

**VIETNAM NATIONAL REINSURANCE  
JOINT STOCK CORPORATION**

*(Incorporated in the Socialist Republic of Vietnam)*

**AUDITED SEPARATE  
FINANCIAL STATEMENTS**

**For the year ended 31 December 2019**

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## **STATEMENT OF THE BOARD OF GENERAL DIRECTORS**

The Board of General Directors of Vietnam National Reinsurance Joint Stock Corporation (the "Corporation") presents this report together with the Corporation's separate financial statements for the year ended 31 December 2019.

### **THE BOARDS OF MANAGEMENT AND GENERAL DIRECTORS**

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

#### **Board of Management**

Mr. Le Song Lai	Chairman
Mr. Phan Kim Bang	Vice Chairman
Mr. Nguyen Xuan Viet	Vice Chairman (appointed on 16 July 2019)
	Member (appointed on 10 April 2019)
Mr. Pham Cong Tu	Member
Mr. Tran Vinh Duc	Member (retired on 03 January 2019)
Mr. Dao Nam Hai	Member
Mr. Pham Sy Danh	Member
Mr. Mai Xuan Dung	Member
Mr. Nguyen Dinh An	Member
Mr. Vu Anh Tuan	Member (appointed on 10 April 2019)

#### **Board of General Directors**

Mr. Pham Cong Tu	General Director
Mr. Nguyen Manh Linh	Deputy General Director
Mr. Mai Xuan Dung	Deputy General Director

### **BOARD OF GENERAL DIRECTORS' STATEMENT OF RESPONSIBILITY**

The Board of General Directors of the Corporation is responsible for preparing the separate financial statements, which give a true and fair view of the financial position of the Corporation as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime applicable to Vietnamese insurance enterprises and legal regulations relating to financial reporting. In preparing these separate financial statements, the Board of General Directors is required to:

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

**STATEMENT OF THE BOARD OF GENERAL DIRECTORS (Continued)**

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

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

For and on behalf of the Board of General Directors,



**Phạm Công Tu**  
**General Director**

*Hanoi, 05 March 2020*



## INDEPENDENT AUDITORS' REPORT

**To: The shareholders  
The Boards of Management and General Directors  
Vietnam National Reinsurance Joint Stock Corporation**

We have audited the accompanying separate financial statements of Vietnam National Reinsurance Joint Stock Corporation (the "Corporation") prepared on 05 March 2020 as set out from page 04 to page 41, which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Board of General Directors' Responsibility for the Separate Financial Statements**

The Board of General Directors is responsible for the preparation and fair presentation of these separate financial statements in accordance with Vietnamese Accounting Standards, accounting regime applicable to Vietnamese insurance enterprises and legal regulations relating to financial reporting and for such internal control as the Board of General Directors determines is necessary to enable the preparation of separate 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 separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Corporation's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of General Directors, as well as evaluating the overall presentation of the separate 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 separate financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime applicable to Vietnamese insurance enterprises and legal regulations relating to financial reporting.



**Khúc Thị Lan Anh**  
Deputy General Director  
Audit Practising Registration Certificate  
No. 0036-2018-001-1



**Pham Ngoc Hai**  
Auditor  
Audit Practising Registration Certificate  
No. 2452-2018-001-1

**DELOITTE VIETNAM COMPANY LIMITED**

05 March 2020  
Hanoi, S.R. Vietnam

**BALANCE SHEET**

*As at 31 December 2019*

Unit: VND

<b>ASSETS</b>	<b>Codes</b>	<b>Notes</b>	<b>Closing balance</b>	<b>Opening balance</b>
<b>A. CURRENT ASSETS</b> <b>(100=110+120+130+140+150+190)</b>	<b>100</b>		<b>5,722,752,629,392</b>	<b>5,255,047,012,975</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>4</b>	<b>101,616,124,112</b>	<b>61,645,461,451</b>
1. Cash	111		101,616,124,112	45,645,461,451
2. Cash equivalents	112		-	16,000,000,000
<b>II. Short-term financial investments</b>	<b>120</b>	<b>5</b>	<b>2,779,246,231,902</b>	<b>2,418,055,685,385</b>
1. Held-to-maturity investments	123		2,782,315,165,741	2,422,830,762,313
2. Provision for impairment of short-term financial investments	124		(3,068,933,839)	(4,775,076,928)
<b>III. Short-term receivables</b>	<b>130</b>		<b>917,646,688,723</b>	<b>864,421,780,526</b>
1. Short-term trade receivables	131	6	916,184,821,195	890,833,527,743
1.1. Receivables of insurance contracts	131.1		608,720,497,533	566,851,827,024
1.2. Other trade accounts receivable	131.2		307,464,323,662	323,981,700,719
2. Advances to suppliers	132		46,050,480	-
3. Other short-term receivables	135		16,326,111,785	3,336,034,671
4. Provision for short-term doubtful debts	139		(14,910,294,737)	(29,747,781,888)
<b>IV. Inventories</b>	<b>140</b>		<b>36,263,910</b>	<b>107,292,867</b>
1. Inventories	141		36,263,910	107,292,867
<b>V. Other current assets</b>	<b>150</b>		<b>413,364,664,958</b>	<b>249,259,411,914</b>
1. Short-term prepaid expenses	151	7	413,364,664,958	249,259,411,914
1.1. Unallocated commission expenses	151.1		406,888,443,007	244,016,133,558
1.2. Other short-term prepaid expenses	151.2		6,476,221,951	5,243,278,356
<b>VI. Reinsurance assets</b>	<b>190</b>	<b>14</b>	<b>1,510,842,655,787</b>	<b>1,661,557,380,832</b>
1. Unearned premium reserve for outward reinsurance	191		508,147,652,582	503,493,352,619
2. Claim reserve for outward reinsurance	192		1,002,695,003,205	1,158,064,028,213

*The accompanying notes are an integral part of these separate financial statements*



**BALANCE SHEET (Continued)**

As at 31 December 2019

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
<b>B. NON-CURRENT ASSETS (200=210+220+240+250+260)</b>	<b>200</b>		<b>1,049,809,496,114</b>	<b>1,200,963,754,095</b>
<b>I. Long-term receivables</b>	<b>210</b>		<b>22,000,000,000</b>	<b>22,000,000,000</b>
1. Other long-term receivables	218		22,000,000,000	22,000,000,000
1.1. Insurance deposit	218.1		22,000,000,000	22,000,000,000
<b>II. Fixed assets</b>	<b>220</b>		<b>7,790,706,792</b>	<b>6,075,959,542</b>
1. Tangible fixed assets	221	8	4,684,443,147	5,261,886,567
- Cost	222		25,795,808,154	25,817,950,881
- Accumulated depreciation	223		(21,111,365,007)	(20,556,064,314)
2. Intangible assets	227	9	-	59,877,097
- Cost	228		32,392,480,734	32,392,480,734
- Accumulated amortisation	229		(32,392,480,734)	(32,332,603,637)
3. Construction in progress	230		3,106,263,645	754,195,878
<b>III. Investment property</b>	<b>240</b>	<b>10</b>	<b>9,408,782,725</b>	<b>10,664,027,216</b>
- Cost	241		34,055,061,893	34,055,061,893
- Accumulated depreciation	242		(24,646,279,168)	(23,391,034,677)
<b>IV. Long-term financial investments</b>	<b>250</b>	<b>5</b>	<b>1,007,765,857,434</b>	<b>1,159,245,527,793</b>
1. Investment in subsidiary	251		60,000,000,000	60,000,000,000
2. Investment in associate	252		125,000,000,000	125,000,000,000
3. Equity investments in other entities	253		403,155,876,046	462,366,363,997
4. Provision for impairment of long-term financial investments	254		(94,817,694)	(4,458,755,507)
5. Held-to-maturity investments	255		419,704,799,082	516,337,919,303
<b>V. Other non-current assets</b>	<b>260</b>		<b>2,844,149,163</b>	<b>2,978,239,544</b>
1. Long-term prepaid expenses	261	7	2,844,149,163	2,978,239,544
<b>TOTAL ASSETS (270=100+200)</b>	<b>270</b>		<b>6,772,562,125,506</b>	<b>6,456,010,767,070</b>

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The accompanying notes are an integral part of these separate financial statements

**BALANCE SHEET (Continued)**

As at 31 December 2019

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
<b>C. LIABILITIES (300=310+330)</b>	<b>300</b>		<b>3,851,503,899,798</b>	<b>3,643,813,112,166</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>3,848,707,362,243</b>	<b>3,641,113,375,401</b>
1. Short-term trade payables	312	11	825,996,707,924	740,898,046,995
1.1 Payables of insurance contracts	312.1		613,498,599,822	505,215,065,621
1.2. Other trade accounts payable	312.2		212,498,108,102	235,682,981,374
2. Short-term advances from customers	313		619,661,089	724,298,709
3. Taxes and amounts payable to the State budget	314	12	17,887,827,194	14,694,476,571
4. Payables to employees	315		21,508,923,286	18,216,985,325
5. Other current payables	319	13	14,227,829,987	6,410,546,596
6. Unearned commission income	319.1	13	111,386,015,883	107,386,456,892
7. Short-term provisions	320		12,909,096,840	-
8. Bonus and welfare funds	323		18,969,801,148	19,210,267,385
9. Under-writing reserves	329	14	2,825,201,498,892	2,733,572,296,928
9.1. Unearned premium reserves for inward reinsurance	329.1		1,077,521,983,191	874,337,219,111
9.2. Claim reserves for inward reinsurance	329.2		1,590,506,312,001	1,668,347,100,445
9.3. Catastrophe reserve	329.3		157,173,203,700	190,887,977,372
<b>II. Long-term liabilities</b>	<b>330</b>		<b>2,796,537,555</b>	<b>2,699,736,765</b>
1. Other long-term payables	333	13	2,796,537,555	2,699,736,765
<b>D. EQUITY (400=410)</b>	<b>400</b>	<b>15</b>	<b>2,921,058,225,708</b>	<b>2,812,197,654,904</b>
<b>I. Owners' equity</b>	<b>410</b>		<b>2,921,058,225,708</b>	<b>2,812,197,654,904</b>
1. Owners' contributed capital	411		1,310,759,370,000	1,310,759,370,000
- Ordinary shares carrying voting rights	411a		1,310,759,370,000	1,310,759,370,000
2. Share premium	412		566,368,537,309	566,368,537,309
3. Investment and development fund	417		211,311,595,298	205,815,380,525
4. Compulsory reserve fund	419		131,075,937,000	131,075,937,000
5. Retained earnings	421		701,542,786,101	598,178,430,070
- Retained earnings accumulated to the prior year end	421a		440,887,305,670	354,591,220,091
- Retained earnings of the current year	421b		260,655,480,431	243,587,209,979
<b>TOTAL RESOURCES (440=300+400)</b>	<b>440</b>		<b>6,772,562,125,506</b>	<b>6,456,010,767,070</b>

The accompanying notes are an integral part of these separate financial statements



**OFF-BALANCE SHEET ITEMS**

<b>OFF-BALANCE SHEET ITEMS</b>	<b>Currency</b>	<b>Closing balance</b>	<b>Opening balance</b>
<b>1. Foreign currencies</b>			
United States Dollar	USD	3,690,944.67	1,479,421.71
Australian Dollar	AUD	345.15	348.07
Japanese Yen	JPY	43,775.00	44,017.00
Singapore Dollar	SGD	498.16	434.05
Great Britain Pound	GBP	5,770.51	5,771.61
Euro	EUR	127,138.70	112,577.69

  
**Nguyen Thanh Cong**  
Preparer

  
**Luu Thi Viet Hoa**  
Chief Accountant

  
  
**Pham Cong Tu**  
General Director

Hanoi, 05 March 2020

**INCOME STATEMENT**

*For the year ended 31 December 2019*

**PART I – GENERAL INCOME STATEMENT**

Unit: VND

<b>ITEMS</b>	<b>Codes</b>	<b>Current year</b>	<b>Prior year</b>
1. Net revenue from insurance activities	10	1,236,537,905,553	946,349,238,102
2. Financial income	12	340,805,119,079	331,791,592,201
3. Other income	13	15,836,124,854	23,468,964,721
4. Total expenses for insurance activities	20	1,139,889,342,515	811,260,069,740
5. Financial expenses	22	52,311,276,958	92,899,706,664
6. General and administration expenses	23	66,065,341,829	79,308,545,263
7. Other expenses	24	2,786,574,052	2,111,413,225
8. (Loss) on pilot agricultural insurance activities	25	-	(350,253,371)
<b>9. Total accounting profit before tax (50 = 10+12+13-20-22-23-24+25)</b>	<b>50</b>	<b>332,126,614,132</b>	<b>315,679,806,761</b>
10. Current corporate income tax expense	51	57,564,870,285	54,225,725,648
<b>11. Net profit after corporate income tax (60=50-51)</b>	<b>60</b>	<b>274,561,743,847</b>	<b>261,454,081,113</b>

*The accompanying notes are an integral part of these separate financial statements*

**INCOME STATEMENT (Continued)**

*For the year ended 31 December 2019*

**PART II - INCOME STATEMENT BY ACTIVITY**

Unit: VND

ITEMS	Codes Notes		Current year	Prior year
<b>1. Insurance premium (01 = 01.2-01.3)</b>	<b>01</b>	<b>16</b>	<b>2,018,063,530,162</b>	<b>1,723,297,086,003</b>
- Inward reinsurance premium	01.2		2,221,248,294,242	1,802,718,232,456
- Increase in unearned premium reserve for inward reinsurance	01.3		203,184,764,080	79,421,146,453
<b>2. Outward reinsurance premium (02 = 02.1-02.2)</b>	<b>02</b>	<b>17</b>	<b>1,025,624,314,273</b>	<b>1,040,594,562,581</b>
- Outward reinsurance premium	02.1		1,030,278,614,236	1,017,977,085,893
- Increase/(Decrease) in unearned premium reserve for outward reinsurance	02.2		4,654,299,963	(22,617,476,688)
<b>3. Net insurance premium (03 = 01-02)</b>	<b>03</b>		<b>992,439,215,889</b>	<b>682,702,523,422</b>
<b>4. Commission income from outward reinsurance and other income from insurance activities (04=04.1+04.2)</b>	<b>04</b>		<b>244,098,689,664</b>	<b>263,646,714,680</b>
- Commission income from outward reinsurance	04.1		222,442,099,623	220,412,677,767
- Other income from insurance activities	04.2	18	21,656,590,041	43,234,036,913
<b>5. Net revenue from insurance activities (10 = 03+04)</b>	<b>10</b>		<b>1,236,537,905,553</b>	<b>946,349,238,102</b>
<b>6. Claim settlement expenses (11=11.1)</b>	<b>11</b>		<b>1,075,927,565,712</b>	<b>789,549,153,632</b>
- Total claim settlement expenses	11.1		1,075,927,565,712	789,549,153,632
7. Claim receipts from ceded policies	12		669,723,131,637	525,294,744,748
8. (Decrease)/Increase in claim reserve for inward reinsurance	13		(74,250,457,020)	152,045,023,518
9. (Decrease)/Increase in claim reserve for outward reinsurance	14		(146,364,312,427)	89,347,023,080
<b>10. Total insurance claim settlement expenses (15=11-12+13-14)</b>	<b>15</b>	<b>19</b>	<b>478,318,289,482</b>	<b>326,952,409,322</b>
11. (Decrease) in catastrophe reserve	16		(34,127,288,514)	(2,957,100,174)
<i>In which: Claim settlement expenses from catastrophe reserve</i>			<i>(46,000,000,000)</i>	<i>(17,000,000,000)</i>
<b>12. Other expenses for insurance activities (17=17.1+17.2)</b>	<b>17</b>		<b>695,698,341,547</b>	<b>487,264,760,592</b>
- Insurance commission expenses	17.1		668,970,621,756	444,199,301,119
- Other expenses for insurance activities	17.2	20	26,727,719,791	43,065,459,473
<b>13. Total expenses for insurance activities (18=15+16+17)</b>	<b>18</b>		<b>1,139,889,342,515</b>	<b>811,260,069,740</b>
<b>14. Gross profit from insurance activities (19=10-18)</b>	<b>19</b>		<b>96,648,563,038</b>	<b>135,089,168,362</b>

*The accompanying notes are an integral part of these separate financial statements*



**INCOME STATEMENT (Continued)**

*For the year ended 31 December 2019*

**PART II - INCOME STATEMENT BY ACTIVITY (Continued)**

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
15. Financial income	23	21	340,805,119,079	331,791,592,201
16. Financial expenses	24	22	52,311,276,958	92,899,706,664
<b>17. Gross profit from financial activities (25=23-24)</b>	<b>25</b>		<b>288,493,842,121</b>	<b>238,891,885,537</b>
18. General and administration expenses	26	23	66,065,341,829	79,308,545,263
<b>19. Net profit from operating activities (30=19+25-26)</b>	<b>30</b>		<b>319,077,063,330</b>	<b>294,672,508,636</b>
20. Other incomes	31		15,836,124,854	23,468,964,721
21. Other expenses	32		2,786,574,052	2,111,413,225
<b>22. Profit from other activities (40=31-32)</b>	<b>40</b>		<b>13,049,550,802</b>	<b>21,357,551,496</b>
23. (Loss) on pilot agricultural insurance activities	40.2	25	-	(350,253,371)
<b>24. Accounting profit before tax (50=30+40+40.2)</b>	<b>50</b>		<b>332,126,614,132</b>	<b>315,679,806,761</b>
25. Current corporate income tax expense	51	27	57,564,870,285	54,225,725,648
<b>26. Profit after corporate income tax (60=50-51)</b>	<b>60</b>		<b>274,561,743,847</b>	<b>261,454,081,113</b>

  
**Nguyen Thanh Cong**  
Preparer

  
**Luu Thi Viet Hoa**  
Chief Accountant

  
**Pham Cong Tu**  
General Director

*Hanoi, 05 March 2020*


*The accompanying notes are an integral part of these separate financial statements*

**CASH FLOW STATEMENT**  
(Direct method)


For the year ended 31 December 2019

Unit: VND

ITEMS	Codes	Current year	Prior year
<b>I. Cash flows from operating activities</b>			
1. Receipts from inward and outward reinsurance activities	01	576,934,658,888	606,828,759,790
2. Payments for inward and outward reinsurance activities	02	(344,231,365,167)	(391,179,614,446)
3. Payments to employees	03	(41,307,107,247)	(41,778,372,313)
4. Payments for corporate income tax	05	(54,624,848,662)	(44,451,616,560)
5. Receipts from other activities	06	3,628,549,541	4,838,952,418
6. Payments for other activities	07	(32,473,759,037)	(23,570,706,122)
<b>Net cash generated by operating activities</b>	<b>20</b>	<b>107,926,128,316</b>	<b>110,687,402,767</b>
<b>II. Cash flows from investing activities</b>			
1. Acquisition and construction of fixed assets and other long-term assets	21	(2,490,942,645)	(892,060,000)
2. Cash outflow for lending, buying debt instruments of other entities	23	(1,433,810,460,000)	(1,993,291,799,345)
3. Cash recovered from lending, selling debt instrument of other entities	24	1,172,285,520,133	1,674,993,209,137
4. Cash recovered from investments in other entities	26	59,210,487,951	8,069,200,447
5. Interest earned, dividends and profits received	27	293,785,539,620	250,930,664,447
<b>Net cash generated by/(used in) investing activities</b>	<b>30</b>	<b>88,980,145,059</b>	<b>(60,190,785,314)</b>
<b>III. Cash flows from financing activities</b>			
1. Dividends and profits paid	36	(157,090,344,240)	(157,494,540,400)
<b>Net cash (used in) financing activities</b>	<b>40</b>	<b>(157,090,344,240)</b>	<b>(157,494,540,400)</b>
<b>Net increase/(decrease) in cash (50 = 20+30+40)</b>	<b>50</b>	<b>39,815,929,135</b>	<b>(106,997,922,947)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>61,645,461,451</b>	<b>168,003,369,951</b>
Effects of changes in foreign exchange rates	61	154,733,526	640,014,447
<b>Cash and cash equivalents at the end of the year (70 = 50+60+61)</b>	<b>70</b>	<b>101,616,124,112</b>	<b>61,645,461,451</b>

  
**Nguyen Thanh Cong**  
Preparer

  
**Luu Thi Viet Hoa**  
Chief Accountant

  
**Pham Cong Tu**  
General Director

Hanoi, 05 March 2020

The accompanying notes are an integral part of these separate financial statements

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

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

**1. GENERAL INFORMATION**

**Structure of ownership**

Vietnam National Reinsurance Joint Stock Corporation (the "Corporation") was incorporated under Establishment and Operation License No. 28/GP/KDBH dated 15 November 2004 issued by the Ministry of Finance and the latest Amendment No. 28/GPDC4/KDBH dated 12 August 2014.

The number of employees as at 31 December 2019 was 100 (31 December 2018: 101).

**Operating industry and principal activities**

The operating industry and principal activities of the Corporation are to provide reinsurance services, to make financial investments and perform other activities permitted by law.

**Normal operating cycle**

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

**The Corporation's structure**

As at 31 December 2019, the Corporation has a subsidiary named Vinare Investment Joint Stock Company with the Corporation's proportions of ownership interest and voting power held of 63.9% and 60%, respectively.

As at 31 December 2019, the Corporation has an associate named Samsung Vina Insurance Company Limited with the Corporation's proportions of ownership interest and voting power held of 25% each.

**Disclosure of information comparability in the separate financial statements**

The comparative figures are the figures of the Corporation's audited separate financial statements for the year ended 31 December 2018.

**2. ACCOUNTING CONVENTION AND FINANCIAL YEAR**

**Accounting convention**

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

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

**Financial year**

The Corporation's financial year begins on 01 January and ends on 31 December.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### **Estimates**

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

#### **Financial instruments**

##### ***Initial recognition***

##### ***Financial assets***

At the date of initial recognition, financial assets are recognized at cost plus transaction costs that are directly attributable to the acquisition of the financial assets.

Financial assets of the Corporation comprise cash and cash equivalents, trade receivables, and short-term and long-term financial investments (excluding investments in subsidiary and associate).

##### ***Financial liabilities***

At the date of initial recognition, financial liabilities are recognized at cost plus transaction costs that are directly attributable to the issue of the financial liabilities.

Financial liabilities of the Corporation comprise trade payables, other payables, short-term provision and long-term deposits received.

##### ***Subsequent measurement after initial recognition***

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

#### **Cash and cash equivalents**

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

#### **Receivables**

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

Provision for doubtful debts is made for receivables that are overdue for six months or more, or for those receivables that are not yet due but there is uncertainty about the recoverability as the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties.

The calculation of provision for doubtful debts is specifically made for each customer, details are as follows:

With regard to customers with total reinsurance-related receivables balance less than total reinsurance-related payables balance, no provision should be made. In the contrary case, provision for each doubtful debt will be made on the rate (%) of overdue debts on applicable period multiplied (x) with the reinsurance-related receivables balance after offsetting with the reinsurance-related payables balance on the following basis:

- No provision is made for accounts receivable overdue for less than 06 months;
- For accounts receivable overdue from 06 to less than 12 months, the provision is made at the rate of 30%;
- For accounts receivable overdue from 12 to less than 24 months, the provision is made at the rate of 50%;
- For accounts receivable overdue from 24 to less than 36 months, the provision is made at the rate of 70%;
- For accounts receivable overdue for 36 months or more, the provision is fully made.

#### **Swap contracts**

Swap contracts are agreements to settle in cash at a future date based on predetermined foreign exchange rate. As at inception date of agreements, the Corporation pays an original amount denominated in foreign currency to the counterparty and records this amount in accounts receivable. Simultaneously, the Corporation records an amount denominated in VND received from the counterparty in accounts payable. Gain/loss from swap contracts are recognized in the income statement over the terms of agreements.

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Tangible fixed assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings, structures	25
Motor vehicles	6
Office equipment	4
Other fixed assets	4 - 5

#### **Intangible assets and amortization**

Intangible assets are stated at cost less accumulated amortization.

Intangible assets represent reinsurance software, which is amortized using the straight-line method over the estimated useful life of 5 years.



**Financial investments**

***a. Held-to-maturity investments***

Held-to-maturity investments comprise investments that the Corporation has the positive intent and ability to hold to maturity. Held-to-maturity investments include bank term deposits, bonds, entrustment investments, investments under business co-operation agreements and other held-to-maturity investments.

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

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

***b. Investments in subsidiary and associate***

*Investment in subsidiary*

A subsidiary is an entity controlled by the Corporation. Control is achieved when the Corporation has the power to govern the financial and operating policies of the investee enterprise to obtain benefits from its activities.

*Investment in associate*

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Interests in subsidiaries and associates are initially recognised at cost. The Corporation's share of the net profit of the investee after acquisition is recognised in the income statement. Other distributions received other than such profit share are deducted from the cost of the investments as recoverable amounts.

Investments in subsidiary and associate are presented in the balance sheet at cost less amount of impairment of the investments (if any).

***c. Equity investments in other entities***

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

Equity investments in other entities are stated at cost less provision for impairment of the investments.

***d. Provision for impairment of financial investments***

Provision for impairment of financial investments are made when reliable evidence of impairment losses of financial investments are available at the balance sheet date.

**Construction in progress**

Properties in the course of construction for production, rental or administrative purposes, or for other purposes, are carried at cost. Cost includes costs that are necessary to form the assets in



accordance with the Corporation's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

#### **Investment properties**

Investment properties, which are composed of office buildings held by the Corporation to earn rentals, are stated at cost less accumulated depreciation. The costs of self-constructed investment properties are the finally accounted construction or directly attributable costs of the properties.

Investment properties are depreciated using the straight-line method over their estimated useful lives of 25 years.

#### **Prepayments**

Prepayments are expenses which have already been paid but relate to results of operations of multiple financial years. Prepayments comprise costs of tools, supplies issued for consumption, unallocated commission expenses and other expenses which are expected to provide future economic benefits to the Corporation. These expenditures have been capitalized as prepayments, and are allocated to the income statement using the straight-line method for the period over which the expected future economic benefits flow to the Corporation.

#### **Payable provisions**

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

#### **Insurance deposits**

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

#### **Revenue recognition**

Inward reinsurance premium is recognized at the establishment of contractual agreement and following the statement of accounts agreed by the Corporation and the re-insurers. Outward reinsurance premium is recognized when the Corporation receives an acceptance statement of the re-insurers following the respective reinsurance notices issued by the Corporation. Such recognition is in conformity with the regulations of financial regime applicable to insurance enterprises.

Commission income and other incomes from reinsurance activities are recorded on accrual basis. In the year, the entire commission income from outward reinsurance under outward reinsurance contracts signed in accordance with regulations of the applicable financial regime is presented in the "Commission income from outward reinsurance" item.

At the year end, the Corporation should determine unearned commission income from outward reinsurance corresponding to outward reinsurance premium not yet recognized in this year so as to allocate such commission income to the subsequent years. For outward reinsurance contracts with terms of 01 year or less, 25% rate method is applied for cargo

transport insurance and 50% rate method for other kinds of insurance. For those with terms of more than 01 year, 55% rate method is applied for all kinds of insurance.

Income from stock investments is recognized upon a notification of profit-sharing released by the investee.

Interest income from deposits, public bonds, bank debentures, Government bonds, and loans is recognized when incurred.

Income from office leasing is recognized when incurred.

#### **Expenditures recognition**

Claim settlement expenses for direct insurance are recorded as incurred, when the Corporation accepts to settle the insured's claims following respective settlement notice.

Claim settlement expenses for inward reinsurance are recorded as incurred following the statement of accounts the reinsurers send to the Corporation and the claim is accepted by the Corporation. Claim receipts from ceded policies are recognized based on the receivable amount incurred corresponding with the claim settlement expenses recorded in the year and the ceded ratios.

Commission expenses for inward reinsurance are recognized corresponding to inward reinsurance premium incurred. In the year, the entire commission expenses for inward reinsurance under inward reinsurance contracts signed in accordance with the regulations of the financial regime are presented in the "Commission expenses for inward reinsurance" item.

At the year end, the Corporation should determine commission expenses for inward reinsurance which have not been recognized as expenses for the year yet, corresponding to unearned inward reinsurance premium so as to allocate such commission expenses to the subsequent years. For inward reinsurance contracts with terms of 01 year or less, 25% rate method is applied for cargo transport insurance and 50% rate method for other kinds of insurance. For those with terms of more than one year, 55% rate method is applied for all kinds of insurance.

#### **Foreign currencies**

- The Corporation applies an accounting exchange rate of 23,000 VND/USD (for the year ended 31 December 2018: 22,700 VND/USD) to transactions arising in foreign currencies during the year. Such transactions are initially translated into VND using the accounting exchange rate and then using actual rate applicable on the payment date. Exchange differences arising from such transactions are recorded in the income statement.
- Liabilities and receivables relating to recognition of revenue and expenses from reinsurance for the year denominated in USD: At the balance sheet date, balances of receivables are translated into VND using the Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)'s buying exchange rate of 23,110 VND/USD (as at 31 December 2018: 23,145 VND/USD), balances of payables are translated into VND using the Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)'s selling exchange rate of 23,230 VND/USD (as at 31 December 2018: 23,245 VND/USD). Exchange differences arising from such transactions are recorded in the income statement.
- Liabilities and receivables relating to recognition of revenue and expenses from reinsurance for the year denominated in foreign currencies other than USD at the



balance sheet date are translated into USD at the accounting exchange rate. At the balance sheet date, balances of receivables are translated using the Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)'s buying exchange rate of 23,110 VND/USD (as at 31 December 2018: 23,145 VND/USD), balances of payables are translated into VND using the Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank)'s selling exchange rate of 23,230 VND/USD (as at 31 December 2018: 23,245 VND/USD). Exchange differences arising from such transactions are recorded in the income statement.

- With regard to monetary assets, receivables and liabilities denominated in foreign currencies that are not related to recognition of revenue and expenses for the year, the Corporation applies the method of recording foreign exchange differences in accordance with Vietnamese Accounting Standard No. 10 (VAS 10) "Effects of changes in foreign exchange rates" issued by the Ministry of Finance providing guidance on recognition, measurement and treatment of foreign exchanges differences in enterprises. Accordingly, transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognized in the income statement.

#### **Enterprise funds**

The compulsory reserve fund is made at the rate of 5% of the Corporation's profit after tax until it is equal to 10% of the Corporation's charter capital.

Investment and development fund is appropriated from profit after tax and used for business extension or in-depth investment.

All profits are used to pay dividends to shareholders, and allocate to compulsory reserve fund, investment and development fund and bonus and welfare funds. The allocation ratio shall be decided by the shareholders at the Shareholders' General meeting at the request of the Board of Management. However, according to the Corporation's Charter, the Board of Management may pay dividends if they are certain about the profit of the Corporation.

#### **Under-writing reserves**

On 12 March 2018, the Ministry of Finance issued Official Letter No. 2713/BTC-QLBH on the approval of registration of the method to make reserves for insurance transactions of the Corporation since 2017. Accordingly, under-writing reserves of the Corporation in the year are made as follows:

##### ***Premium reserve:***

Provision for premium inward and outward reserves with regard to reinsurance contracts which last for one year or less is provided for at 25% of the total inward reinsurance premium and outward reinsurance premium for the year for all types of cargo transport insurance (by land, seaway, waterway, railway and airway) and at 50% of the inward reinsurance premium and outward reinsurance premium for other types.

Provision for premium reserves for inward and outward reinsurance with regard to reinsurance contracts which last for over one year is provided for at 55% of the inward and outward reinsurance premiums of these contracts.



**Claim reserves:**

- For losses that have been incurred and reported but not settled at the year end, the Corporation makes claim reserves for inward reinsurance and outward reinsurance under statistical method based on the level of responsibility to the losses that have been incurred and reported but not settled at the year end.
- For claim reserve for inward reinsurance and outward reinsurance for losses that have been incurred but not yet reported (IBNR), the Corporation applies the rate of 5% of the inward reinsurance premium and outward reinsurance premium for the year over all types of insurance.

**Catastrophe reserve:** This reserve is made annually under statistical method, at a rate of 1% of the retained premium rate of all transactions until it reaches 100% of the premium retained in the year.

For financial year ended 31 December 2018, the Corporation made catastrophe reserve at a rate of 2% of the retained premium of all transactions. Accordingly, the "Decrease in catastrophe reserve" item on the income statement for the financial year ended 31 December 2019 was recorded by a decrease of about VND 6.2 billion from this change of accounting estimate.

**Equalization reserve:**

*Life reinsurance reserve:* is made annually at the rate of 1% on profit before tax of the Corporation until it reaches 5% of life inward premium received in the year.

*Health-care reinsurance reserve:* is made annually at the rate of 1% of retained premium for all transactions until it reaches 100% of retained premium in the year according to Circular No. 50/2017/TT-BTC of the Ministry of Finance dated 15 May 2017, which was effective from 01 July 2017.

In the year, the Corporation has made the provision for equalization reserve with total amount of VND 5,638,964,948 and recognised in Catastrophe Reserve item under a separate line.

On 28 September 2005, the Ministry of Finance issued Vietnamese Accounting Standard No. 19 - "Insurance Contract" and Decision No. 100/2005/QĐ-BTC, effective from 2006. Accordingly, at the reporting date, insurance enterprises are not allowed to make reserves, including catastrophe reserve, for future claim if claims are not incurred as at the balance sheet date, which included Catastrophe reserve. Currently, in accordance with guidance under Decree No. 73/2016/NĐ-CP issued by the Government dated 01 July 2016, insurance enterprises are required to provide for catastrophe reserve.

Since the Ministry of Finance has not yet issued any circular guiding the implementation of the aforesaid accounting standard, the fact that the Corporation still made catastrophe reserve for the year ended 31 December 2019 should be more prudent than what is regulated in VAS 19.

Reserves for the Corporation's outward/inward reinsurance should be presented under separate items in the balance sheet. Accordingly, unearned premium reserve and claim reserve for inward reinsurance and catastrophe reserve are recognized as payables while unearned premium reserve for outward reinsurance and claim reserve for outward reinsurance are recognized as reinsurance assets.

## Taxation

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

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

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

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

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

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

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

## 4. CASH AND CASH EQUIVALENTS

	<u>Closing balance</u>	<u>Opening balance</u>
	<b>VND</b>	<b>VND</b>
Cash on hand	800,855,576	673,932,265
Bank demand deposits	100,815,268,536	44,971,529,186
Cash equivalents	-	16,000,000,000
	<b>101,616,124,112</b>	<b>61,645,461,451</b>



VIETNAM NATIONAL REINSURANCE JOINT STOCK CORPORATION  
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Continued)

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5. FINANCIAL INVESTMENTS

	Closing balance			Opening balance		
	Historical cost	Fair value	Provision	Historical cost	Fair value	Provision
	VND	VND	VND	VND	VND	VND
<b>a) Held-to-maturity investments</b>	<b>3,202,019,964,823</b>					
<b>a1) Short-term</b>	<b>2,782,315,165,741</b>		(3,163,751,533)	2,939,168,681,616		(9,233,832,435)
- Short-term deposits (i)	2,535,000,000,000		(3,068,933,839)	2,422,830,762,313		(4,775,076,928)
- Bonds (iii)	110,000,000,000		-	2,296,000,000,000		-
- Other investments	137,315,165,741		(3,068,933,839)	126,830,762,313		(4,775,076,928)
+ <i>Entrustment investment</i>	137,315,165,741		(3,068,933,839)	126,830,762,313		(4,775,076,928)
<b>a2) Long-term</b>	<b>419,704,799,082</b>		(94,817,694)	<b>516,337,919,303</b>		<b>(4,458,755,507)</b>
- Long-term deposits (ii)	133,000,000,000		-	129,000,000,000		-
- Bonds (iii)	160,000,000,000		-	220,000,000,000		-
- Investments under business cooperation agreements (iv)	13,304,048,828		-	13,304,048,828		-
- Entrustment investments (v)	108,400,750,254		(94,817,694)	148,212,664,412		(4,458,755,507)
- Other long-term investments	5,000,000,000		-	5,821,206,063		-
<b>b) Investments in other entities</b>	<b>588,155,876,046</b>		-	<b>647,366,363,997</b>		-
- Investment in subsidiary	60,000,000,000		-	60,000,000,000		-
+ <i>Vinaire Investment Joint Stock Company</i>	60,000,000,000		-	60,000,000,000		-
- Investment in associate	125,000,000,000		-	125,000,000,000		-
- Equity investments in other entities (vi)	403,155,876,046		-	462,366,363,997		-
+ <i>Listed entities</i>	345,416,076,046	979,192,749,000	-	404,626,563,997	1,035,972,859,800	-
+ <i>Un-listed entities</i>	57,739,800,000		-	57,739,800,000		-



- (i) Short-term deposits represent deposits with original terms of over 3 months and remaining maturities from 31 December 2019 onward of under 12 months at domestic commercial banks, with interest rates from 7.0% to 7.8% per annum.
- (ii) Long-term deposits represent term deposits with remaining maturities of more than 12 months at domestic commercial banks, with interest rates from 7.6% to 8.0% per annum.
- (iii) Bonds include corporate bonds and Government bonds with the maturities of 01 year to 05 years and interest rates from 7.25% to 9.4% per annum.
- (iv) Investments under business cooperation agreements represent capital contributions for business cooperation and product sharing with Vinare Investment Joint Stock Company ("Vinare Invest") to implement Tincom Plaza project and No.142 Dinh Cong project.
- (v) Entrustment investments represent investments under trust contracts signed with Vietcombank Fund Management Joint Venture Company, Bao Viet Fund Management Company Limited, and Saigon Securities Incorporation under which the Corporation shall bear all risks related to the escrow account.
- (vi) Equity investments in other entities include any investments in other companies over which the Corporation does not have the right to control or have significant influence. Details of share capital contributions are as follows:

Equity investments in:	Proportion of ownership interest as at 31/12/2019	Closing balance	Opening balance
		VND	VND
Petrolimex Insurance Joint Stock Insurance Corporation	0.00%	76,046	59,210,563,997
Post and Telecommunication Joint Stock Insurance Corporation	4.42%	38,416,000,000	38,416,000,000
Sai Gon - Ha Long Hotel (*)	6.05%	10,139,800,000	10,139,800,000
Global Insurance Joint Stock Company (*)	5.50%	17,600,000,000	17,600,000,000
Agriculture Bank Insurance Joint Stock Corporation	8.42%	32,000,000,000	32,000,000,000
Hung Vuong Insurance Joint Stock Company (*)	10.00%	30,000,000,000	30,000,000,000
Tien Phong Commercial Joint Stock Bank	4.49%	275,000,000,000	275,000,000,000
		<b>403,155,876,046</b>	<b>462,366,363,997</b>

- (\*) At the date of these separate financial statements, the Corporation has assessed and made provision for impairment of equity investments as at 31 December 2019 based on the investees' financial statements for the year ended 31 December 2019. For investees whose financial statements for the year ended 31 December 2019 have not been available, the Corporation used the latest financial statements collected from those investees for assessment.

Information on bonus shares received as at 31 December 2019 of these investees are as follows:

	Par value	Number of shares
Tien Phong Commercial Joint Stock Bank	10,000	10,934,500
Post and Telecommunication Joint Stock Insurance	10,000	381,024
Sai Gon - Ha Long Hotel	10,000	96,000

Details of the Corporation's subsidiary as at 31 December 2019 are as follows:

Subsidiary	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting rights held	Principal activity
Vinare Investment Joint Stock Company	Hanoi, Vietnam	63.9%	60.0%	Real estate investment and construction

Details of the Corporation's associate as at 31 December 2019 are as follows:

Associate	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting rights held	Principal activity
Samsung Vina Insurance Company Limited	Ho Chi Minh City, Viet Nam	25.0%	25.0%	Non-life insurance

- Summary of the performance of subsidiary and associate in the year: the Corporation's subsidiary and associate had stable operation under registered operating sectors for the year ended 31 December 2019.
- Significant transactions of the Corporation with its subsidiary and associate in the year are as follows:
  - + Between the Corporation and its subsidiary: there were no significant transactions arising during the year.
  - + Between the Corporation and Samsung Vina Insurance Company Limited: there were transactions related to outward/inward reinsurance premium, outward/inward reinsurance commission, and outward/inward reinsurance claim and dividend payment.

**The fair value of these investments:**

- Fair value of listed securities investments is determined at the closing price on Hanoi Stock Exchange (HNX) or Ho Chi Minh Stock Exchange (HOSE) at the reporting date.
- Fair value of securities investments registered for trading on un-listed public companies trading market (Upcom) is determined by the average trading price at the reporting date.
- Fair value of other financial investments of which information for fair value determination is inadequate shall not be determined.

6. SHORT-TERM TRADE RECEIVABLES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Receivables from insurance contracts	608,720,497,533	566,851,827,024
- Receivables from inward reinsurance	308,835,473,393	320,685,835,997
- Receivables from outward reinsurance	280,656,327,862	239,238,644,441
- Other receivables from reinsurance activities	19,228,696,278	6,927,346,586
Other trade receivables	307,464,323,662	323,981,700,719
- Interest receivables on investments	102,686,402,742	92,349,846,574
- Other receivables related to swap contracts	203,368,000,000	231,450,000,000
- Other receivables	1,409,920,920	181,854,145
	<b>916,184,821,195</b>	<b>890,833,527,743</b>

7. PREPAID EXPENSES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
<b>a) Short-term</b>	<b>413,364,664,958</b>	<b>249,259,411,914</b>
Unallocated commission expenses	406,888,443,007	244,016,133,558
- Opening balance	244,016,133,558	185,674,353,313
- Unallocated commission expenses incurred in the year	831,842,931,205	502,541,081,364
- Commission expenses allocated in the year	668,970,621,756	444,199,301,119
- Closing balance	406,888,443,007	244,016,133,558
Other prepaid expenses	6,476,221,951	5,243,278,356
<b>b) Long-term</b>	<b>2,844,149,163</b>	<b>2,978,239,544</b>
Golf card expenses	983,961,750	1,040,980,964
Other long-term prepaid expenses	1,860,187,413	1,937,258,580
	<b>416,208,814,121</b>	<b>252,237,651,458</b>



8. INCREASE, DECREASE IN TANGIBLE FIXED ASSETS

COST	Buildings, structures	Motor vehicles	Office equipment	Other fixed assets	Total
	VND	VND	VND	VND	VND
Opening balance	15,170,997,037	2,980,277,071	6,950,892,474	715,784,299	25,817,950,881
New purchases	-	-	127,689,000	-	127,689,000
Other decreases	-	-	(149,831,727)	-	(149,831,727)
<b>Closing balance</b>	<b>15,170,997,037</b>	<b>2,980,277,071</b>	<b>6,928,749,747</b>	<b>715,784,299</b>	<b>25,795,808,154</b>
<b>ACCUMULATED DEPRECIATION</b>					
Opening balance	10,600,699,655	2,980,277,071	6,720,100,749	254,986,839	20,556,064,314
Depreciation for the year	537,961,925	-	71,833,090	95,337,405	705,132,420
Other decreases	-	-	(149,831,727)	-	(149,831,727)
<b>Closing balance</b>	<b>11,138,661,580</b>	<b>2,980,277,071</b>	<b>6,642,102,112</b>	<b>350,324,244</b>	<b>21,111,365,007</b>
<b>NET BOOK VALUE</b>					
Opening balance	4,570,297,382	-	230,791,725	460,797,460	5,261,886,567
Closing balance	4,032,335,457	-	286,647,635	365,460,055	4,684,443,147

As at 31 December 2019, the historical cost of tangible fixed assets includes VND 10,322,605,603 of fixed assets which have been fully depreciated but are still in use (as at 31 December 2018: VND 9,410,002,330).

9. INCREASE, DECREASE IN INTANGIBLE ASSETS

Intangible assets as at 31 December 2019 represent cost and accumulated amortization of reinsurance software. As at 31 December 2019, the historical cost of intangible assets includes VND 32,392,480,734 of intangible assets which have been fully amortized but are still in use (as at 31 December 2018: VND 32,164,880,734).

**10. INCREASE, DECREASE IN INVESTMENT PROPERTY**

Items	Opening balance	Increase	Closing balance
	VND	VND	VND
<b>Investment properties held to earn rentals</b>			
<b>Cost</b>	<b>34,055,061,893</b>	<b>-</b>	<b>34,055,061,893</b>
- Building (i)	34,055,061,893	-	34,055,061,893
<b>Accumulated depreciation</b>	<b>23,391,034,677</b>	<b>1,255,244,491</b>	<b>24,646,279,168</b>
- Building (i)	23,391,034,677	1,255,244,491	24,646,279,168
<b>Net book value</b>	<b>10,664,027,216</b>	<b>-</b>	<b>9,408,782,725</b>
- Building	10,664,027,216	-	9,408,782,725

(i) Represent the cost and accumulated depreciation of the building at No. 141 Le Duan Street corresponding to the lease area.

According to Vietnamese Accounting Standard No.05 - *Investment Properties*, fair value of investment property as at 31 December 2019 is required to be disclosed. As assessed by the management, the value of the Corporation's investment property in accounting records has represented its fair value.

**11. SHORT-TERM TRADE PAYABLES**

	Closing balance	Opening balance
	VND	VND
Payables of insurance contracts	613,498,599,822	505,215,065,621
- Payables to inward reinsurance activities	282,969,056,308	191,437,179,471
- Payables to outward reinsurance activities	329,397,190,803	306,084,713,736
- Other payables to reinsurance activities	1,132,352,711	7,693,172,414
Other trade payables	212,498,108,102	235,682,981,374
- Other payables related to swap contracts	209,573,955,000	233,378,186,000
- Other payables	2,924,153,102	2,304,795,374
	<b>825,996,707,924</b>	<b>740,898,046,995</b>

**12. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET**

	Opening balance	Payable during the year	Paid during the year	Closing balance
	VND	VND	VND	VND
Value added tax on domestic sales	200,482,712	1,673,273,804	1,714,845,339	158,911,177
Corporate income tax	14,366,218,975	57,564,870,285	54,624,848,662	17,306,240,598
Personal income tax	19,640,081	6,463,394,206	6,243,824,759	239,209,528
Business license tax	-	4,000,000	4,000,000	-
Other taxes and charges payable	108,134,803	919,435,085	844,103,997	183,465,891
<b>Total</b>	<b>14,694,476,571</b>	<b>66,624,973,380</b>	<b>63,431,622,757</b>	<b>17,887,827,194</b>

13. OTHER PAYABLES

	Closing balance	Opening balance
	VND	VND
<b>a) Short-term</b>	<b>125,613,845,870</b>	<b>113,797,003,488</b>
Unearned commission income	111,386,015,883	107,386,456,892
- Opening balance	107,386,456,892	110,592,257,769
- Unearned commission income incurred in the year	226,441,658,614	217,206,876,890
- Commission income allocated in the year	222,442,099,623	220,412,677,767
- Closing balance	111,386,015,883	107,386,456,892
Other current payables	14,227,829,987	6,410,546,596
Other payables	14,227,829,987	6,410,546,596
<b>b) Long-term</b>	<b>2,796,537,555</b>	<b>2,699,736,765</b>
Long-term deposits	2,796,537,555	2,699,736,765
	<b>128,410,383,425</b>	<b>116,496,740,253</b>

14. UNDER-WRITING RESERVES

	Closing balance		
Claim reserve and Unearned premium reserve	Inward reinsurance reserve	Outward reinsurance reserve	Net inward reinsurance reserve
	VND	VND	VND
<b>I. Normal activities</b>			
1. Claim reserve	1,590,506,312,001	1,002,695,003,205	587,811,308,796
Reserve for losses incurred and reported	1,479,443,897,290	951,181,072,494	528,262,824,796
Reserve for losses incurred but not yet reported	111,062,414,711	51,513,930,711	59,548,484,000
2. Unearned premium reserve	1,077,521,983,191	508,147,652,582	569,374,330,609
<b>II. Pilot agricultural insurance activities</b>			
1. Claim reserve	-	-	-
Reserve for losses incurred and reported	-	-	-
2. Unearned premium reserve	-	-	-
	<b>2,668,028,295,192</b>	<b>1,510,842,655,787</b>	<b>1,157,185,639,405</b>



In which:

Claim reserve	Current year		
	Inward reinsurance claim reserve	Outward reinsurance claim reserve	Net inward reinsurance claim reserve
	VND	VND	VND
<b>I. Normal activities</b>			
Opening balance	1,655,328,799,365	1,146,291,214,236	509,037,585,129
Increase/(decrease) in the year	(64,822,487,364)	(143,596,211,031)	78,773,723,667
<b>II. Pilot agricultural insurance activities</b>			
Opening balance	13,018,301,080	11,772,813,977	1,245,487,103
Increase/(decrease) in the year	(13,018,301,080)	(11,772,813,977)	(1,245,487,103)
<b>Closing balance</b>	<b>1,590,506,312,001</b>	<b>1,002,695,003,205</b>	<b>587,811,308,796</b>

Unearned premium reserve	Current year		
	Unearned inward reinsurance premium reserve	Unearned outward reinsurance premium reserve	Net unearned inward premium reinsurance reserve
	VND	VND	VND
<b>I. Normal activities</b>			
Opening balance	874,337,219,111	503,493,352,619	370,843,866,492
Increase in the year	203,184,764,080	4,654,299,963	198,530,464,117
<b>II. Pilot agricultural insurance activities</b>			
Opening balance	-	-	-
(Reversal) in the year	-	-	-
<b>Closing balance</b>	<b>1,077,521,983,191</b>	<b>508,147,652,582</b>	<b>569,374,330,609</b>

Catastrophe reserve	Current year	Prior year
	VND	VND
<b>I. Normal activities</b>		
Opening balance	178,605,444,448	181,562,544,622
Increase in the year	11,872,711,486	14,042,899,826
Use in the year	(46,000,000,000)	(17,000,000,000)
<b>II. Pilot agricultural insurance activities</b>		
Opening balance	8,876,683,166	8,876,683,166
Increase in the year	412,514,842	-
<b>III. Offshore fishing vessel insurance activities</b>		
Opening balance	3,405,849,758	3,405,849,758
Increase in the year	-	-
<b>Closing balance</b>	<b>157,173,203,700</b>	<b>190,887,977,372</b>

VIETNAM NATIONAL REINSURANCE JOINT STOCK CORPORATION  
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Continued)

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15. OWNERS' EQUITY

	Owners' contributed capital	Share premium	Investment and development fund	Compulsory reserve fund	Retained earnings	Total
	VND	VND	VND	VND	VND	VND
<i>For the year ended 31 December 2018</i>						
Opening balance	1,310,759,370,000	566,368,537,309	200,693,852,724	126,198,339,406	381,227,610,318	2,585,247,709,757
Profit for the year	-	-	-	-	261,454,081,113	261,454,081,113
Profit distribution to funds	-	-	5,121,527,801	4,877,597,594	(17,866,871,134)	(7,867,745,739)
Dividends declared	-	-	-	-	(26,215,187,400)	(26,215,187,400)
Other decrease	-	-	-	-	(421,202,827)	(421,202,827)
<b>Closing balance</b>	<b>1,310,759,370,000</b>	<b>566,368,537,309</b>	<b>205,815,380,525</b>	<b>131,075,937,000</b>	<b>598,178,430,070</b>	<b>2,812,197,654,904</b>
<i>For the year ended 31 December 2019</i>						
Opening balance	1,310,759,370,000	566,368,537,309	205,815,380,525	131,075,937,000	598,178,430,070	2,812,197,654,904
Profit for the year	-	-	-	-	274,561,743,847	274,561,743,847
Profit distribution to funds (i)	-	-	5,496,214,773	-	(13,906,263,416)	(8,410,048,643)
Dividends declared (i)	-	-	-	-	(157,291,124,400)	(157,291,124,400)
<b>Closing balance</b>	<b>1,310,759,370,000</b>	<b>566,368,537,309</b>	<b>211,311,595,298</b>	<b>131,075,937,000</b>	<b>701,542,786,101</b>	<b>2,921,058,225,708</b>

(i) According to Resolution No. 09/2019/NQ-DHDCD dated 24 April 2019 by the Shareholders' Annual General Meeting of Vietnam National Reinsurance Joint Stock Corporation, the Board of Management declared the dividend payment to the shareholders for the year 2018 at the rate of 12% of owner's contributed capital from the retained earnings, which is equivalent to VND 157,291,124,400 and, simultaneously, made temporary distribution of VND 13,906,263,416 to the funds from the profit. The final decision on profit distribution for the year 2019 shall be made in the 2020 Shareholders' Annual General Meeting.

**Owners' contributed capital**

As at 31 December 2019, the total capital actually contributed by the shareholders and share premium are as follows:

	Contributed capital			
	Closing balance	Proportion	Opening balance	Proportion
	VND		VND	
<b>Owners' contributed capital</b>	<b>1,310,759,370,000</b>	<b>100.00%</b>	<b>1,310,759,370,000</b>	<b>100.00%</b>
State Capital Investment Corporation	529,060,350,000	40.36%	529,060,350,000	40.36%
Swiss Re Group	327,689,890,000	25.00%	327,689,890,000	25.00%
Other shareholders	454,009,130,000	34.64%	454,009,130,000	34.64%
<b>Share premium</b>	<b>566,368,537,309</b>		<b>566,368,537,309</b>	
	<b>1,877,127,907,309</b>		<b>1,877,127,907,309</b>	

**Shares**

	Closing balance	Opening balance
Number of shares registered to issue	131,075,937	131,075,937
Number of outstanding shares in circulation	131,075,937	131,075,937
<i>Common shares</i>	<i>131,075,937</i>	<i>131,075,937</i>

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

**16. INSURANCE PREMIUM**

	Current year	Prior year
	VND	VND
Inward reinsurance premium	2,248,571,400,872	1,832,610,622,014
<i>Energy insurance</i>	<i>3,237,532,041</i>	<i>3,132,763,224</i>
<i>Hull and P&amp;I insurance</i>	<i>274,409,814,106</i>	<i>293,397,192,253</i>
<i>Cargo insurance</i>	<i>151,560,450,126</i>	<i>136,254,411,170</i>
<i>Engineering insurance</i>	<i>215,445,154,866</i>	<i>206,194,254,041</i>
<i>Fire and property insurance</i>	<i>684,731,513,368</i>	<i>517,606,173,561</i>
<i>Aviation insurance</i>	<i>4,184,020,607</i>	<i>29,317,973,712</i>
<i>Other insurance</i>	<i>915,002,915,758</i>	<i>646,707,854,053</i>
Deductions of inward reinsurance premium	(27,323,106,630)	(29,892,389,558)
Increase in unearned premium reserve for inward reinsurance	203,184,764,080	79,421,146,453
	<b>2,018,063,530,162</b>	<b>1,723,297,086,003</b>



**17. OUTWARD REINSURANCE PREMIUM**

	Current year	Prior year
	VND	VND
Total outward reinsurance premium	1,033,527,384,272	1,034,662,196,274
<i>Energy insurance</i>	2,283,080,581	2,792,256,827
<i>Hull and P&amp;I insurance</i>	187,194,664,506	208,895,373,640
<i>Cargo insurance</i>	32,638,709,393	30,439,909,973
<i>Engineering insurance</i>	88,844,901,742	84,779,560,499
<i>Fire and property insurance</i>	431,697,311,268	369,468,154,840
<i>Aviation insurance</i>	3,038,812,614	27,416,546,193
<i>Other insurance</i>	287,829,904,168	310,870,394,302
Deductions of outward reinsurance premium	(3,248,770,036)	(16,685,110,381)
Increase/(Decrease) in unearned premium reserve for outward reinsurance	4,654,299,963	(22,617,476,688)
	<b>1,025,624,314,273</b>	<b>1,040,594,562,581</b>

**18. OTHER INCOME FROM INSURANCE ACTIVITIES**

	Current year	Prior year
	VND	VND
Other receipts from inward reinsurance activities	1,021,421,214	10,049,211,106
Other receipts from outward reinsurance activities	20,635,168,827	33,184,825,807
	<b>21,656,590,041</b>	<b>43,234,036,913</b>

**19. TOTAL INSURANCE CLAIM SETTLEMENT EXPENSES**

	Current year	Prior year
	VND	VND
Claim settlement expenses	1,075,927,565,712	789,549,153,632
<i>Energy insurance</i>	11,260,406,914	3,299,453,975
<i>Hull and P&amp;I insurance</i>	139,962,661,928	122,748,970,362
<i>Cargo insurance</i>	45,550,328,148	41,862,934,223
<i>Engineering insurance</i>	108,337,965,895	105,337,971,247
<i>Fire and property insurance</i>	364,796,202,168	254,813,855,786
<i>Aviation insurance</i>	14,260,444,522	7,094,888,240
<i>Other insurance</i>	391,759,556,137	254,391,079,799
Claim receipts from ceded policies	669,723,131,637	525,294,744,748
(Decrease)/Increase in inward reinsurance claim reserve	(74,250,457,020)	152,045,023,518
(Decrease)/Increase in outward reinsurance claim reserve	(146,364,312,427)	89,347,023,080
	<b>478,318,289,482</b>	<b>326,952,409,322</b>

**20. OTHER EXPENSES FROM INSURANCE ACTIVITIES**

	Current year	Prior year
	VND	VND
Other payments for inward reinsurance activities	28,141,693,338	33,570,217,720
Other payments for outward reinsurance activities	(1,413,973,547)	9,495,241,753
	<b>26,727,719,791</b>	<b>43,065,459,473</b>

**21. FINANCIAL INCOME**

	Current year	Prior year
	VND	VND
Interest on time deposits	185,397,013,760	158,072,012,536
Profit from securities trading	50,188,572,049	73,157,997
Gain on exchange differences	39,239,042,579	73,584,109,317
Dividends and profits received	36,426,571,989	31,189,762,307
Interest on bonds, commercial bills	18,680,093,152	20,917,712,327
Income on entrustment investments	10,681,550,805	47,706,199,302
Interest on demand deposits	192,274,745	248,638,415
	<b>340,805,119,079</b>	<b>331,791,592,201</b>

**22. FINANCIAL EXPENSES**

	Current year	Prior year
	VND	VND
Loss on exchange differences	39,793,733,154	77,527,836,534
Loss on securities trading	382,896,710	531,525
(Reversal of)/Provision for impairment of investments	(6,070,080,902)	1,152,694,300
Other financial expenses	18,204,727,996	14,218,644,305
	<b>52,311,276,958</b>	<b>92,899,706,664</b>

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**23. GENERAL AND ADMINISTRATION EXPENSES**

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Administrative staff expenses	54,043,776,166	53,127,253,711
Office expenses	705,163,400	472,613,263
Depreciation and amortisation	2,020,254,008	2,956,010,359
Taxes, fees and charges	1,463,248,482	755,798,781
Provision (reversed)/made	(14,837,487,151)	1,535,762,210
Out-sourced services	11,625,240,312	11,112,771,904
Expenses for business transactions, conferences, advertising	4,984,112,481	4,749,486,851
Other administration expenses	6,061,034,131	4,598,848,184
	<u>66,065,341,829</u>	<u>79,308,545,263</u>

**24. PRODUCTION COST BY NATURE**

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Cost of insurance activities	1,139,889,342,515	811,260,069,740
Employee expenses	54,043,776,166	53,127,253,711
Depreciation and amortisation	2,020,254,008	2,956,010,359
Out-sourced services	11,625,240,312	11,112,771,904
Provision (reversed)/made	(14,837,487,151)	1,535,762,210
Other monetary expenses	13,213,558,494	10,576,747,079
	<u>1,205,954,684,344</u>	<u>890,568,615,003</u>

**25. PILOT AGRICULTURAL INSURANCE ACTIVITIES**

On 01 March 2011, the Prime Minister issued Decision No. 315/QĐ-TTg on the pilot provision of agricultural insurance during 2011 - 2013 with objectives to help agricultural producers take the initiative in remedying and recovering from financial losses caused by natural disasters or epidemics, contributing to assuring social welfare in rural areas and promoting agricultural production. According to the Decision, the Corporation has responsibilities to undertake agricultural reinsurance under the guidance of the Ministry of Finance.

On 17 August 2011, the Ministry of Finance issued Circular No. 121/2011/TT-BTC providing guidance on certain clauses of Decision No. 315/QĐ-TTg dated 01 March 2011 by the Prime Minister. Accordingly, insurance enterprises and the Corporation shall provide pilot agricultural insurance for non-profit purposes. Insurance enterprises have responsibilities to account for revenue and costs incurred from pilot agricultural insurance activities separately from other activities and any existing agricultural insurance activities. The retained insurance premium for the year, after deducting valid expenses, is supplemented to catastrophe reserve.

On 20 June 2012, the Ministry of Finance continued to issue Circular No. 101/2012/TT-BTC stipulating several financial issues for insurance enterprises and reinsurance enterprises who provide pilot agricultural insurance under Decision No. 315/QĐ-TTg dated 01 March 2011 by the Prime Minister. Accordingly, insurance enterprises and reinsurance enterprises have responsibilities to separately record the annual losses on their pilot agricultural insurance activities.

Insurance enterprises and reinsurance enterprises shall account for losses from pilot agricultural insurance activities for the financial year in their income statements. In case of losses incurred from pilot agricultural insurance activities, such losses will be carried forward



to the following year as regulated by law. In this year, profit on pilot agricultural insurance activities was VND 412,514,842 is recognised in Catastrophe reserve (in prior year: loss of VND 350,253,371 is recognised in separate income statement).

From 2012, the Corporation started undertaking inward reinsurance for pilot agricultural insurance activities. Accumulated loss as at 31 December 2013 of the pilot agricultural insurance activities is VND 42,015,277,691.

According to Decision No. 315/QĐ-TTg, pilot agricultural insurance activities ended on 31 December 2013. The Corporation has been conducting procedures to finalize this activity with the Ministry of Finance. The final decision on the results of the Corporation's pilot provision of agricultural insurance will be made by the Ministry of Finance.

## **26. OPERATIONS OF OFFSHORE FISHING VESSEL INSURANCE**

On 07 July 2014, the Government issued Decree No. 67/2014/ND-CP on some fisheries development policies, including regulations on insurance policy for the offshore fishing fleet ("fishing vessel insurance"). The Corporation undertakes this type of insurance, along with the local insurance companies, for supporting market and performing the policies as per the Government's objectives.

On 20 August 2014, the Ministry of Finance issued Circular No. 116/2014/TT-BTC providing guidance on several financial issues for insurance enterprises undertaking to insurance activities as stipulated in aforesaid Decree No. 67/2014/ND-CP. According to the provisions under Circular No. 116/2014/TT-BTC, the business results of fishing vessel insurance activities shall be included in the insurer's results of operations. The insurance enterprise shall hold responsibility to separately monitor revenue, expenses and results of operations regarding this type of insurance. Profit from fishing vessel insurance activities (if any) shall be recorded to catastrophe reserves at the year end.

In 2019, the total loss result from fishing vessel insurance activities of VND 3,087,336,352 (in 2018: loss VND 3,736,030,986) is recognised in the separate income statement.

## **27. CORPORATE INCOME TAX EXPENSE**

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
<b>Profit before tax</b>	<b>332,126,614,132</b>	<b>315,679,806,761</b>
<b>Adjustments for taxable profit</b>		
Less: Non-taxable income	(47,355,439,916)	(47,487,272,961)
Add: Non-deductible expenses	3,053,177,207	2,770,270,478
<b>Taxable profit</b>	<b>287,824,351,423</b>	<b>270,962,804,278</b>
Normal tax rate	20%	20%
<b>Current CIT tax payable</b>	<b>57,564,870,285</b>	<b>54,192,560,856</b>
<b>Current CIT payable according to tax finalization</b>	<b>-</b>	<b>33,164,792</b>
<b>Total current CIT payable</b>	<b>57,564,870,285</b>	<b>54,225,725,648</b>

## 28. FINANCIAL INSTRUMENTS

### Capital risk management

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

The capital structure of the Corporation only consists of equity attributable to shareholders (comprising contributed capital, reserves and retained earnings).

### Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instruments are disclosed in Note 3.

### Categories of financial instruments

	Carrying amounts	
	Closing balance	Opening balance
	VND	VND
<b>Financial assets</b>		
Cash and cash equivalents	101,616,124,112	61,645,461,451
Trade receivables	917,555,387,036	864,352,992,094
Short-term investments	2,779,246,231,902	2,418,055,685,385
Long-term investments	822,765,857,434	974,245,527,793
<b>Total</b>	<b>4,621,183,600,484</b>	<b>4,318,299,666,723</b>
<b>Financial liabilities</b>		
Trade and other payables	825,996,707,924	740,898,046,995
Short-term provision	12,909,096,840	-
Long-term deposits received	2,796,537,555	2,699,736,765
<b>Total</b>	<b>841,702,342,319</b>	<b>743,597,783,760</b>

The Corporation has not assessed fair value of its financial assets and liabilities as at the balance sheet date since there is no comprehensive guidance under Circular No. 210/2009/TT-BTC issued by the Ministry of Finance on 06 November 2009 ("Circular 210") and other relevant prevailing regulations to determine fair value of these financial assets and liabilities. While Circular 210 refers to the application of International Financial Reporting Standards ("IFRS") on presentation and disclosures of financial instruments, it did not adopt the equivalent guidance for the recognition and measurement of financial instruments, including application of fair value, in accordance with IFRS.

### Financial risk management objectives

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

Financial risks include reinsurance risk, market risk (including foreign currency exchange risk and price risk), credit risk and liquidity risk.



***Reinsurance risk***

The risks from insurance activities are risks arising from the portfolio that the Corporation reinsures. The level of risk depends on the underwriting processes:

- i) Assessing the reinsurance risk;
- ii) Pricing, assessing reinsurance ability;
- iii) Terms and conditions applied; and
- iv) Monitoring the concentration of risk and disaster risk.

The objective of the insurance risk management is to improve the quality of the risk portfolio insured by implementing the above processes sufficiently and appropriately. The risk arising from insurance activities may include:

- + Assessment on reinsurance risk is conducted inadequately, together with inappropriate terms and conditions;
- + Pricing is not reasonable with the risk insured;
- + Retrocession policies are inappropriate;
- + Claims are not properly handled;
- + Reserves are made inadequately;
- + Receivables from retrocession activities are unable to be collected.

***Objectives, policies and processes of Insurance risk management***

The ultimate goal of insurance risk management is to control insurance events that may affect the Corporation's financial position, equity and financial performance.

The Corporation's risk management policies are set up through establishing risk tolerances and detailing insurance/reinsurance guidelines such as guideline on treaty insurance/reinsurance, facultative insurance/reinsurance, and guideline on claim handling.

The Corporation sets up a system of insurance risk management at different levels in order to assure the effectiveness of risk management activities. The system of risk management of the Corporation is built from departmental to corporation-wide levels. The Board of Risk Management plays an important role to ensure collaboration and connection among operational departments, the Board of Management and Board of General Directors of the Corporation.

The insurance risk management is supervised from top down through insurance and reinsurance guideline and insurance risk monitoring standards. The bottom-up reporting procedure is also established and performed periodically on a weekly, monthly, and quarterly basis to ensure the effectiveness of the monitoring activities. Insurance risk management procedures are carried out systematically in order to identify, measure, control and handle risks to ensure that risk measurement criteria are kept within the allowed limits.

The Corporation applies various measures to detect risks including risk assessment, risk discussion in internal meetings, or experience from experts. Depending on the circumstances and characteristics of the risk which need to be measured, different quantitative and qualitative measurement methods can be applied. The qualitative method includes risk assessment by underwriting experts for individual transaction or risk portfolios. The quantitative measures include pricing and analysing the risk portfolio using historical statistical figures (premium, type of risk, loss, etc.).

The reinsurance and retrocession schemes play an important role in maintaining the level of risk exposed by the Corporation within the risk tolerance. The Board of General Directors thus holds responsibility to set up the risk tolerance level appropriate with business



performance of the Corporation at certain period as well as perform the insurance and reinsurance schemes on annual basis as approved by the Board of Management.

**Market risk**

The Corporation's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and prices.

In the year, the Corporation has entered into currencies swap transactions with banks to mitigate foreign exchange risk.

*Foreign currency risk management*

To manage foreign currencies for reinsurance settlement, the Corporation undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of year are as follows:

	<b>Assets</b>		<b>Liabilities</b>	
	<b>Closing balance</b>	<b>Opening balance</b>	<b>Closing balance</b>	<b>Opening balance</b>
	<b>VND</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
United States Dollar (USD)	551,827,509,788	534,825,809,803	286,841,095,714	272,245,206,388
Euro (EUR)	3,281,595,648	2,961,472,645	890,972,815	910,312,066
Great Britain Pound (GBP)	174,432,303	194,716,149	-	-
Australian Dollar (AUD)	5,546,284	5,795,741	-	-
Singapore Dollar (SGD)	8,505,713	7,074,709	27,836,305	20,242,466
Japanese Yen (JPY)	313,162,468	288,399,237	107,605,768	96,447,038
Ringgit Malaysia (MYR)	-	-	1,536,413	-

*Foreign currency sensitivity analysis*

The Corporation is mainly exposed to United States Dollar and Euro.

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. For a 5% increase/decrease in the following foreign currencies against Vietnam Dong, the profit before tax in the year would increase/decrease by the respective amounts as follows:

	<b>Current year</b>	<b>Prior year</b>
	<b>VND</b>	<b>VND</b>
United States Dollar (USD)	13,249,320,704	13,129,030,171
Euro (EUR)	119,531,142	102,558,029

*Share price risk management*

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

The Corporation is also exposed to equity price risks arising from investments in subsidiary and associate. The Corporation's Board of Management assesses and approves decisions on investments in subsidiary and associate such as operating industry, investees, etc. Investments in the Corporation's subsidiary and associate are held for long-term strategic investments rather than trading purposes. The Corporation does not have intention to trade these investments in the foreseeable future. The Corporation reviews and assesses these investments on an annual basis to provide concrete policies in order to ensure legal compliance and investment efficiency.

***Credit risk***

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Corporation's business operation is reinsurance, accordingly, the Corporation's credit risk mainly focuses on clients operating in direct insurance. As at the balance sheet date, there is credit risk arising on the amounts due from customer receivables. The Corporation has made a sufficient provision for such receivables.

***Liquidity risk management***

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

The following table details the Corporation's remaining contractual maturity for its non-derivative financial assets and financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial assets and undiscounted cash flows of financial liabilities based on the earliest date on which the Corporation can be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand the Corporation's liquidity risk management as the liquidity is managed on a net asset and liability basis.







**29. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Transactions and balances with related parties are presented in the consolidated financial statements for the year ended 31 December 2019.

**30. FINANCIAL RATIOS**

Items	Unit	Current year	Prior year
<b>1. Assets and resources structure arrangement</b>			
1.1. Assets structure arrangement			
- Non-current assets/Total assets	%	15.50	18.60
- Current assets/Total assets	%	84.50	81.40
1.2. Resources structure arrangement			
- Liabilities/Total resources	%	56.87	56.44
- Owners' equity/Total resources	%	43.13	43.56
<b>2. Liquidity</b>			
2.1. Current liquidity	times	1.76	1.77
2.1. Short-term liability liquidity	times	1.49	1.44
2.2. Quick liquidity	times	0.75	0.68
<b>3. Profit ratio</b>			
3.1. Profit/Revenue ratio			
- Profit before tax/Revenue ratio	%	20.85	24.25
- Profit after tax/Revenue ratio	%	17.23	20.09
3.2. Profit/Total assets ratio			
- Profit before tax/Total assets ratio	%	4.90	4.89
- Profit after tax/Total assets ratio	%	4.05	4.05
3.3. Profit after tax/Owners' equity ratio	%	9.40	9.30

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**31. BUSINESS SEGMENT REPORT**

The Corporation's principal activities are reinsurance business and investments funded from idle capital resources, which is a part of reinsurance business cycle. Investments in other business activities are insignificant. Therefore, the Board of General Directors made an assessment and believes that the fact that no report on segment information is made is in line with the Corporation's current business operation.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Continued)

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32. SUMMARY OF CLAIMS

	Payment year	Accident year		Total
		2017 VND	2018 VND	2019 VND
I. Accumulated claim reserve amount				
Claim reserve amount accumulated to the current year (1)		299,102,791,656	277,485,527,553	297,014,778,536
II. Accumulated paid claim amount				
As at year end of accident year		33,641,004,564	-	-
After 1 year		117,696,539,265	41,951,581,376	-
After 2 years		67,321,122,944	128,124,455,298	82,503,031,532
Paid claim amount accumulated to the current year (2)		218,658,666,773	170,076,036,674	82,503,031,532
III. Total outstanding claim reserve (3)=(1)-(2)		80,444,124,883	107,409,490,879	214,511,747,004
Outstanding claim reserve for previous years' losses				125,897,462,030
Total outstanding claim reserve at the year-end				528,262,824,796

33. SUBSEQUENT EVENTS

There is no subsequent event arising after 31 December 2019 to the reporting date that needs to be adjusted or presented in the separate financial statements.



*(Signature)*

Nguyen Thanh Cong  
Preparer

Luu Thi Viet Hoa  
Chief Accountant

Pham Cong Tu  
General Director

Hanoi, 05 March 2020