

**VIETNAM NATIONAL REINSURANCE
JOINT STOCK CORPORATION**

(Incorporated in the Socialist Republic of Vietnam)

**AUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

For the year ended 31 December 2017

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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 consolidated financial statements for the year ended 31 December 2017.

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. Martyn Parker	Vice Chairman
Mr. Pham Cong Tu	Member
Mr. Tran Vinh Duc	Member
Mr. Dao Nam Hai	Member
Mr. Pham Sy Danh	Member
Mr. Beat Schnegg	Member
Mr. Mai Xuan Dung	Member
Mr. Nguyen Dinh An	Member (appointed on 26 April 2017)

Board of General Directors

Mr. Pham Cong Tu	General Director
Mr. Nguyen Manh Linh	Deputy General Director
Mr. Mai Xuan Dung	Deputy General Director
Mr. Yves-Danil Conchand	Deputy General Director

BOARD OF GENERAL DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of General Directors of the Corporation is responsible for preparing the consolidated financial statements, which give a true and fair view of the consolidated financial position of the Corporation as at 31 December 2017, and its consolidated financial performance and its consolidated 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 consolidated 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 consolidated financial statements;
- prepare the consolidated 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 consolidated 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 consolidated financial position of the Corporation and that the consolidated 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 consolidated financial statements.

For and on behalf of the Board of General Directors,



Phạm Công Tu
General Director

Hanoi, 13 March 2018

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Vietnam National Reinsurance Joint Stock Corporation (the "Corporation"), prepared on 13 March 2018 as set out from page 04 to page 43, which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of General Directors' Responsibility for the consolidated financial statements

The Board of General Directors is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at 31 December 2017, and its consolidated financial performance and its consolidated 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.



Nguyễn Tuan Anh
Audit Director
Audit Practising Registration Certificate
No. 1291-2018-001-1

DELOITTE VIETNAM COMPANY LIMITED

13 March 2018
Hanoi, S.R. Vietnam

Pham Tuan Linh
Auditor
Audit Practising Registration Certificate
No. 3001-2014-001-1

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CONSOLIDATED BALANCE SHEET

As at 31 December 2017

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS (100=110+120+130+140+150+190)	100		5,235,413,769,624	4,974,630,577,596
I. Cash and cash equivalents	110	5	169,817,165,145	75,029,558,127
1. Cash	111		66,817,165,145	70,829,558,127
2. Cash equivalents	112		103,000,000,000	4,200,000,000
II. Short-term financial investments	120	6	2,218,226,936,835	2,045,815,094,125
1. Trading securities	121		255,297,398	19,154,237,103
2. Provision for impairment of trading securities	122		(176,172,398)	(325,057,978)
3. Held-to-maturity investments	123		2,218,147,811,835	2,026,985,915,000
III. Short-term receivables	130		1,067,450,453,050	961,571,460,468
1. Short-term trade receivables	131	7	1,094,654,677,717	1,017,813,026,176
1.1. Receivables of insurance contracts	131.1		770,606,426,398	671,608,358,009
1.2. Other trade accounts receivable	131.2		324,048,251,319	346,204,668,167
2. Other short-term receivables	136		11,117,753,311	342,986,056
3. Provision for short-term doubtful debts	137		(38,321,977,978)	(56,584,551,764)
IV. Inventories	140		59,021,267	53,899,538
1. Inventories	141		59,021,267	53,899,538
V. Other current assets	150		188,776,477,336	168,059,020,152
1. Short-term prepaid expenses	151	8	187,931,351,792	167,284,562,994
1.1. Unallocated commission expenses	151.1		185,674,353,313	162,868,724,418
1.2. Other short-term prepaid expenses	151.2		2,256,998,479	4,415,838,576
2. Value added tax deductibles	152		845,125,544	774,457,158
VI. Reinsurance assets	190		1,591,083,715,991	1,724,101,545,186
1. Unearned premium reserve for outward reinsurance	191		526,110,829,307	538,028,932,731
2. Claim reserve for outward reinsurance	192		1,064,972,886,684	1,186,072,612,455

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

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2017

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
B. NON-CURRENT ASSETS (200=210+220+230+240+250+260)	200		1,213,231,242,437	1,375,719,859,874
I. Long-term receivables	210		22,000,000,000	22,000,000,000
1. Other long-term receivables	216		22,000,000,000	22,000,000,000
1.1. Insurance deposit	216.1		22,000,000,000	22,000,000,000
II. Fixed assets	220		7,605,175,886	16,033,364,231
1. Tangible fixed assets	221	10	5,165,764,208	6,495,512,172
- Cost	222		25,150,907,036	25,150,907,036
- Accumulated depreciation	223		(19,985,142,828)	(18,655,394,864)
2. Intangible assets	227	11	2,439,411,678	9,537,852,059
- Cost	228		32,480,195,934	32,434,195,934
- Accumulated amortisation	229		(30,040,784,256)	(22,896,343,875)
III. Investment property	230	12	10,983,389,295	12,400,600,817
- Cost	231		34,055,061,893	34,055,061,893
- Accumulated depreciation	232		(23,071,672,598)	(21,654,461,076)
IV. Long-term assets in progress	240		13,558,937,466	13,558,937,466
1. Construction in progress	242		13,558,937,466	13,558,937,466
V. Long-term financial investments	250	6	1,091,238,504,138	1,243,783,596,892
1. Investments in associates	252		227,722,596,956	202,802,787,058
2. Equity investments in other entities	253		470,445,070,000	476,140,070,000
3. Provision for impairment of long-term financial investments	254		(2,737,031,437)	(3,852,282,403)
4. Held-to-maturity investments	255		395,807,868,619	568,693,022,237
VI. Other non-current assets	260		67,845,235,652	67,943,360,468
1. Long-term prepaid expenses	261	8	1,168,826,614	1,274,232,265
2. Deferred tax assets	262		421,202,827	413,921,992
3. Other long-term assets	268	9	66,255,206,211	66,255,206,211
TOTAL ASSETS (270=100+200)	270		6,448,645,012,061	6,350,350,437,470

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

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2017

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES (300=310+330)	300		3,729,770,339,881	3,595,005,021,683
I. Current liabilities	310		3,725,336,443,762	3,589,718,589,047
1. Short-term trade payables	311	13	936,307,148,265	865,492,353,438
1.1 Payables of insurance contracts	311.1		693,969,225,780	607,989,414,980
1.2. Other trade accounts payable	311.2		242,337,922,485	257,502,938,458
2. Short-term advances from customers	312		1,386,887,302	2,014,397,619
3. Taxes and amounts payable to the State budget	313	14	5,418,007,023	9,054,718,644
4. Payables to employees	314		17,387,973,271	16,045,137,270
5. Other current payables	319	15	135,905,155,749	5,981,538,353
6. Unearned commission income	319.1	15	110,592,257,769	112,089,806,982
7. Bonus and welfare funds	322		17,416,202,598	15,192,932,223
8. Under-writing reserves	329	16	2,500,922,811,785	2,563,847,704,518
8.1. Unearned premium reserves for inward reinsurance	329.1		794,916,072,658	789,464,591,202
8.2. Claim reserves for inward reinsurance	329.2		1,512,161,661,581	1,582,784,781,398
8.3. Catastrophe reserve	329.3		193,845,077,546	191,598,331,918
II. Long-term liabilities	330		4,433,896,119	5,286,432,636
1. Other long-term payables	337	15	2,327,881,984	3,216,822,676
2. Provision for long-term payables	342		2,106,014,135	2,069,609,960
D. EQUITY (400=410)	400		2,718,874,672,180	2,755,345,415,787
I. Owners' equity	410		2,718,874,672,180	2,755,345,415,787
1. Owners' contributed capital	411	17	1,310,759,370,000	1,310,759,370,000
- Ordinary share carrying voting rights	411a		1,310,759,370,000	1,310,759,370,000
2. Share premium	412	17	566,368,537,309	566,368,537,309
3. Investment and development fund	418	17	200,956,093,477	196,247,856,004
4. Compulsory reserve fund	419	17	126,198,339,406	114,427,745,725
5. Retained earnings	421	17	483,692,105,013	537,098,212,962
- Retained earnings accumulated to the prior year end	421a		379,807,088,562	319,439,466,971
- Retained earnings of the current year	421b		103,885,016,451	217,658,745,991
6. Non-controlling interests	429		30,900,226,975	30,443,693,787
TOTAL RESOURCES (440=300+400)	440		6,448,645,012,061	6,350,350,437,470

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

OFF-BALANCE SHEET ITEMS

OFF-BALANCE SHEET ITEMS	Currency	Closing balance	Opening balance
1. Foreign currencies			
United States Dollar	USD	1,364,729.41	6,421,292.55
Australian Dollar	AUD	365.59	383.11
Japanese Yen	JPY	30,911.00	32,363.00
Singapore Dollar	SGD	456.13	478.21
Great Britain Pound	GBP	181.21	187.81
Euro	EUR	102,450.29	180,250.61


Nguyen Thanh Cong
Preparer


Luu Thi Viet Hoa
Chief Accountant


Pham Cong Tu
General Director

Hanoi, 13 March 2018

CONSOLIDATED INCOME STATEMENT*For the year ended 31 December 2017***PART I: GENERAL CONSOLIDATED INCOME STATEMENT**

Unit: VND

ITEMS	Codes	Current year	Prior year
1. Net revenue from insurance activities	10	981,229,357,935	964,477,551,001
2. Financial income	12	283,139,410,083	216,337,521,129
3. Other income	13	13,873,260,888	14,721,212,478
4. Total expenses for insurance activities	20	859,621,410,826	818,356,988,482
5. Financial expenses	22	71,557,509,884	25,907,732,774
6. General and administration expenses	23	65,772,157,874	88,812,375,162
7. Other expenses	24	2,562,981,893	2,744,439,173
8. Share of net profit of associate	25	35,530,846,532	27,502,342,383
9. Loss from pilot agricultural insurance	26	(182,695,993)	(46,732,312)
10. Profit from offshore fishing vessel insurance	27	3,405,849,758	-
11. Total accounting profit before tax (50 = 10+12+13-20-22-23-24+25+26-27)	50	310,670,269,210	287,170,359,088
12. Current corporate income tax expense	51	51,444,421,276	47,388,463,218
13. Deferred corporate tax (income)	52	(7,280,835)	(202,883,783)
14. Net profit after corporate income tax (60=50-51-52)	60	259,233,128,769	239,984,779,653

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

CONSOLIDATED INCOME STATEMENT (Continued)*For the year ended 31 December 2017***PART II: CONSOLIDATED INCOME STATEMENT BY ACTIVITY**

Unit: VND

ITEMS	Codes Notes		Current year	Prior year
1. Insurance premium (01 = 01.2-01.3)	01	18	1,646,020,498,992	1,615,531,301,918
- Inward reinsurance premium	01.2		1,651,471,980,448	1,655,557,770,806
- Increase in unearned premium reserve for inward reinsurance	01.3		5,451,481,456	40,026,468,888
2. Outward reinsurance premium (02 = 02.1-02.2)	02	19	1,076,496,869,623	1,046,187,700,508
- Outward reinsurance premium	02.1		1,064,578,766,199	1,094,034,381,793
- (Decrease)/Increase in unearned premium reserve for outward reinsurance	02.2		(11,918,103,424)	47,846,681,285
3. Net insurance premium (03 = 01-02)	03		569,523,629,369	569,343,601,410
4. Commission income from outward reinsurance and other income from insurance activities (04=04.1+04.2)	04		411,705,728,566	395,133,949,591
- Commission income from outward reinsurance	04.1		225,549,747,164	219,843,156,945
- Other income from insurance activities	04.2	20	186,155,981,402	175,290,792,646
5. Net revenue from insurance activities (10=03+04)	10		981,229,357,935	964,477,551,001
6. Claim settlement expenses (11=11.1)	11		915,027,572,983	960,920,990,969
- Total claim settlement expenses	11.1		915,027,572,983	960,920,990,969
7. Claim receipts from ceded policies	12		667,456,345,229	700,149,869,512
8. (Decrease) in claim reserve for inward reinsurance	13		(66,364,159,211)	(254,549,864,081)
9. (Decrease) in claim reserve for outward reinsurance	14		(117,251,096,612)	(266,798,257,259)
10. Total insurance claim settlement expenses (15=11-12+13-14)	15	21	298,458,165,155	273,019,514,635
11. Increase in catastrophe reserve	16		(1,159,104,130)	16,845,701,670
12. Other expenses for insurance activities (17=17.1+17.2)	17		562,322,349,801	528,491,772,177
- Insurance commission expenses	17.1		364,407,391,143	340,266,357,974
- Other expenses for insurance activities	17.2	22	197,914,958,658	188,225,414,203
13. Total expenses for insurance activities (18=15+16+17)	18		859,621,410,826	818,356,988,482
14. Gross profit from insurance activities (19=10-18)	19		121,607,947,109	146,120,562,519

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

CONSOLIDATED INCOME STATEMENT (Continued)*For the year ended 31 December 2017***PART II: CONSOLIDATED INCOME STATEMENT BY ACTIVITY (Continued)**

Unit: VND

ITEMS	Codes Notes		Current year	Prior year
15. Financial income	23	23	283,139,410,083	216,337,521,129
16. Financial expenses	24	24	71,557,509,884	25,907,732,774
17. Gross profit from financial activities (25=23-24)	25		211,581,900,199	190,429,788,355
18. General and administration expenses	26	25	65,772,157,874	88,812,375,162
19. Net profit from operating activities (30=19+25-26)	30		267,417,689,434	247,737,975,712
20. Other income	31		13,873,260,888	14,721,212,478
21. Other expenses	32		2,562,981,893	2,744,439,173
22. Profit from other activities (40=31-32)	40		11,310,278,995	11,976,773,305
23. Share of net profits of associate	40.1		35,530,846,532	27,502,342,383
24. Loss from pilot agricultural insurance	40.2	27	(182,695,993)	(46,732,312)
25. Profit from offshore fishing vessel insurance	40.3	28	3,405,849,758	-
26. Accounting profit before tax (50=30+40+40.1-40.2)	50		310,670,269,210	287,170,359,088
27. Current corporate income tax expense	51	29	51,444,421,276	47,388,463,218
28. Deferred corporate tax (income)	52	29	(7,280,835)	(202,883,783)
29. Profit after corporate income tax (60=50-51-52)	60		259,233,128,769	239,984,779,653
<i>Attributable to:</i>				
Shareholders of the Corporation	61		258,776,595,581	239,776,750,523
Non-controlling interests	62		456,533,188	208,029,130
30. Basic earnings per share	70	30	1,918	1,777


Nguyen Thanh Cong
 Preparer


Luu Thi Viet Hoa
 Chief Accountant


Pham Cong Tu
 General Director

Hanoi, 13 March 2018

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


CONSOLIDATED CASH FLOW STATEMENT

(Direct method)

For the year ended 31 December 2017

Unit: VND

ITEMS	Codes	Current year	Prior year
I. Cash flows from operating activities			
1. Receipts from inward and outward insurance activities	01	533,204,857,219	614,320,769,133
2. Payments for inward and outward insurance activities	02	(407,474,865,993)	(416,906,000,524)
3. Payments to employees	03	(41,174,387,774)	(37,038,487,827)
4. Payments for corporate income tax	05	(55,333,972,740)	(46,594,766,144)
5. Receipts from other activities	06	10,102,331,534	5,510,433,330
6. Payments for other activities	07	(32,844,593,581)	(15,778,538,783)
Net cash generated by operating activities	20	6,479,368,665	103,513,409,185
II. Cash flows from investing activities			
1. Acquisition and construction of fixed assets and other long-term assets	21	(46,000,000)	(160,367,200)
2. Cash outflow for lending, buying debt instruments of other entities	23	(926,015,815,350)	(1,561,862,112,913)
3. Cash received from lending, selling debt instruments of other entities	24	958,110,175,535	1,314,534,517,187
4. Equity investments in other entities	25	-	(4,139,800,000)
5. Cash recovered from investments in other entities	26	2,695,000,000	-
6. Interest earned, dividends and profits received	27	210,673,118,828	203,664,147,878
Net cash generated by/(used in) investing activities	30	245,416,479,013	(47,963,615,048)
III. Cash flows from financing activities			
1. Dividends and profits paid	36	(157,291,124,400)	(196,718,736,500)
Net cash (used in) financing activities	40	(157,291,124,400)	(196,718,736,500)
Net increase/(decrease) in cash (50 = 20+30+40)	50	94,604,723,278	(141,168,942,363)
Cash and cash equivalents at the beginning of the year	60	75,029,558,127	215,489,620,218
Effects of changes in foreign exchange rates	61	182,883,740	708,880,272
Cash and cash equivalents at the end of the year (70 = 50+60+61)	70	169,817,165,145	75,029,558,127


Nguyen Thanh Cong
Preparer


Luu Thi Viet Hoa
Chief Accountant


Pham Cong Tu
General Director

Hanoi, 13 March 2018

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(These notes are an integral part of and should be read in conjunction with the accompanying consolidated 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 Amended License No. 28/GPDC4/KDBH dated 12 August 2014.

The number of employees as at 31 December 2017 was 101 (31 December 2016: 100).

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 2017, the Corporation has a subsidiary namely 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 2017, the Corporation has an associate namely Samsung Vina Insurance Ltd with the Corporation's proportion of ownership interest and voting power held of 25% each.

Disclosure of information comparability in the consolidated financial statements

Comparative figures are the figures of the audited consolidated financial statements for the year ended 31 December 2016.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR**Accounting convention**

The accompanying consolidated 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 consolidated financial statements are not intended to present the consolidated financial position, consolidated results of operations and consolidated 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. NEW GUIDANCE ISSUED BUT NOT YET ADOPTED

On 15 May 2017, the Ministry of Finance issued Circular No. 50/2017/TT-BTC ("Circular 50") guiding the Government's Decree No. 73/2016/ND-CP dated 01 July 2016 on details of the implementation of the Law on insurance business and the Law on amendments to certain articles of the Law on insurance business. Circular 50 is effective from 01 July 2017. The Board of General Directors has adopted Circular 50 in the preparation and presentation of the Corporation's consolidated financial statements for the year ended 31 December 2017.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Estimates

The preparation of the consolidated 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 consolidated 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 may differ from those estimates.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and an enterprise controlled by the Corporation (its subsidiary) prepared for the year ended 31 December 2017. Control is achieved where the Corporation has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used in line with those used by the Corporation. Intragroup transactions and balances are eliminated in full on consolidation.

Non-controlling interests consist of the amount of those non-controlling interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses in subsidiary are respectively attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Investments 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.

The results and assets and liabilities of associate are incorporated in these financial statements using the equity method of accounting. Interests in associate are carried in the consolidated balance sheet at cost as adjusted by post-acquisition changes in the Corporation's share of the net assets of the associate. Losses of an associate in excess of the Corporation's interest in that associate (which includes any long-term interests that, in substance, form part of the Corporation's net investment in the associate) are not recognised.

Where a group entity transacts with an associate of the Corporation, unrealised profits and losses are eliminated to the extent of the Corporation's interest in the relevant associate.

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, cash equivalents, trade receivables, short-term and long-term financial investments.

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

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

Provision for doubtful debts is estimated 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, the Corporation will offset the reinsurance-related payables balance with the reinsurance-related receivables balance based on the principle of offsetting the ones that have been overdue for the longest time to the shortest time. The outstanding balance by client after offset, according to Circular No. 228/2009/TT-BTC dated 07 December 2009, will be subject to provision for doubtful debts 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 made at the rate of 100%.

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 counterparty and records this amount in account receivable. Concurrently, the Corporation records an amount denominated in VND from the counterparty in accounts payable. Gain/loss from swap contracts are recognized in the consolidated 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:

	Current year (Years)
Buildings, structures	25
Motor vehicles	6
Office equipment	4
Other fixed assets	4 - 5

Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation.

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

Financial investments

a. Trading securities

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

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

b. 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 term deposits 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 consolidated income statement on an accrual basis. Pre-acquisition accrued interest is deducted from the cost at the acquisition date.

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

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

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 accounting periods. Prepayments comprise costs of tools and 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 capitalised as prepayments, and are allocated to the consolidated 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 recognised 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 as at the consolidated balance sheet date.

Insurance deposit

The Corporation is obliged to pay a deposit equal to 2% of the legal capital, 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 recognised at the establishment of contractual agreement and following the statement of accounts agreed by the Corporation and the re-insurers. Outward reinsurance premium is recognised when the Corporation receives an acceptance statement of the re-insurer following the respective reinsurance notices issued by the Corporation. Such recognition is in conformity with 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 outward reinsurance premium 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 1 year or less, 25% rate method is applied for cargo insurance and 50% rate method for other kinds of insurance. For those with terms of more than 1 year, 55% rate method is applied for all kinds of insurance.

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

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

Income from office leasing is recognised when incurred.

Expenditures

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 to 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 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 1 year or less, 25% rate method is applied for cargo 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.

Other income and expenses relating to insurance activities

With respect to deposits arising from reinsurance contracts, other incomes from insurance activities are recognized when the Corporation receives the deposits and other expenses for insurance activities are recognized when the deposits are returned.

Severance allowance payable

The severance allowance for employees is accrued at the end of each reporting period for all employees having worked at the Corporation for full 12 months and above. Working time serving as the basis for calculating severance allowance shall be the total actual working time subtracting the time when the employees have made unemployment insurance contributions as prescribed by law, and the working time when severance allowance has been paid to the employees. The allowance made for each year of service equals a half of an average monthly salary under the Vietnamese Labour Code, Social Insurance Code and relevant guiding documents. The average monthly salary used for calculation of severance allowance shall be adjusted to be the average of the 6 consecutive months nearest to the date of the financial statements at the end of each financial year. The increase or decrease in the accrued amount shall be recorded in the consolidated income statement.

Foreign currencies

- The Corporation applies an accounting exchange rate of 22,500 VND/USD in the year (for the year ended 31 December 2016: 22,500 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 consolidated 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 22,655 VND/USD (as at 31 December 2016: 22,715 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 22,735 VND/USD (as at 31 December 2016: 22,785 VND/USD). Exchange differences arising from such transactions are recorded in the consolidated income statement.
- Liabilities and receivables relating to recognition of revenue and expenses from reinsurance for the year denominated in 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 22,655 VND/USD (as at 31 December 2016: 22,715 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 22,735 VND/USD (as at 31 December 2016: 22,785 VND/USD). Exchange differences arising from such transactions are recorded in the consolidated 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 recognised in the consolidated income statement.

Enterprise funds

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

All profits are used to pay dividends to shareholders, 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 General Shareholder's meeting at the request of the Board of Management. However, according to the Corporation's Charter, the Board of Management may pay interim 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 reinsurance contracts which last for one year or less is provided for at 25% of the inward reinsurance premium and outward reinsurance premium for the year for all types of cargo 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 inward and outward reserves with reinsurance contracts which last for over one year is provided for at 55% of the inward reinsurance premiums of these contracts.

For the year ended 31 December 2016, the Corporation made the provision of premium inward and outward reserves for all types of cargo insurance (by land, domestic seaway, waterway, railway and airway) at 25% of the inward reinsurance premium and outward reinsurance premium and at 50% of the inward reinsurance premium and outward reinsurance premium for other types. Accordingly, "Increase in premium inward reserve" and "Increase in premium outward reserve" items in the consolidated income statement for the year ended 31 December 2017 increase by about VND 2.2 billion and VND 1 billion, respectively arising from this change of accounting estimate.

Claim reserves:

- For losses that have been incurred and reported but not yet settled, the Corporation makes claim reserves for inward reinsurance and outward reinsurance by estimating the claim settlement expenses of each case based on the level of coverage.



- For claim reserve for inward reinsurance and outward reinsurance for losses incurred but not reported (IBNR), the Corporation applies the rate of 5% of the inward reinsurance premium and outward reinsurance premium over all types of insurance.

Catastrophe reserve: This reserve is made annually under statistical method (at a rate of 2% of the retained premium rate of all transactions) until it reaches 100% of the premium retained in the year.

For the year ended 31 December 2016, the Corporation made catastrophe reserve at a rate of 3% of the retained premium rate of all transactions. Accordingly, the "Increase in catastrophe reserve" item in the consolidated income statement for the year ended 31 December 2017 decreases by about VND 5.8 billion arising from this change of accounting estimate.

Balance assurance 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 attained in the year in accordance with guidance under Circular No. 50/2017/TT-BTC issued by the Ministry of Finance on 15 May 2017, which is effective from 01 July 2017 onward.

Health-care reinsurance reserve: is made annually at the rate of 2% of the retained premium rate for all transactions until it reaches 100% of the retained premium in the year.

In the year, the Corporation has made the provision for balance assurance reserve with total amount of VND 269,631,151 and recognised in Catastrophe Reserve item with 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 compensation if claims are not incurred on the balance sheet date. Currently, according to Decree No. 73/2016/NĐ-CP issued by the Government dated 01 July 2016 ("Degree No. 73"), insurance enterprises are required to provide for catastrophe reserve.

Since the Ministry of Finance has not yet issued any guidance on the implementation of the aforesaid accounting standard, however, the fact that the Corporation still made catastrophe reserve for the year ended 31 December 2017 is considered more prudent than regulation in VAS 19.

Reserves for the Corporation's outward/inward reinsurance should be presented under separate items in the consolidated 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 consolidated 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 recognised on significant differences between carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using balance sheet liability method.

Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. 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.

5. CASH AND CASH EQUIVALENTS

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND</u>	<u>VND</u>
Cash on hand	996,614,032	2,168,042,373
Bank demand deposits	65,820,551,113	68,661,515,754
Cash equivalents	103,000,000,000	4,200,000,000
	<u>169,817,165,145</u>	<u>75,029,558,127</u>

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

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6. FINANCIAL INVESTMENTS

	Closing balance		Opening balance	
	Historical cost VND	Fair value VND	Historical cost VND	Fair value VND
a) Trading securities	255,297,398	79,125,000	19,154,237,103	18,829,179,125
- Total value of stocks	255,297,398	79,125,000	19,154,237,103	18,829,179,125
+ Military Commercial Joint Stock Bank (MBB)	-	-	9,493,272,330	9,422,700,000
+ FPT Joint Stock Company (FPT)	-	-	9,291,055,275	9,291,055,275
+ Others	255,297,398	79,125,000	369,909,498	115,423,850
b) Held-to-maturity investments	2,613,955,680,454		2,595,678,937,237	(1,893,633,934)
b1) Short-term	2,218,147,811,835		2,026,985,915,000	-
- Short-term deposits (i)	1,992,300,000,000		2,026,985,915,000	-
- Bonds (iii)	50,000,000,000		-	-
- Other investments	175,847,811,835		-	-
+ Entrusted investment	175,847,811,835		-	-
b2) Long-term	395,807,868,619		568,693,022,237	(1,893,633,934)
- Long-term deposits (ii)	80,000,000,000		185,000,000,000	-
- Bonds (iii)	220,000,000,000		170,000,000,000	-
- Entrusted investments (iv)	89,486,662,556		207,371,816,174	(1,893,633,934)
- Other long-term investments	6,321,206,063		6,321,206,063	-
c) Equity investments in other entities	698,167,666,956	(2,737,031,437)	678,942,857,058	(1,958,648,469)
- Investments in associate	227,722,596,956	-	202,802,787,058	-
- Investments in other entities (v)	470,445,070,000	(2,737,031,437)	476,140,070,000	(1,958,648,469)

- (i) Short-term deposits represent deposits with original terms of over 3 months and remaining maturities as at 31 December 2017 of under 12 months at domestic commercial banks, with interest rates from 6.7 % to 10.2% per annum.
- (ii) Long-term deposits represent term deposits with terms of more than 12 months at domestic commercial banks and Home Credit Vietnam Limited Company, with interest rates from 7.0% to 7.4% per annum.
- (iii) Bonds include corporate bonds and Government bonds with the maturities from 01 year to 06 years and interest rates from 7.25% to 9.5% per annum.
- (iv) Entrusted investments represent investments under trust contracts signed with Vietcombank Fund Management, Bao Viet Fund Management Co., Ltd. and Saigon Securities Incorporation under which the Corporation shall bear all risks related to the escrow accounts.
- (v) Investments in other entities include any investments in other companies over which the Corporation does not have the right to control or significant influence. Details of share capital contributions are as follows:

	Proportion of ownership interest as at 31/12/2017	Closing balance	Opening balance
Equity investments in:		VND	VND
Petrolimex Joint Stock Insurance Company	7.03%	59,289,270,000	59,289,270,000
Post- Telecommunication Joint Stock Insurance Company	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
Phu Hung Insurance Joint Stock Company	1.98%	8,000,000,000	8,000,000,000
Agriculture Bank Insurance Joint Stock Corporation	8.42%	32,000,000,000	32,000,000,000
Dai Nam Securities Joint Stock Company	0.00%	-	2,695,000,000
Hung Vuong Insurance Joint Stock Company	10.00%	30,000,000,000	30,000,000,000
Tien Phong Commercial Joint Stock Bank	5.14%	275,000,000,000	278,000,000,000
		470,445,070,000	476,140,070,000

At the date of these consolidated financial statements, the Corporation has assessed and made provision for impairment of equity investments as at 31 December 2017 based on the investees' financial statements for the year ended 31 December 2017. For investees whose financial statements for the year ended 31 December 2017 have not been available yet, the Corporation used the latest financial statements collected for assessment. Information on bonus shares received as at 31 December 2017 of these investees are as follows:

	Par value	Number of shares
Petrolimex Joint Stock Insurance Company	10,000	353,056
Tien Phong Commercial Joint Stock Bank	10,000	2,542,857
Post-Telecommunication Joint Stock Insurance Company	10,000	381,024
Sai Gon - Ha Long Hotel	10,000	96,000

Details of the associate of the Corporation as at 31 December 2017 are as follows:

Associate	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
Samsung Vina Insurance Co., Ltd.	Ho Chi Minh City	25%	25%	Non-life insurance

Summary of financial information of Samsung Vina Insurance Co., Ltd. is presented as follows:

	Closing balance VND	Opening balance VND
Total assets	1,809,160,075,008	1,825,635,499,310
Total liabilities	898,269,687,183	1,014,424,351,084
Net assets	910,890,387,825	811,211,148,226
The Corporation's share of the associate's net assets	227,722,596,956	202,802,787,058
	Current year VND	Prior year VND
Revenue	324,766,316,345	250,891,320,409
Net profit	142,123,386,128	110,009,369,534
The Corporation's share of the associate's net profit	35,530,846,532	27,502,342,383
	Current year VND	Prior year VND
Opening balance	202,802,787,058	186,566,776,135
The Corporation's share of the associate's net profit	35,530,846,532	27,502,342,383
Dividends received	(10,611,036,634)	(11,266,331,460)
Closing balance	227,722,596,956	202,802,787,058

- Summary of the performance of the associate in the year: The Corporation's associate has stable operation under registered operation sectors in the year ended 31 December 2017.
- Significant transactions between the Corporation and its associate in the year are as follows:
 - + The Corporation and Samsung Vina Insurance Co., Ltd. jointly enter into transactions of inward/ outward reinsurance premium, inward/outward reinsurance commissions and outward/inward reinsurance claim.

The fair value of these investments is determined as follows:

- The fair value of trading securities actively traded on financial markets is determined according to the closing price on the nearest day of the reporting date.
- At the reporting date, the fair value of other investments of which information for fair value determination is inadequate shall not be determined.

7. SHORT-TERM TRADE RECEIVABLES

	Closing balance	Opening balance
	VND	VND
Receivables from insurance contracts	770,528,126,398	671,608,358,009
- <i>Receivables from inward reinsurance</i>	406,638,207,558	318,381,313,467
- <i>Receivables from outward reinsurance</i>	352,996,526,545	337,470,356,660
- <i>Other receivables from reinsurance activities</i>	10,893,392,295	15,756,687,882
Other trade receivables	324,126,551,319	346,204,668,167
- <i>Accrued gains on investments</i>	97,504,409,209	87,350,808,582
- <i>Other receivables related to swap contracts</i>	226,550,000,000	245,322,000,000
- <i>Other receivables</i>	72,142,110	13,531,859,585
	1,094,654,677,717	1,017,813,026,176

8. PREPAID EXPENSES

	Closing balance	Opening balance
	VND	VND
a) Short-term	187,931,351,792	167,284,562,994
Unallocated commission expenses	185,674,353,313	162,868,724,418
- <i>Opening balance</i>	162,868,724,418	158,476,806,806
- <i>Unallocated commission expenses incurred in the year</i>	387,213,020,038	344,658,275,586
- <i>Commission expenses allocated in the year</i>	364,407,391,143	340,266,357,974
- <i>Closing balance</i>	185,674,353,313	162,868,724,418
Other prepaid expenses	2,256,998,479	4,415,838,576
b) Long-term	1,168,826,614	1,274,232,265
Golf card expenses	1,097,999,722	1,155,018,932
Other long-term prepaid expenses	70,826,892	119,213,333
	189,100,178,406	168,558,795,259

9. OTHER LONG-TERM ASSETS

	Closing balance	Opening balance
	VND	VND
Paragon Tower Project	20,620,952,000	20,620,952,000
Tincom Plaza (360 Giai Phong Road) Project	45,634,254,211	45,634,254,211
	66,255,206,211	66,255,206,211

Other long-term assets represent long-term deposits for contracts on properties purchase. The Board of General Directors has evaluated and believed that there had been no significant decline in the value of the deposits.

10. INCREASES, DECREASES IN TANGIBLE FIXED ASSETS

	Buildings, structures	Motor vehicles	Office equipment	Other fixed assets	Total
COST	VND	VND	VND	VND	VND
Opening balance	15,170,997,037	2,980,277,071	6,714,092,474	285,540,454	25,150,907,036
Closing balance	15,170,997,037	2,980,277,071	6,714,092,474	285,540,454	25,150,907,036
ACCUMULATED DEPRECIATION					
Opening balance	9,856,453,830	2,688,696,259	5,843,091,196	267,153,579	18,655,394,864
Additions	607,376,366	205,821,750	499,577,348	16,972,500	1,329,747,964
Closing balance	10,463,830,196	2,894,518,009	6,342,668,544	284,126,079	19,985,142,828
NET BOOK VALUE					
Closing balance	4,707,166,841	85,759,062	371,423,930	1,414,375	5,165,764,208
Opening balance	5,314,543,207	291,580,812	871,001,278	18,386,875	6,495,512,172

As at 31 December 2017, the total cost of tangible fixed assets includes VND 7,361,530,620 (as at 31 December 2016: VND 3,121,726,830) of assets which have been fully depreciated but are still in use.

11. INCREASES, DECREASES IN INTANGIBLE ASSETS

The balance of intangible assets as at 31 December 2017 mainly represents cost and accumulated amortisation of reinsurance software.

12. INCREASES, DECREASES IN INVESTMENT PROPERTY

Items	Opening balance VND	Increase VND	Closing balance VND
Investment properties held for rentals			
Cost	34,055,061,893	-	34,055,061,893
- Building (i)	34,055,061,893	-	34,055,061,893
Accumulated depreciation	21,654,461,076	1,417,211,522	23,071,672,598
- Building (i)	21,654,461,076	1,417,211,522	23,071,672,598
Net book value	12,400,600,817	-	10,983,389,295
- Building	12,400,600,817	-	10,983,389,295

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

According to Vietnamese Accounting Standard No. 05 - *Investment Properties*, fair value of investment property as at 31 December 2017 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.

13. SHORT-TERM TRADE PAYABLES

	Closing balance	Opening balance
	VND	VND
Payables of insurance contracts	693,969,225,780	607,989,414,980
- Payables for inward reinsurance activities	226,225,807,240	229,001,466,355
- Payables for outward reinsurance activities	462,323,685,555	369,980,894,859
- Other payables for reinsurance activities	5,419,732,985	9,007,053,766
Other trade accounts payable	242,337,922,485	257,502,938,458
- Temporary Withholding Tax collection (2% of overseas reinsurance premium)	7,348,701,506	7,359,399,849
- Other payables related to swap contracts	232,719,405,000	247,769,600,000
- Other payables	2,269,815,979	2,373,938,609
	936,307,148,265	865,492,353,438

14. 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	190,385,278	1,465,923,540	1,341,196,110	315,112,708
Corporate income tax	8,481,661,351	51,444,421,276	55,333,972,740	4,592,109,887
Personal income tax	349,681,103	5,739,191,317	5,676,530,674	412,341,746
Business license tax	-	3,000,000	3,000,000	-
Other taxes and charges payable	32,990,912	764,437,553	698,985,783	98,442,682
Total	9,054,718,644	59,416,973,686	63,053,685,307	5,418,007,023

15. OTHER PAYABLES

	Closing balance	Opening balance
	VND	VND
a) Short-term	246,497,413,518	118,071,345,335
Unearned commission income	110,592,257,769	112,089,806,982
- Opening balance	112,089,806,982	104,434,105,144
- Unearned commission income incurred in the year	224,052,197,951	227,498,858,783
- Commission income allocated in the year	225,549,747,164	219,843,156,945
- Closing balance	110,592,257,769	112,089,806,982
Other current payables	135,905,155,749	5,981,538,353
Dividends payable	131,075,937,000	-
Other payables	4,829,218,749	5,981,538,353
b) Long-term	2,327,881,984	3,216,822,676
Long-term deposits	2,327,881,984	3,216,822,676
	248,825,295,502	121,288,168,011

16. UNDER-WRITING RESERVES

Claim reserve and Unearned premium reserve	Closing balance		
	Inward reinsurance reserve	Outward reinsurance reserve	Net inward reinsurance reserve
	VND	VND	VND
I. Normal activities			
1. Claim reserve	1,503,283,775,847	1,056,944,191,156	446,339,584,691
Reserve for losses incurred and reported	1,420,710,176,825	1,003,715,252,848	416,994,923,977
Reserve for losses incurred but not reported	82,573,599,022	53,228,938,308	29,344,660,714
2. Unearned premium reserve	794,916,072,658	526,110,829,307	268,805,243,351
II. Pilot agricultural insurance activities			
1. Claim reserve	8,877,885,734	8,028,695,528	849,190,206
Reserve for losses incurred and reported	8,877,885,734	8,028,695,528	849,190,206
	2,307,077,734,239	1,591,083,715,991	715,994,018,248

In which:

Claim reserve	Current year		
	Inward reinsurance claim reserve	Outward reinsurance claim reserve	Net inward reinsurance claim reserve
	VND	VND	VND
I. Normal activities			
Opening balance	1,569,647,935,058	1,174,195,287,768	395,452,647,290
(Reversal) in the year	(66,364,159,211)	(117,251,096,612)	50,886,937,401
II. Pilot agricultural insurance activities			
Opening balance	13,136,846,340	11,877,324,687	1,259,521,653
Decrease in the year	(4,258,960,606)	(3,848,629,159)	(410,331,447)
Closing balance	1,512,161,661,581	1,064,972,886,684	447,188,774,897

Unearned premium reserve	Current year		
	Unearned inward reinsurance premium reserve	Unearned outward reinsurance premium reserve	Net unearned inward reinsurance premium reserve
	VND	VND	VND
I. Normal activities			
Opening balance	789,464,591,202	538,028,932,731	251,435,658,471
Increase in the year	5,451,481,456	(11,918,103,424)	17,369,584,880
Closing balance	794,916,072,658	526,110,829,307	268,805,243,351

Catastrophe reserve	Current year	Prior year
	VND	VND
I. Normal activities		
Opening balance	182,721,648,752	165,875,947,082
Increase in the year	11,840,895,870	16,845,701,670
Use in the year	(13,000,000,000)	-
II. Pilot agricultural insurance activities		
Opening balance	8,876,683,166	8,876,683,166
Increase in the year	-	-
III. Offshore fishing vessel insurance activities		
Opening balance	-	-
Increase in the year	3,405,849,758	-
Closing balance	193,845,077,546	191,598,331,918

17. OWNERS' EQUITY

	Owners' contributed capital VND	Share premium VND	Investment and development fund VND	Compulsory reserve fund VND	Retained earnings VND	Total VND
Prior year's opening balance	1,310,759,370,000	566,368,537,309	191,870,712,711	103,484,887,493	450,515,403,971	2,622,998,911,484
Profit for the year	-	-	-	-	239,776,750,523	239,776,750,523
Profit distribution to funds	-	-	4,377,143,293	10,942,858,232	(22,118,004,532)	(6,798,003,007)
Dividends declared	-	-	-	-	(131,075,937,000)	(131,075,937,000)
Current year's opening balance	1,310,759,370,000	566,368,537,309	196,247,856,004	114,427,745,725	537,098,212,962	2,724,901,722,000
Profit for the year	-	-	-	-	258,776,595,581	258,776,595,581
Profit distribution to funds (i)	-	-	4,708,237,473	11,770,593,681	(23,815,642,130)	(7,336,810,976)
Dividends declared (i)	-	-	-	-	(288,367,061,400)	(288,367,061,400)
Current year's closing balance	1,310,759,370,000	566,368,537,309	200,956,093,477	126,198,339,406	483,692,105,013	2,687,974,445,205

- (i) According to Resolution No. 07/2017/NQ-DHDCD dated 26 April 2017 by the Annual Shareholders' General Meeting of Vietnam National Reinsurance Joint Stock Corporation and the Board of Management's Decision No. 19/2017/QĐ-HDQT dated 19 December 2017, the Corporation declared the 2016 dividend payment and the 1st 2017 interim dividend at the rate of 12% and 10%, respectively of owner's contributed capital from the retained earnings, which is equivalent to VND 288,367,061,400. Also, the Corporation made interim distribution of VND 23,815,642,130 to the funds from the profit for the year ended 31 December 2017. The final decision on 2017 profit distribution will be made in the next Annual Shareholders' General Meeting.

Owners' contributed capital

As at 31 December 2017, the total capital actually contributed by shareholders and share premium are as follows:

	Contributed capital			
	Closing balance	Proportion	Opening balance	Proportion
	VND		VND	
Owners' contributed capital	1,310,759,370,000	100%	1,310,759,370,000	100%
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%
Share premium	566,368,537,309		566,368,537,309	
	1,877,127,907,309		1,877,127,907,309	

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
Common shares	131,075,937	131,075,937

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

18. INSURANCE PREMIUM

	Current year VND	Prior year VND
Inward reinsurance premium	1,690,815,992,595	1,686,382,751,821
<i>Energy insurance</i>	6,806,614,772	14,931,056,636
<i>Hull and P&I insurance</i>	277,388,735,520	265,804,396,918
<i>Cargo insurance</i>	133,465,477,927	154,435,626,619
<i>Engineering insurance</i>	226,764,842,477	297,360,530,468
<i>Fire and property insurance</i>	480,456,349,361	506,457,060,971
<i>Aviation insurance</i>	38,517,756,317	34,927,362,280
<i>Other insurance</i>	527,416,216,221	412,466,717,929
Deductions in inward reinsurance premium	(39,344,012,147)	(30,824,981,015)
Increase in unearned premium reserve for inward reinsurance	5,451,481,456	40,026,468,888
	1,646,020,498,992	1,615,531,301,918

19. OUTWARD REINSURANCE PREMIUM

	Current year VND	Prior year VND
Total outward reinsurance premium	1,089,370,035,530	1,105,217,404,169
<i>Energy insurance</i>	4,821,544,817	10,744,569,180
<i>Hull and P&I insurance</i>	198,567,268,013	183,010,393,950
<i>Cargo insurance</i>	30,352,354,227	36,339,439,711
<i>Engineering insurance</i>	87,609,431,526	151,586,092,368
<i>Fire and property insurance</i>	351,618,883,867	370,130,061,978
<i>Aviation insurance</i>	36,797,267,547	33,636,255,823
<i>Other insurance</i>	379,603,285,533	319,770,591,159
Reversal of outward reinsurance premium	(24,791,269,331)	(11,183,022,376)
(Decrease)/Increase in unearned premium reserve for outward reinsurance	(11,918,103,424)	47,846,681,285
	1,076,496,869,623	1,046,187,700,508

20. OTHER INCOME FROM INSURANCE ACTIVITIES

	Current year VND	Prior year VND
Other receipts from inward reinsurance activities	94,195,318,354	84,024,987,360
Claim reserve released	88,991,952,507	84,024,987,360
Other receipts	5,203,365,847	-
Other receipts from outward reinsurance activities	91,960,663,048	91,265,805,286
Claim reserved retained	73,469,922,623	85,832,433,984
Other receipts	18,490,740,425	5,433,371,302
	186,155,981,402	175,290,792,646

21. TOTAL INSURANCE CLAIM SETTLEMENT EXPENSES

	Current year VND	Prior year VND
Claim settlement expenses	915,027,572,983	960,920,990,969
<i>Energy insurance</i>	6,768,176,833	12,143,637,282
<i>Hull and P&I insurance</i>	101,994,299,381	113,643,707,791
<i>Cargo insurance</i>	24,452,817,681	95,440,735,643
<i>Engineering insurance</i>	148,762,545,303	161,994,299,142
<i>Fire and property insurance</i>	319,542,971,660	338,547,336,086
<i>Aviation insurance</i>	7,081,523,250	3,511,910,639
<i>Other insurance</i>	306,425,238,875	235,639,364,386
Claim receipts from ceded policies	667,456,345,229	700,149,869,512
Decrease in inward reinsurance claim reserve	(66,364,159,211)	(254,549,864,081)
Decrease in outward reinsurance claim reserve	(117,251,096,612)	(266,798,257,259)
	298,458,165,155	273,019,514,635

22. OTHER EXPENSES FOR INSURANCE ACTIVITIES

	Current year	Prior year
	VND	VND
Other payments for inward reinsurance activities	113,528,370,362	112,918,557,976
Claim reserve retained	86,454,721,912	100,448,863,791
Other expenses	27,073,648,450	12,469,694,185
Other payments for outward reinsurance activities	84,386,588,296	75,306,856,227
Claim reserve released	79,525,151,139	74,894,920,048
Other expenses	4,861,437,157	411,936,179
	197,914,958,658	188,225,414,203

23. FINANCIAL INCOME

	Current year	Prior year
	VND	VND
Interest on time deposits	159,711,830,166	130,604,213,085
Dividends and profits received	17,479,443,238	22,011,843,100
Interest on bonds, commercial bills	14,655,154,796	15,910,106,850
Interest on entrusted investments	33,191,104,956	22,979,708,630
Interest on exchange differences	48,683,794,944	17,028,733,911
Interest on securities trading	7,669,212,445	4,692,241,984
Interest on demand deposits	256,532,648	384,449,138
Other financial income	1,492,336,890	2,726,224,431
	283,139,410,083	216,337,521,129

24. FINANCIAL EXPENSES

	Current year	Prior year
	VND	VND
Loss on exchange differences	48,423,299,800	16,828,543,651
Loss on securities trading	92,819,438	8,478,342,899
(Reversal) of provision for impairment of investments	(1,185,823,296)	(18,293,355,757)
Others	24,227,213,942	18,894,201,981
	71,557,509,884	25,907,732,774

25. GENERAL AND ADMINISTRATION EXPENSES

	Current year	Prior year
	VND	VND
Administrative staff and expat expenses	52,268,700,760	46,769,679,564
Office expenses	558,494,564	796,047,537
Depreciation and amortisation	8,474,188,345	9,267,965,861
Taxes, fees and charges	1,137,282,003	2,541,652,726
Provision (reversal)/expense	(18,226,169,611)	10,041,695,659
Out-sourced services	11,994,250,331	10,012,134,564
Expenses for business transactions, seminars and advertisements	4,631,127,048	4,412,842,703
Other administration expenses	4,934,284,434	4,970,356,548
	65,772,157,874	88,812,375,162

26. OPERATION COST BY NATURE

	Current year	Prior year
	VND	VND
Cost of insurance activities	859,621,410,826	818,356,988,482
Labour	52,268,700,760	46,769,679,564
Depreciation and amortisation expenses	8,474,188,345	9,267,965,861
Out-sourced services	11,994,250,331	10,012,134,564
Provision (reversal)/expense	(18,226,169,611)	10,041,695,659
Other monetary expenses	11,261,188,049	12,720,899,514
	925,393,568,700	907,169,363,644

27. 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 the 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 activities 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 activities 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 from 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 the case of losses incurred from pilot agricultural insurance activities, such losses will be carried forward to the following year as regulated by law.

From 2012, the Corporation started undertaking 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.

28. 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 implementing 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 to insurance activities as stipulated in Decree No. 67/2014/ND-CP on fisheries development policies. 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. The insurance enterprise shall hold responsibility to separately monitor revenue, expenses and results of operations regarding this type of insurance. Profit from insurance activities (if any) shall be recorded to catastrophe reserves at the financial year end.

In 2017, the total positive operating result of VND 3,405,849,758 from fishing vessel insurance activities is allocated to catastrophe reserve during the year.

29. CORPORATE INCOME TAX EXPENSE

	<u>Current year</u> VND	<u>Prior year</u> VND
Profit before tax	310,670,269,210	287,170,359,088
Adjustments for taxable profit		
Less: Non-taxable profit	(57,612,378,723)	(54,182,485,438)
Add: Non-deductible expenses	4,620,749,079	4,162,471,572
Add: Loss of subsidiary attributable to non-controlling interests	(456,533,188)	(208,029,130)
Taxable profit	257,222,106,378	236,942,316,092
Normal tax rate	20%	20%
Current corporate income tax payable	51,444,421,276	47,388,463,218
Deferred corporate tax expense	(7,280,835)	(202,883,783)

30. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share attributable to ordinary shareholders of the Corporation is based on following data:

	Unit	Current year	Prior year
Profit after corporate income tax	VND	259,233,128,769	239,984,779,653
Less: estimated amount accrued for bonus and welfare fund	VND	7,313,422,580	6,798,003,007
Less: (loss) of subsidiary attributable to non-controlling interests	VND	456,533,188	208,029,130
Profit used to calculate basic earnings per share	VND	251,463,173,001	232,978,747,516
Average number of outstanding ordinary shares in circulation	Shares	131,075,937	131,075,937
Basic earnings per share	VND	1,918	1,777

31. 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 maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Corporation only consists of equity attributable to shareholders (comprising 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 instrument are disclosed in Note 4.

Categories of financial instruments

	Carrying amounts	
	Closing balance	Opening balance
	VND	VND
Financial assets		
Cash and cash equivalents	169,817,165,145	75,029,558,127
Trade receivables	1,067,272,542,203	961,424,021,468
Short-term investments	2,218,226,936,835	2,045,815,094,125
Long-term investments	863,515,907,182	1,040,980,809,834
Total	4,318,832,551,365	4,123,249,483,554
Financial liabilities		
Trade and other payables	1,060,034,383,759	858,132,953,589
Long-term deposits received	2,327,881,984	3,216,822,676
Total	1,062,362,265,743	861,349,776,265

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 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 entity-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 management thus holds responsibility to set up the risk tolerance level appropriate with business performance of the Corporation at certain period as well as approve the insurance and reinsurance schemes on annual basis.

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 the year are as follows:

	Assets		Liabilities	
	Closing balance	Opening balance	Closing balance	Opening balance
	VND	VND	VND	VND
United States Dollar (USD)	698,533,585,995	784,145,776,097	489,139,093,769	385,810,382,838
Euro (EUR)	2,523,751,486	4,452,085,435	827,539,173	829,359,140
Great Britain Pound (GBP)	6,037,224	6,273,683	14,242,474	14,273,797
Australian Dollar (AUD)	5,958,591	6,260,679	2,307,521	-
Singapore Dollar (SGD)	7,277,201	38,420,343	149,519,289	19,841,884
Japanese Yen (JPY)	279,819,268	280,835,199	94,363,993	94,571,524

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:

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
United States Dollar (USD)	10,469,724,611	19,916,769,663
Euro (EUR)	84,810,616	181,136,315

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 associate. The Corporation's Board of Management assesses and approves decisions on investments in associate such as operating industry, investees, etc. Investments in associate is 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 consolidated balance sheet date, there is credit risk arising on the amounts due from customer receivables. The Corporation has made 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 tables detail the Corporation's remaining contractual maturity for its non-derivative financial assets and financial liabilities with agreed repayment periods. The tables have 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.

VIETNAM NATIONAL REINSURANCE JOINT STOCK CORPORATION
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	<u>Less than 1 year</u> <u>VND</u>	<u>From 1 - 5 years</u> <u>VND</u>	<u>Over 5 years</u> <u>VND</u>	<u>Total</u> <u>VND</u>
Closing balance				
Cash and cash equivalents	169,817,165,145	-	-	169,817,165,145
Trade receivables	1,067,272,542,203	-	-	1,067,272,542,203
Short-term investments	2,218,226,936,835	-	-	2,218,226,936,835
Long-term investments	-	395,807,868,619	467,708,038,563	863,515,907,182
Total	3,455,316,644,183	395,807,868,619	467,708,038,563	4,318,832,551,365
Closing balance				
Trade and other payables	1,060,034,383,759	-	-	1,060,034,383,759
Long-term deposits received	-	2,327,881,984	-	2,327,881,984
Total	1,060,034,383,759	2,327,881,984	-	1,062,362,265,743
Net liquidity gap	2,395,282,260,424	393,479,986,635	467,708,038,563	3,256,470,285,622
	<u>Less than 1 year</u> <u>VND</u>	<u>From 1 - 5 years</u> <u>VND</u>	<u>Over 5 years</u> <u>VND</u>	<u>Total</u> <u>VND</u>
Opening balance				
Cash and cash equivalents	75,029,558,127	-	-	75,029,558,127
Trade receivables	961,424,021,468	-	-	961,424,021,468
Short-term investments	2,045,815,094,125	-	-	2,045,815,094,125
Long-term investments	-	566,799,388,303	474,181,421,531	1,040,980,809,834
Total	3,082,268,673,720	566,799,388,303	474,181,421,531	4,123,249,483,554
Opening balance				
Trade and other payables	858,132,953,589	-	-	858,132,953,589
Long-term deposits received	-	3,216,822,676	-	3,216,822,676
Total	858,132,953,589	3,216,822,676	-	861,349,776,265
Net liquidity gap	2,224,135,720,131	563,582,565,627	474,181,421,531	3,261,899,707,289

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

32. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties:

Related parties	Relationship
State Capital Investment Corporation	Major shareholder
Swiss Re Group	Major shareholder
Bao Minh Insurance Joint Stock Corporation	Same owner
Samsung Vina Insurance Co., Ltd.	Associate

During the year, the Corporation entered into the following significant transactions with its related parties:

	Current year VND	Prior year VND
<u>Swiss Re Group</u>		
Outward reinsurance premium	171,686,458,725	192,186,277,177
Outward reinsurance commission	50,315,493,483	57,984,946,896
Receipt from outward reinsurance claim	111,191,765,907	128,755,161,324
Dividends paid	39,322,786,800	49,153,483,500
<u>Bao Minh Insurance Joint Stock Corporation</u>		
Outward reinsurance premium	68,140,786,727	80,838,873,156
Outward reinsurance commission	14,771,658,861	18,052,103,709
Receipt from outward reinsurance claim	52,404,737,403	61,842,099,632
Inward reinsurance premium	83,604,183,598	122,347,645,681
Inward reinsurance commission	16,699,826,923	27,634,245,210
Claim settlements of inward reinsurance	44,762,606,853	128,478,881,379
<u>Samsung Vina Insurance Co., Ltd.</u>		
Outward reinsurance premium	941,190,799	660,421,090
Outward reinsurance commission	98,465,001	229,364,390
Receipt from outward reinsurance claim	2,169,120,444	713,969,640
Inward reinsurance premium	133,043,515,484	125,519,371,519
Inward reinsurance commission	28,313,436,101	25,267,554,252
Claim settlements of inward reinsurance	116,220,353,134	218,178,800,051
Dividends received	10,611,036,634	11,266,331,460
<u>State Capital Investment Corporation</u>		
Dividends paid	63,487,242,000	79,359,052,500
<u>The Board of General Directors</u>		
Remuneration for the year	6,339,827,497	6,120,091,756

Related party balances as at the balance sheet date were as follows:

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
<u>Swiss Re Group</u>		
Receivables from outward reinsurance activities	21,037,953,389	25,903,088,783
Payables for outward reinsurance activities	33,499,766,053	31,056,314,263
Dividends payable	32,768,989,000	-
<u>Bao Minh Insurance Joint Stock Corporation</u>		
Receivables from inward reinsurance activities	23,731,736,600	23,440,118,803
Receivables from outward reinsurance activities	35,246,695,946	26,931,803,881
Payables for inward reinsurance activities	22,017,132,231	38,154,412,640
Payables for outward reinsurance activities	29,543,904,460	18,737,586,375
<u>Samsung Vina Insurance Co., Ltd.</u>		
Receivables from inward reinsurance activities	8,568,987,712	2,611,924,141
Receivables from outward reinsurance activities	-	211,198,065
Payables for inward reinsurance activities	298,508,509	980,251,389
Payables for outward reinsurance activities	749,378,536	163,404,126
<u>State Capital Investment Corporation</u>		
Dividends payable	52,906,035,000	-

33. FINANCIAL RATIOS


Items	Unit	Closing balance	Opening balance
1. Assets and resources structure arrangement			
1.1. Assets structure arrangement			
- Non-current assets/Total assets	%	18.81	21.66
- Current assets/Total assets	%	81.19	78.34
1.2. Capital structure arrangement			
- Liabilities/Total resources	%	57.84	56.61
- Owners' equity/Total resources	%	42.16	43.39
2. Liquidity			
2.1. Short-term liability liquidity	times	1.41	1.39
2.2. Quick liquidity	times	0.64	0.59
Items	Unit	Current year	Prior year
3. Profit ratio			
3.1. Profit/Revenue ratio			
- Profit before tax/Revenue ratio	%	24.30	24.02
- Profit after tax/Revenue ratio	%	20.28	20.07
3.2. Profit/Total assets ratio			
- Profit before tax/Total assets ratio	%	4.82	4.52
- Profit after tax/Total assets ratio	%	4.02	3.78
3.3. Profit after tax/Owners' equity ratio	%	9.64	8.81

34. 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.

35. SUMMARY OF CLAIMS

Payment year	Accident year			Total
	2015	2016	2017	
	VND	VND	VND	VND
I. Accumulated claim reserve amount				
Claim reserve amount accumulated to the current year (1)	243,890,491,082	197,815,813,209	205,288,449,712	646,994,754,003
II. Accumulated paid claim amount				
As at year end of losses	34,833,941,435	28,175,082,983	33,243,293,663	96,252,318,081
After 1 year	102,927,202,983	103,028,382,473	-	205,955,585,456
After 2 years	37,855,723,768	-	-	37,855,723,768
Paid claim amount accumulated to the current year (2)	175,616,868,186	131,203,465,456	33,243,293,663	340,063,627,305
III. Outstanding claim reserve (3)=(1)-(2)	68,273,622,896	66,612,347,753	172,045,156,049	306,931,126,698
Outstanding claim reserve for previous years' losses				110,063,797,279
Total outstanding claim reserve at the year end				416,994,923,977


Nguyen Thanh Cong
Preparer


Luu Thi Viet Hoa
Chief Accountant


Pham Cong Tu
General Director

Hanoi, 13 March 2018