371,595
Other payables	252,160,362	-	-	252,160,362	252,160,362
	94,305,531,957	-	-	94,305,531,957	94,305,531,957

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumption are used to estimate fair values:

- Fair value of cash and cash equivalents, short-term deposits, trade and other receivables, trade and other payables approximate their carrying amounts largely due to the short-term maturities.
- Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.

Where there is no observable market value, and it is not possible to determine the fair value, the financial assets and liabilities are carried at cost.

33. EVENTS AFTER THE BALANCE SHEET DATE

There is no matter or circumstance that has arisen since the balance sheet date that requires adjustment or disclosure in the financial statements of the Company.



Ms Pham Thu Trang
Chief Accountant

28 March 2019



Mr. Hideaki Maeomote
General Director



Japan Quality
Our Passion

Speed

Accuracy

Professionalism

Sincerity

Security

BAO VIET TOKIO MARINE

Annual Report 2018



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