BIDV Insurance Company

Report of the Board of Directors and
Audited Financial Statements

31 December 2009

ERNST & YOUNG

BIDV Insurance Company

CONTENTS

	Pages
REPORT OF THE BOARD OF DIRECTORS	1 - 3
AUDITED FINANCIAL STATEMENTS	
Independent auditors' report	4
Balance sheet	5 - 6
Income statement	7 - 8
Cash flow statement	9 - 10
Notes to the financial statements	11 - 38

BIDV Insurance Company

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of BIDV Insurance Company ("the Company") presents its report and the Company's financial statements for the year ended 31 December 2009.

THE COMPANY

BIDV Insurance Company is a wholly–owned subsidiary of the Bank for Investment and Development of Vietnam ("BIDV") – a state owned commercial bank incorporated in the Socialist Republic of Vietnam. The Company operates under Business License No 11GP/KDBH granted by the Ministry of Finance which is effective from 10 April 2006 for the period of 89 years, and the following Amended Business Licenses:

Amended Business License No	*Date of issuance*	*Primary changes*
11/GPDC1/KDBH	10 May 2006	Establishment of three branches in Hai Phong, Nghe An, and Da Nang
11/GPDC2/KDBH	27 September 2006	Establishment of five branches in Binh Dinh, Tay Nguyen, Dong Nai, Vung Tau, and Can Tho
11/GPDC3/KDBH	17 October 2006	Increase of the Company's charter capital to VND 200 billions.
11/GPDC4/KDBH	7 September 2007	Increase of the Company's charter capital to VND 500 billions and establishment of three branches in Ha Noi, Quang Ninh, Hai Duong
11/GPDC5/KDBH	22 August 2008	Establishment of seven branches in Binh Duong, Khanh Hoa, Bac Tay Nguyen, Dong Bac, Thai Nguyen, Tay Ha Noi, and Tay Bac.

Before 2006, the Company was a joint venture between BIDV and QBE Insurance (International) Ltd. Since 1 January 2006, following BIDV's acquisition of the entire stakes of QBE in the Company, the Company became a wholly-owned subsidiary of BIDV. Such capital transfer was approved by the Ministry of Finance on 27 December 2005 in the Official Letter No. 16943/BTC-BH. On the same date, the Ministry of Finance has also issued the amended Business License No 11/GPDC4/KDBH approving the change in the Company's name from BIDV-QBE Insurance Company Limited to BIDV Insurance Company.

The Company has a foreign investment of USD 1,530,000 for establishment of Lao – Viet Insurance Joint Venture Company in Lao PDR, where the company owns a 51% of the total charter capital, following Foreign Investment Certificate No. 146/BKH/ĐTRNN granted by the Ministry of Investment and Planning on 19 Jun 2008. The operating period for this project is 50 years.

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

The Company's charter capital was increased from VND 200 billions to VND 500 billions as approved in the fourth amended business license in 2007.

Location and branches

The Company has its head office located at 10th floor, Tower A, Vincom City Towers, 191 Ba Trieu street, Hai Ba Trung district, Hanoi and nineteen (19) branches nationwide.

RESULTS

The net profit for the year ended 31 December 2009 was VND 78,008,118,103 (the net loss for the year ended 31 December 2008 was VND 76,879,290,967).

THE BOARD OF DIRECTORS

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

Name	*Position*	*Date of appointment*
Mr Pham Quang Tung	Director	29 December 2008
Ms Nguyen Thi Thanh Van	Deputy Director	28 April 2006
Mr Ton Lam Tung	Deputy Director	22 September 2008
Mr Tran Trung Tinh	Deputy Director	22 September 2008
Mr Mai Nguyen Dong	Deputy Director	22 September 2008
Mr Dao Chi Cuong	Deputy Director	03 August 2007

EVENTS SINCE THE BALANCE SHEET DATE

There have been no significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to accept reappointment.

STATEMENT OF THE COMPANY'S MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Company's management is responsible for the financial statements of each financial year which give a true and fair view of the state of affairs of the Company and of its results and cash flows for the year. In preparing those financial statements, the management is required to:

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

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

The Company's management confirms that the Company has complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the BIDV Insurance Company as at 31 December 2009 and the results of its operation and cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and the Vietnamese Accounting System for Insurance Companies and comply with relevant statutory requirements.



Pham Quang Tung
Director

Hanoi, Vietnam

16 March 2010

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Reference: 60755012/14019153

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of BIDV Insurance Company

We have audited the balance sheet of BIDV Insurance Company ("the Company") as at 31 December 2009, and the related income statement and cash flow statement for the year then ended and the notes thereto ("the financial statements") as set out on pages 5 to 38. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with Vietnamese and International Standards on Auditing applicable in Vietnam. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2009 and of the results of its operations and its cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and the Vietnamese Accounting System for Insurance Company and comply with the relevant statutory requirements.

Ernst & Young Vietnam Limited

Tran Dinh Cuong
General Director
Registered Auditor
Certificate No. 0135/KTV

Dao Thanh Tung
Auditor-in-charge
Registered Auditor
Certificate No. 0516/KTV

Hanoi, Vietnam

16 March 2010

BALANCE SHEET
as at 31 December 2009

Currency: VND

Code	ASSETS	Notes	Ending balance	Beginning balance
100	**A. CURRENT ASSETS**		**1,571,544,541,178**	**1,449,850,583,653**
110	***I. Cash***	***4***	***27,886,801,466***	***24,866,425,912***
111	1. Cash on hand		178,628,788	135,049,537
112	2. Cash in bank		18,468,228,600	24,731,253,621
113	3. Cash in transit		9,239,944,078	122,754
120	***II. Short-term investments***	***5***	***1,297,268,294,500***	***967,173,080,867***
121	1. Short-term investments in securities		97,499,627,391	124,794,504,311
128	2. Other short-term investments		1,219,038,230,000	902,509,310,000
129	3. Provision for impairment of short-term investments		(19,269,562,891)	(60,130,733,444)
130	***III. Account receivables***	***6***	***241,209,515,484***	***447,369,514,866***
131	1. Trade receivables		217,302,759,184	151,161,093,723
138	2. Other receivables		28,954,201,772	305,996,677,389
139	3. Allowance for doubtful debts		(5,047,445,472)	(9,788,256,246)
150	***IV. Other current assets***		***5,179,929,728***	***10,441,562,008***
151	1. Advances		3,632,372,614	4,861,347,445
152	2. Prepaid expenses		1,547,557,114	549,329,626
154	3. Receivables from State Budget	22.2	-	5,030,884,937
200	**B. NON-CURRENT ASSETS**		**241,470,438,674**	**296,256,141,824**
210	***I. Fixed assets***	***7***	***8,168,106,135***	***6,275,566,361***
211	1. Tangible fixed assets	7.1	8,156,282,148	6,245,103,142
212	Cost		26,611,918,463	19,605,566,491
213	Accumulated depreciation		(18,455,636,315)	(13,360,463,349)
217	2. Intangible fixed assets	7.2	11,823,987	30,463,219
218	Cost		56,057,850	56,057,850
219	Accumulated depreciation		(44,233,863)	(25,594,631)
220	***II. Long-term investments***	***8***	***226,838,120,138***	***283,133,660,763***
221	1. Long-term investments in securities		100,000,000,000	146,100,175,377
222	2. Investments in associates, joint ventures		25,756,020,000	26,600,580,000
228	3. Other long-term investments		117,123,008,331	129,269,216,663
229	4. Provision for long-term investments		(16,040,908,193)	(18,836,311,277)
240	***III. Other long-term assets***		***6,464,212,401***	***6,846,914,700***
	1. Compulsory deposit	9	6,000,000,000	6,000,000,000
	2. Long-term prepaid expense		374,095,581	406,693,380
	3. Long-term collateral and deposits		90,116,820	440,221,320
250	**TOTAL ASSETS**		**1,813,014,979,852**	**1,746,106,725,477**

BALANCE SHEET (continued)
as at 31 December 2009

Currency: VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
300	**A. TOTAL LIABILITIES**		**1,294,333,533,432**	**1,302,666,587,299**
310	***I. Current liabilities***		***1,117,026,344,273***	***1,143,659,232,093***
313	1. Trade payables	10	268,004,447,537	126,686,717,218
315	2. Statutory obligations	11	6,939,066,062	5,267,939,163
318	3. Other payables	12	842,082,830,674	1,011,704,575,712
320	***II. Long term liabilities***		***169,067,159***	***195,086,574***
323	1. Retrenchment allowance		169,067,159	195,086,574
330	***III. Technical reserves***	***13***	***177,138,122,000***	***158,812,268,632***
331	1. Unearned premium reserve	13.1	99,978,009,065	85,370,373,315
333	2. Claim reserves	13.2	58,167,600,409	63,488,924,169
334	3. Catastrophe reserve	13.3	18,992,512,526	9,952,971,148
400	**B. OWNER'S EQUITY**	**14**	**518,681,446,420**	**443,440,138,178**
410	***I. Capital***	***14***	***518,545,779,610***	***442,359,255,415***
411	1. Contributed charter capital		500,000,000,000	500,000,000,000
414	2. Investment and Development fund		15,834,600,085	15,315,454,230
418	3. Accumulated losses		-	(76,277,631,914)
416	4. Foreign exchange differences reserve	25	(869,826,504)	-
420	5. Other funds		3,581,006,029	3,321,433,099
430	***II. Other capital, funds***	***14***	***135,666,810***	***1,080,882,763***
431	1. Bonus, welfare fund		135,666,810	1,080,882,763
430	**TOTAL LIABILITIES AND OWNER'S EQUITY**		**1,813,014,979,852**	**1,746,106,725,477**

OFF BALANCE SHEET ITEMS

ITEMS	Note	Ending balance	Beginning balance
1. Doubtful debts written off (VND)		1,657,786,988	286,595,000
2. Foreign currencies			
- United States dollar (US$)		140,092.43	100,554.44
- Euro (EUR)		6,452.32	5,401.11
3. Trusted investment (VND)	8.4.1	16,187,900,000	17,185,600,000

CÔNG TY BẢO HIỂM NGÂN HÀNG ĐẦU TƯ VÀ PHÁT TRIỂN VIỆT NAM

Kieu Xuan Tuyen
Manager of Financial Accounting Department

Pham Quang Tung
Director

16 March 2010

INCOME STATEMENT
for the year ended 31 December 2009

Currency: VND

Code	*ITEMS*	*Notes*	*Current year*	*Previous year*
01	**Gross written premium**	**15.1**	**370,082,988,587**	**269,262,056,154**
02	**Reinsurance premium assumed**	**18.1**	**36,620,218,571**	**27,107,200,945**
03	**Deductions**		**(225,912,379,574)**	**(144,211,152,188)**
04	Reinsurance premium ceded	18.2	(221,371,392,604)	(140,782,770,549)
05	Premium returns and deduction		(4,540,986,970)	(3,428,381,639)
08	**Increase in unearned premium reserve**	**13.1**	**(14,607,635,750)**	**(24,307,762,803)**
09	**Commissions on reinsurance ceded**		**69,030,005,183**	**40,857,053,847**
10	**Other income from insurance activities**		**5,113,370,055**	**733,106,346**
13	Income from other activities		5,113,370,055	733,106,346
14	**Total operating revenue**		**240,326,567,072**	**169,440,502,301**
15	**Claim expenses**	**17.1**	**(138,323,829,625)**	**(73,279,978,345)**
16	**Claim expenses for reinsurance assumed**	**17.2**	**(3,808,051,740)**	**(752,139,279)**
17	**Recoveries from reinsurance ceded**	**17.3**	**63,886,200,114**	**28,778,893,555**
21	**Claim expenses on retained risks**		**(78,245,681,251)**	**(45,253,224,069)**
23	**Decrease/(Increase) on claim reserves**	13.2	**5,315,283,480**	**(36,320,916,081)**
24	**Provision for catastrophe reserve charged to current year's expense**	**13.3**	**(9,039,541,378)**	**(4,564,743,148)**
25	**Other operating expenses**		**(97,597,293,303)**	**(49,206,297,805)**
26	Other underwriting expenses		(32,905,717,435)	(19,922,483,187)
35	Commissions expense		(36,956,138,000)	(25,433,035,803)
40	Other direct expenses of insurance activities		(27,735,437,868)	(3,850,778,815)

INCOME STATEMENT (continued)
for the year ended 31 December 2009

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
41	**Total direct operating expenses**		**(179,567,232,452)**	**(135,345,181,103)**
42	**Gross operating income**		**60,759,334,620**	**34,095,321,198**
44	**Administration expenses**	**19**	**(66,566,561,259)**	**(71,877,055,064)**
45	**Net operating income**		**(5,807,226,639)**	**(37,781,733,866)**
46	Financial income	15.2	141,305,487,450	71,022,518,033
50	Financial expense	16	(51,627,319,946)	(110,322,997,827)
51	**Net financial income**		**89,678,167,504**	**(39,300,479,794)**
52	Other income	20	1,120,311,418	400,618,654
53	Other expenses	20	(4,311,452,550)	(197,695,961)
54	**Net other income**	**20**	**(3,191,141,132)**	**202,922,693**
55	**Profit /(Loss) before tax**		**80,679,799,733**	**(76,879,290,967)**
60	Corporate income tax expense	22.1	(2,671,681,630)	-
61	**Profit /(Loss) after tax**		**78,008,118,103**	**(76,879,290,967)**

CÔNG TY BẢO HIỂM NGÂN HÀNG ĐẦU TƯ VÀ PHÁT TRIỂN VIỆT NAM

Kieu Xuan Tuyen
Manager of Financial Accounting Department

Pham Quang Tung
Director

16 March 2010

CASH FLOW STATEMENT
for the year ended 31 December 2009

Currency: VND

Code	*ITEMS*	*Notes*	*Current year*	*Previous year*
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	**Net (loss)/profit before tax**		**80,679,799,733**	**(76,879,290,967)**
	Adjustments for:			
02	Depreciation and amortisation	7	3,013,225,775	2,403,630,321
03	Provisions		(28,700,339,055)	141,474,046,196
04	Unrealised foreign exchange loss		-	321,171,801
05	Profits from investing activities		(46,021,717,463)	(36,096,004,250)
06	Profits from disposal of fixed assets		(106,464,019)	-
07	Interest expense	16	123,596	1,706,256
08	**Operating income before changes in working capital**		**8,864,628,567**	**31,225,259,357**
09	Decrease/(Increase) in receivables		212,464,130,931	(363,874,378,028)
11	(Decrease)/Increase in payables		(33,313,290,124)	1,036,961,278,180
12	Increase in prepaid expense		(965,629,689)	(682,693,380)
13	Interest expense paid		(123,596)	(1,706,256)
14	Corporate income tax refund/(paid)		4,443,878,937	(4,905,886,472)
15	Increase in receivables from other activities		(4,037,094,294)	(1,092,984,880)
20	**Net cash inflows from operating activities**		**187,456,500,732**	**697,628,888,521**
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase of fixed assets		(4,905,765,547)	(3,220,525,875)
22	Proceeds from sale of fixed assets		106,464,019	-
23	Purchase of investments		(270,428,744,623)	(751,035,867,451)
24	Receipt from withdrawal and maturity of investment		40,285,645,252	-
25	Interest received		50,361,892,026	55,101,472,364
30	**Net cash outflows from investing activities**		**(184,580,508,873)**	**(699,154,920,962)**

CASH FLOW STATEMENT (continued)
for the year ended 31 December 2009

Currency: VND

Code	*ITEMS*	*Notes*	*Current year*	*Previous year*
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
40	**Net cash inflows from financing activities**		**-**	**-**
50	**Net cash flows**		**2,875,991,859**	**(1,526,032,441)**
60	**Cash and cash equivalents at the beginning of the year**		**24,866,425,912**	**26,317,104,433**
61	**Impact of exchange rate fluctuation**		**144,383,695**	**75,353,920**
70	**Cash and cash equivalents at the end of the year**	**4**	**27,886,801,466**	**24,866,425,912**

Kieu Xuan Tuyen
Manager of Financial Accounting Department

Pham Quang Tung
Director

16 March 2010

1. CORPORATE INFORMATION

BIDV Insurance Company ("the Company") is a wholly–owned subsidiary of the Bank for Investment and Development of Vietnam ("BIDV") – a state owned commercial bank incorporated in Vietnam. The Company operates under Business License No 11GP/KDBH granted by the Ministry of Finance which is effective from 10 April 2006 for the period of 89 years, and the following Amended Business Licenses:

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

The Company's charter capital was increased from VND 200 billions to VND 500 billions as approved in the fourth amended business license in 2007.

The members of the Board of Directors during the financial year and at the date of this report are:

Name	*Position*	*Date of appointment*
Mr Pham Quang Tung	Director	29 December 2008
Ms Nguyen Thi Thanh Van	Deputy Director	28 April 2006
Mr Ton Lam Tung	Deputy Director	22 September 2008
Mr Tran Trung Tinh	Deputy Director	22 September 2008
Mr Mai Nguyen Dong	Deputy Director	22 September 2008
Mr Dao Chi Cuong	Deputy Director	03 August 2007

1. CORPORATE INFORMATION (continued)

The Company has its head office located at 10th floor, Tower A, Vincom City Towers, 191 Ba Trieu street, Hai Ba Trung district, Hanoi and nineteen (19) branches nationwide.

The total of employees as at 31 December 2009 is 471, including 138 managers (2008: 354 employees, including 108 managers).

2. BASIS OF PREPARATION

2.1 *Accounting standards and system*

The financial statements of the Company, which are expressed in Vietnam dong ("VND"), are prepared in accordance with the Vietnamese Accounting System for Insurance Companies issued by the Ministry of Finance in Decision 1296 TC/QD/CDKT dated 31 December 1996 and Decision 150/2001/QD-BTC dated 31 December 2001 on amended accounting policies for insurance enterprises and in accordance with Vietnamese Accounting Standards issued by the Ministry of Finance as per the:

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

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

Accounting Standard(s) and guidance issued but not yet effective

Circular 210/2009/TT-BTC providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments

On 6 November 2009, the Ministry of Finance issued Circular 210/2009/TT-BTC providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments. The adoption of the circular will require further disclosures and have impact on the presentation of certain financial instruments in the financial statements. The circular will become effective for financial years ending on or after 31 December 2011. The Company management is currently assessing the impact of adopting the circular on the future financial statements of the Company.

2.2 *Registered accounting documentation system*

The registered accounting documentation system is the journal ledger system.

2.3 *Fiscal year*

The Company's fiscal year starts on 1 January and ends on 31 December.

2.4 *Accounting currency*

The Company maintains its accounting records in Vietnam dong ("VND").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Change in accounting policies and disclosures

The accounting policies adopted by the company in preparation of the financial statements are consistent with those followed in the preparation of the company's annual financial statements for the year ended 31 December 2008 except for the change in the accounting policy in relation to foreign currency transactions.

Effects of Changes in Foreign Exchange Rates

For the year ended 31 December 2009, the company has adopted the Circular 201/2009/TT-BTC issued on 15 October 2009 by the Ministry of Finance (the "Circular 201") providing guidance for the treatment of foreign exchange differences. The Circular 201 differs from the accounting policy adopted in prior years under VAS 10, Effects of Changes in Foreign Exchange Rates (the "VAS 10") relating to the recognition of unrealised foreign exchange differences as follows:

Transaction	***Accounting treatment under VAS 10***	***Accounting treatment under circular 201***
Translation of short-term monetary assets and liabilities denominated in foreign currencies	All unrealised foreign exchange differences are taken to the income statement.	All unrealised foreign exchange differences are taken to the "Foreign exchange differences reserve" account in the equity section of the balance sheet and will be reversed on the following year.
Translation of long-term monetary liabilities denominated in foreign currencies at year end	All unrealised foreign exchange differences are taken to the income statement.	- All unrealized foreign exchange gains are taken to the income statement. - All foreign exchange losses will be charged to the income statement. However, if the charging of all foreign exchange losses results in net loss before tax for the company, part of the exchange losses can be deferred and allocated to the income statement within the subsequent five years. In any case, the total foreign exchange loss to be charged to current year's income must be at least equivalent to the foreign exchange losses arising from the translation of the current portion of the long-term liabilities, while the remaining portion of the foreign exchange losses can be deferred in the balance sheet and allocated to the income statement within the subsequent five years.

The Circular 201 is applied from 2009 on prospective basis in the absence of specific requirement for retrospective application in the circular. The impacts of this change in accounting policy on the current year financial statements are presented in Note 25.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 *Cash and cash equivalents*

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

3.3 *Investments*

Short-term investments comprise investment in listed and over-the-counter (OTC) shares, term deposits at banks, which are matured within 12 months or intended to be held for not more than one year.

Long-term investments include bonds, investment in associates and joint-venture, trusted investment in securities and other equity investments, which are intended to be held for more than one year.

All investments are stated at their acquisition costs. Provision is made for any diminution in value of the investments at the balance sheet date. Increases and decreases to the provision balance are recorded as finance expense in the income statement.

Provision for diminution of investments

Primary source of reference for impairment provisioning is Circular 228/2009/TT-BTC dated 07 December 2009 issued by the Ministry of Finance ("MOF") as the Standard setter in the Socialist Republic of Vietnam. Details of the basis of determination of impairment of investment are as follows:

Listed shares

For financial assets which include investment in listed shares that are carried at cost in accordance with Vietnamese Accounting Standards, if there is objective evidence about an impairment loss on a listed share that is carried at cost, the amount of the loss is measured as the difference between the asset's carrying amount and the closing market value as of the balance sheet date as per the formula given in the Circular 228/2009/TT-BTC dated 07 December 2009 issued by the Ministry of Finance ("MOF"). Given below is the formula to calculate the impairment provision for quoted securities.

Provision for diminution of individual stock	(=)	Quantity of Security held as at 31 December 2009	(x)	Unit price of security in accounting book	-	Closing market price of a unit of security as at 31 December 2009	

Over-the-counter shares (OTC)

For the OTC shares, the same formula given in the Circular 228/2009/TT-BTC dated 07 December 2009 issued by the Ministry of Finance ("MOF") as above mentioned is used in an effort to determine the amount of impairment loss. The following methods were used in calculating the fair value in order to compare with the cost recorded in the financial statements:

- For shares which have been registered for trading in the market specially tailored for shares of unlisted companies (UPCom), market value was the average trading price on the system as at 31 December 2009.
- Market value of other OTC shares is the average price announced by three independent securities companies operating in Vietnam.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 *Investments* (continued)

Equity investment in other entities

For capital amounts invested by the enterprise in economic organizations and other long-term investments, a provision was set up if economic organizations in which the enterprise is investing suffer from loss (except where such loss is already planned in their business plans before investment).

The level of provision for each financial investment to be set up shall be at most equal to the capital amount already invested and calculated according to the following formula as given in the Circular 228/2009/TT-BTC dated 07 December 2009:

$$\text{Level of provision for loss of financial investments} = \left(\text{Parties' actual capital contributions to the economic organization} - \text{Actual owners' equity}\right) \times \frac{\text{Investment capital of the enterprise}}{\text{Parties' total actual capital contribution to the economic organization}}$$

The basis for setting up the provision is the positive difference between the parties' actual capital contributions and the actual owners' equity at the time of preparing the economic organization's financial statements.

3.4 *Receivables*

Receivables are presented in the financial statements at the carrying amounts due from customers and other debtors, along with the allowance for doubtful debts.

The allowance for doubtful debts represents the estimated loss due to non-payment arising on receivables that were outstanding at the balance sheet date. Increases and decreases to the allowance balance are recorded as general and administrative expense in the income statement.

The Company uses the provision policy regulated by the Ministry of Finance in Circular 228/2009/TT-BTC dated 07 December 2009 ("Circular 228"). Details are as follows:

Receivables aging	*Allowance rate*
From 6 months to less than one year	30%
From one to two years	50%
From two to three years	70%
Over three years	100%

As at 31 December 2009, the Company wrote off irrecoverable debts, which included debts aging over 3 years, in compliance with Circular 13/2006/TT-BTC issued by Ministry of Finance on 27 February 2006 ("Circular 13"). Circular 13 differs from Circular 228 on treatment of irrecoverable debts. In the circumstance that Circular 228 comes into effect in 45 days from the signing date and only applies to provision calculation of fiscal year 2009, the Company still followed guidance in Circular 13 in writing off irrecoverable debts as at year end 2009.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 *Uses of estimates*

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

3.6 *Technical Reserves*

The reserves of the Company include: unearned premium reserve, claim reserve and catastrophe reserve. The calculation methods for reserves are in accordance with Circular 156/2007/TT-BTC dated 20 December 2007 issued by the Ministry of Finance.

Details on the reserve calculation methods are as follows:

Unearned premium reserve

Since 2004, the Company applied the daily basis to calculate unearned premium reserve for all types of insurance and reinsurance businesses. This method is in accordance with Official Letter No. 15383/TC-BH dated 27 December 2004 approved by Ministry of Finance.

Claim reserve

Include reserve for outstanding claims and for claims incurred but not reported ("IBNR").

Outstanding claim reserve: established based on the estimated claim payments for each claim, for which the insurer is liable, which is either notified to the insurer or requested for payment but is still unresolved at the end of the fiscal year, after deducting the amount recoverable from reinsurers.

Reserve for incurred but not reported claims for which the insurer is liable ("IBNR reserve"): is established based on the formula in Circular 156/2007/TT-BTC issued by the Ministry of Finance on 20 December 2007.

Catastrophe reserve: is accrued annually until such reserve reaches 100% of the retained premiums of the current fiscal year and is calculated at 5% of retained premiums.

On 28 December 2005, the Ministry of Finance issued Decision 100/2005/QD-BTC governing the publication of four new accounting standards, one of which is Vietnamese Accounting Standard ("VAS") 19 – Insurance Contract. Following the issuance of this Standard, the provision of catastrophe reserve is no longer required, starting from January 2006. However, the Company still maintains this reserve for reason of compliance with the Circular 156/2007/TT-BTC issued by the Ministry of Finance on 20 December 2007 on financial regimes for insurance business.

3.7 *Fixed assets*

Fixed assets are stated at cost less accumulated depreciation.

The cost of an asset comprises of its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the income statement. When assets are sold or retired, their cost and accumulated depreciation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 *Depreciation and amortisation*

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

Motor vehicles	6 years
Office equipment and furniture	5 years
Communication equipment	3 years

3.9 *Leased assets*

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

3.10 *Foreign currency transactions*

The Company adopted the Circular 201 in relation to foreign currency transactions from the year 2009 as presented in Note 3.1.

Transactions in foreign currencies other than Company's reporting currency of VND are recorded at exchange rates ruling at the date of the transaction. All realised foreign exchange differences are taken into the income statement of the current year.

At the year-end, monetary assets and liabilities denominated in foreign currencies are revaluated at inter-bank exchange rates ruling at the balance sheet date (31 December 2009: US$1 equals VND17,941). All unrealised foreign exchange differences arising from the translation of short-term monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are taken to the "Foreign exchange differences reserve" account in the equity section of the balance sheet and reversed in the following year.

3.11 *Payable and accrual*

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

3.12 *Employee benefits*

Post employment benefits

Post employment benefits are paid to retired employees of the Company by the social insurance agency which belongs to the Ministry of Labour, Invalids and Social Affairs. The Company is required to contribute to these post employment benefits by paying social insurance premiums to the social insurance agency at the rate of 15% of employee basic salaries on a monthly basis. The Company has no further obligation concerning post employment benefits for its employees other than this.

Retrenchment benefits and unemployment insurance

The Company has the obligation, under Circular 04/2009/TT-BLDTBXH providing guidance to Decree 127/2008/ND-CP by the Government on Unemployment Insurance with effect from 1 January 2009, to contribute 1% of the Salary Fund and also to deduct 1% of each employee's salary to pay for Unemployment Insurance of remaining employees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 *Employee benefits* (continued)

Retrenchment benefits

For all employees who have more than 12 months in service up to 31 December 2008, the severance allowance paid to employee is accrued at the end of each reporting period at the rate of one-half of the average monthly salary for each year of service up to 31 December 2008 in accordance with the Labour Code, the Law on Social Insurance and related implementing guidance. Commencing 1 January 2009, the average monthly salary used in this calculation will be revised at the end of each reporting period following the average monthly salary of the 6-month period up to the reporting date. Any changes to the accrued amount will be taken to the income statement.

Retrenchment allowance occurs as a result of a constructive obligation to restructure when the Company has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Retrenchment allowance is provided at the rate of one month's salary for each working year up to 31 December 2008 and the minimum amount for each employee is two months' salary in accordance with the Labour Code and related implementing guidance. Increases and decreases to the provision balance are recorded as general and administrative expense in the income statement.

Although the obligations under Labour Law are compulsory, the implementation of these Sections is subject to detailed guidance as issued by the Ministry of Finance in implementing circulars. In accordance with Circular 64/1999/TT-BTC dated 7 June 1999 and the following Circular 82/2003/TT-BTC dated 14 August 2003 by the MOF, which superseded Circular 64, the Company is currently providing for the retrenchment allowance at 1% p.a. of the basic salary of the employees, including the financial year ended on 31 December 2009.

3.13 *Revenue recognition*

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

Gross written premium

Gross written premiums are recognized as revenue at the point of time when insurance liability arises. Insurance liability shall arise when an insurance contract has been entered into or when there is proof that the insurer has agreed to insure and the purchaser of insurance has paid the insurance premium, unless otherwise agreed in the insurance contract.

Circular 156/2007/TT-BTC issued by the Ministry of Finance on 20 December 2007 and Circular 86/2009/TT-BTC issued by the Ministry of Finance on 28 April 2009 which amends certain requirement of Circular 156 stipulates that if the Company and its customers mutually agree a method of insurance premium payment on an instalment basis, only the insurance premium which is due in accordance with the instalment contract shall be taken to revenue for the year. This policy is also in line with the Company's revenue recognition policy. Company follows this accounting policy in respect of instalment contracts.

Inward reinsurance premium

Reinsurance premium assumed is recognized as income at the point of time when the Company assumes the insurance risks from cedant.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 *Revenue recognition* (continued)

Reinsurance recovery from outward reinsurance

Reinsurance recovery is recognized on an accrual basis.

Commission income

Commission income is recognized on an accrual basis and based on reinsurance premium ceded.

3.14 *Interest*

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

3.15 *Dividends*

Income is recognised when the Company's entitlement as an investor to receive the dividend is established.

3.16 *Expense recognition*

Outward reinsurance premium

Outward reinsurance premium ceded is recognized as expense on an accrual basis and based on gross written premiums and reinsurance arrangements.

Claim expense

Claim expense is recognized when the claim file is completed and approved by authorized person. Any claim that is not yet approved by authorized persons is considered as outstanding claims and included in outstanding claim reserve.

Commission expense

Commission expense is recognized on an accrual basis and based on gross written premiums and inward reinsurance assumed. No commissions are deferred.

3.17 *Taxation*

Current income tax

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Taxation (continued)

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporarily differences associated with investments in subsidiaries and associates, and interests in joint ventures where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carried forward of unused tax credit and unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences, carried forward of unused tax credit and unused tax losses can be utilised, except :

- where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporarily differences associated with investments in subsidiaries and associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

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

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

Deferred tax is charged or credited to the income statement, except when it relates to items recognised 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 taxable entity and the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4. CASH AND CASH EQUIVALENTS

	Ending balance VND	*Beginning balance VND*
Cash on hand	178,628,788	135,049,537
In which:		
VND	*178,628,788*	*135,049,537*
Cash in banks	18,468,228,600	24,731,253,621
In which:		
VND	*15,784,417,378*	*22,889,955,716*
Foreign currency	*2,683,811,222*	*1,841,297,905*
Cash in transit	9,239,944,078	122,754
	27,886,801,466	**24,866,425,912**

5. SHORT-TERM INVESTMENTS

	Ending balance VND	*Beginning balance VND*
Short-term securities investments	97,499,627,391	124,794,504,311
Listed shares	*42,858,377,391*	*72,539,254,311*
Unlisted shares	*54,641,250,000*	*42,251,250,000*
Corporate bonds	-	*10,004,000,000*
Other short-term investments	1,219,038,230,000	902,509,310,000
Term deposits in VND	*1,218,500,000,000*	*902,000,000,000*
Term deposits in USD	*538,230,000*	*509,310,000*
Allowance for diminution of short-term investments value	(19,269,562,891)	(60,130,733,444)
Net value of short-term investments	**1,297,268,294,500**	**967,173,080,867**

Short-term securities investments are listed and over the counter shares of other entities.

Other short-term investments are term deposits at banks including deposits denominated in VND and USD in branches/transaction centers in BIDV banking system and other banks and financial corporations. Short-term deposits denominated in VND have due date less than one (1) year and earn interest at rates from 8.23% p.a. to 9.42% p.a. (2008: 14% p.a. to 14.67% p.a.). Short-term deposits denominated in foreign currencies ("FC") have due date under one (1) year and earn interest at rate of 2.3% p.a. (2008: 6.9 % p.a).

Allowance for diminution of short-term investments value comprises allowance for downward valuation of shares and was provided for in accordance with Circular 228/2009/TT-BTC dated 07 December 2009 issued by Ministry of Finance and with the Company's accounting policy set out in Note 3.3.

6. ACCOUNT RECEIVABLES

	Ending balance VND	*Beginning balance VND*
Trade receivables	217,302,759,184	151,161,093,723
Gross premium written receivables	*32,381,842,491*	*62,494,020,665*
Reinsurance assumed receivables	*19,816,018,233*	*11,097,372,965*
Reinsurance ceded receivables	*142,940,962,026*	*58,426,845,748*
Other trade receivables	*1,980,951,156*	*874,776,939*
Advance to suppliers	*991,159,682*	*2,010,764,573*
Accrued interest	*19,191,825,596*	*16,257,312,833*
Receivables from BIDV for bonus and welfare fund	-	3,222,000,000
Receivables from investment trusted to BIDV Securities Company	-	300,000,000,000
Other receivables	28,954,201,772	2,774,677,389
Total receivables	**246,256,960,956**	**457,157,771,112**
Allowance for doubtful debts	(5,047,445,472)	(9,788,256,246)
Net trade and other receivables	**241,209,515,484**	**447,369,514,866**

7. FIXED ASSETS

7.1 *Tangible fixed assets*

	Office equipments VND	*Motor vehicles VND*	*Others VND*	*Total VND*
Cost:				
Beginning balance	4,868,996,111	13,380,891,189	1,355,679,191	19,605,566,491
Additions	2,337,312,367	6,321,881,408	47,875,759	8,707,069,534
In which:				
Newly purchased	*944,319,580*	*3,913,570,208*	*47,875,759*	*4,905,765,547*
Transfer from parent company	-	*2,408,311,200*	-	*2,408,311,200*
Others	*1,392,992,787*	-	-	*1,392,992,787*
Decrease	(307,724,775)	(120,204,220)	(1,272,788,567)	(1,700,717,562)
In which:				
Disposal	*(307,724,775)*	-	-	*(307,724,775)*
Others	-	*(120,204,220)*	*(1,272,788,567)*	*(1,392,992,787)*
Ending balance	6,898,583,703	19,582,568,377	130,766,383	26,611,918,463
In which:				
Fully depreciated	*2,194,144,092*	*8,179,859,372*	*245,560,556*	*10,619,564,020*
Accumulated depreciation:				
Beginning balance	3,201,805,658	9,543,249,132	615,408,559	13,360,463,349
Increase	2,281,778,133	3,678,076,365	72,645,684	6,032,500,182
In which:				
Depreciated in the year	*1,652,175,694*	*1,269,765,165*	*72,645,684*	*2,994,586,543*
Transfer from parent company	-	*2,408,311,200*	-	*2,408,311,200*
Others	*629,602,439*	-	-	*629,602,439*
Decrease	(307,724,775)	(8,875,110)	(620,727,331)	(937,327,216)
In which:				
Disposal	*(307,724,775)*	-	-	*(307,724,775)*
Others	-	*(8,875,110)*	*(620,727,331)*	*(629,602,441)*
Ending balance	5,175,859,016	13,212,450,387	67,326,912	18,455,636,315
Net book value:				
Beginning balance	1,667,190,453	3,837,642,057	740,270,632	6,245,103,142
Ending balance	1,722,724,687	6,370,117,990	63,439,471	8,156,282,148

7. FIXED ASSETS (continued)

7.2. *Intangible fixed assets*

	Software VND	*Total VND*
Cost:		
Beginning balance	56,057,850	56,057,850
Additions	-	-
Ending balance	56,057,850	56,057,850
Accumulated depreciation:		
Beginning balance	25,594,631	25,594,631
Charge for the year	18,639,232	18,639,232
In which:		
Depreciation charged for the year	*18,639,232*	*18,639,232*
Ending balance	44,233,863	44,233,863
Net book value:		
Beginning balance	30,463,219	30,463,219
Ending balance	11,823,987	11,823,987

8. LONG-TERM INVESTMENTS

Details of the Company's long term investments as at 31 December 2009 are as follows:

	Notes	*Ending balance VND*	*Beginning balance VND*
1. Long term securities investments		100,000,000,000	146,100,175,377
Bonds	*8.1*	*100,000,000,000*	*146,100,175,377*
2. Investment in associates, joint-ventures		25,756,020,000	26,600,580,000
Investment in BIDV Energy		-	*844,560,000*
Investment in Lao-Viet Insurance	*8.2*	*25,756,020,000*	*25,756,020,000*
3. Other long-term investments		117,123,008,331	129,269,216,663
Trusted investment in securities	*8.3*	*28,143,908,331*	*56,287,816,663*
Other equity investments	*8.4*	*88,979,100,000*	*72,981,400,000*
4. Provision for long-term investments	8.5	(16,040,908,193)	(18,836,311,277)
Net value of long-term investments		**226,838,120,138**	**283,133,660,763**

8. LONG-TERM INVESTMENTS (continued)

8.1 *Bonds*

Bonds issued by financial institutions and other corporations are detailed as follows (as at 31 December 2009):

Bond	*Maturity*	*Interest rate (p.a)*	*Amount VND*
Unlisted bonds			
Maritime Bank	2 years	10.40%	30,000,000,000
Song Da Corporation	from 3-5 years	9.90%	30,000,000,000
Viet Nam Electricity Construction Corporation	5 years	10.15%	10,000,000,000
Vincom JSC	5 years	10.30%	20,000,000,000
Saigon Trading Group	5 years	9.60%	10,000,000,000
			100,000,000,000

8.2 *Investment in Lao-Viet Insurance (LVI)*

The Company made a foreign investment worth of USD 1,530,000 for establishment of Lao – Viet Insurance Joint Venture Company, where the Company owns a 51% of the total charter capital, following Foreign Investment Certificate No. 146/BKH/ĐTRNN granted by the Ministry of Investment and Planning on 19 June 2008. The operating period for this project is 50 years. The investment is recorded using cost method as the Company does not have controlling interest at Lao-Viet Insurance.

8.3 *Trusted investment in securities*

	Ending balance		*Beginning balance*	
	Number of shares	*Total cost (VND)*	*Number of shares*	*Total cost (VND)*
PetroVietnam Fertilizer and Chemicals Corporation	500,000	28,143,908,331	1,000,000	56,287,816,663
		28,143,908,331		**56,287,816,663**

This is the Company's trusted investment through Bank of Investment and Development of Vietnam, Quang Trung branch for purchasing PetroVietnam Fertilizer and Chemicals Corporation's shares.

8.4 *Other equity investments*

Other equity investments are detailed as follows (as at 31 December 2009):

	Notes	*Number of shares*	*Unit cost*	*Amount VND*
Hoang Anh Dak Lak JSC		500,000	10,000	5,000,000,000
BIDV Finance Investment JSC	8.4.1	3,381,210	10,000	33,812,100,000
Vinashin Beer JSC		16,700	10,000	167,000,000
Vinaconex – Viettel Finance JSC		5,000,000	10,000	50,000,000,000
				88,979,100,000

8. LONG-TERM INVESTMENTS (continued)

8.4 Other equity investments (continued)

8.4.1 Investment in BIDV Finance Investment Company

Total BIDV Finance Investment Company's shares bought by the Company were 5,000,000 shares, in which 3,381,210 shares are the Company's own investment and 1,618,790 shares are trusted investment of employees. The trusted investment of employees has total cost of VND 16,187,900,000 which is presented on the financial statements as an off-balance sheet item.

8.5 Provision for long-term investments

Provision for long-term investments comprises provision for equity investments in economic organizations which incurred losses in the year 2009 and was provided for in accordance with Circular 228/2009/TT-BTC dated 07 December 2009 issued by the Ministry of Finance and with the Company's accounting policy set out in Note 3.3.

9. COMPULSORY DEPOSITS

Insurance deposit is deposit denominated in VND in Vietnam – Russia Bank. Under the prevailing regulation, the Company has to maintain statutory insurance deposit equivalent to 2% of its legal capital of VND 300,000,000,000.

10. TRADE PAYABLES

	Ending balance VND	*Beginning balance VND*
Trade payables		
Direct insurance payable	8,642,127,244	8,131,675,617
Inward reinsurance payable	5,858,623,492	3,285,492,972
Outward reinsurance premium payable	244,100,008,817	113,253,555,008
Paid in advance from customers	8,156,725,035	1,606,327,228
Other trade payables	1,246,962,949	409,666,393
	268,004,447,537	**126,686,717,218**

11. STATUTORY OBLIGATIONS

	Ending balance VND	*Beginning balance VND*
Taxes		
Value added tax	3,612,046,120	4,686,121,071
Corporate income tax	2,084,675,630	-
Other taxes	1,242,344,312	581,818,092
	6,939,066,062	**5,267,939,163**

Other taxes include PIT of employees of VND 440,675,397, PIT withheld of agents of VND 789,323,542 and other taxes.

12. OTHER PAYABLES

	Ending balance VND	*Beginning balance VND*
Payable to BIDV for trusted investment	808,373,333,333	1,001,131,944,454
Principal payable	*800,000,000,000*	*1,000,000,000,010*
Interest payable	*8,373,333,333*	*1,131,944,444*
Other payables	33,709,497,341	10,572,631,258
	842,082,830,674	**1,011,704,575,712**

13. TECHNICAL RESERVES

13.1 Unearned premium reserve

Product category	*Ending balance VND*	*Beginning balance VND*
Health Insurance and Personal Accident Insurance	12,208,080,889	8,644,142,289
Property and Damages Insurance	34,596,285,469	27,303,750,452
Cargo Insurance	1,970,059,204	2,448,565,775
Automobile Insurance	37,106,081,905	37,499,216,525
Fire Insurance	7,747,166,140	5,753,400,415
Liability Insurance	968,534,328	461,280,848
Business risk Insurance	76,006,392	141,125,866
Hull and ship owner's liability Insurance	5,172,488,745	3,118,891,145
Aviation Insurance	130,418,199	-
Others	2,887,794	-
	99,978,009,065	**85,370,373,315**

The unearned premium reserve expenses charged to the income statement for the year ended 31 December 2009 was VND14,607,635,750.

13.2 Claim reserves

Product category	*Ending balance VND*	*Beginning balance VND*
Health Insurance and Personal Accident Insurance	4,877,159,469	5,851,749,654
Property and Damages Insurance	28,426,465,891	27,289,600,885
Cargo Insurance	881,853,911	1,227,777,686
Automobile Insurance	14,451,540,606	26,280,291,809
Fire Insurance	1,193,177,270	1,449,232,829
Liability Insurance	746,988,338	16,929,683
Business risk Insurance	1,334,416,267	278,392,241
Hull and ship owner's liability Insurance	6,255,998,657	1,094,949,382
	58,167,600,409	**63,488,924,169**

13. RESERVES (continued)

13.2 *Claim reserves* (continued)

Claim reserves include:

1. Outstanding claim reserves, which, as at 31 December 2009, were provided for based on loss estimate for each individual claim, for which the Company is liable, which is either notified to the Company or requested for payment but is still unresolved as at 31 December 2009. The net amount of such reserves as at 31 December 2009 are VND48,286,237,882, in which the claims payable for policy holders are VND295,758,724,818 and the reinsurance recoveries are VND 247,472,486,936;

2. Reserves for claims incurred but not reported as at 31 December 2009, amounted to VND 9,881,362,528.

The decrease in claim reserves, of VND 5,315,283,480, was recorded in the income statement for the year ended 31 December 2009 on a net basis, i.e. after deducting the corresponding reinsurance recoveries.

On 28 December 2005, the Ministry of Finance issued Decision 100/2005/QD-BTC governing the publication of four new accounting standards, one of which is Vietnamese Accounting Standard ("VAS") 19 – Insurance Contract. According to this Standard, insurance company shall not off-set reinsurance assets against the related insurance liabilities. Following that, claim reserves shall be recorded on gross basis and related reinsurance recoveries shall be presented as the Company's assets. However, the Company still recorded claim reserves on net basis for the reason that it follows Decision 150/2001/QD-BTC issued by the Ministry of Finance on 31 December 2001 on accounting regime of insurance enterprises which does not require the Company to gross up claim reserves.

13.3 *Catastrophe reserve*

Product category	*Ending balance VND*	*Beginning balance VND*
Health Insurance and Personal Accident Insurance	1,697,882,523	667,855,742
Property and Damages Insurance	6,746,798,225	3,904,593,260
Cargo Insurance	922,785,358	659,908,671
Automobile Insurance	6,575,856,532	3,340,533,850
Fire Insurance	1,647,123,673	864,884,894
Liability Insurance	244,205,871	162,412,560
Business Risk Insurance	41,779,483	35,397,785
Credit and Financial risk insurance	3,668,437	-
Hull and ship owner's liability Insurance	1,088,433,691	317,384,386
Aviation Insurance	14,282,701	-
Others	9,696,032	-
	18,992,512,526	**9,952,971,148**

The catastrophe reserve expense charged to the income statement for the year ended 31 December 2009 was VND 9,039,541,378.

14. OWNERS' EQUITY

	Contributed chartered capital VND	*Investment & Development fund VND*	*Foreign exchange differences reserve VND*	*Financial reserve fund VND*	*Statutory reserve fund VND*	*Bonus , welfare fund VND*	*Accumulated profits/(losses) VND*	*Total VND*
Previous year:								
Beginning balance (restated)	500,000,000,000	16,602,481,630	-	2,365,233,133	1,182,616,566	204,230,000	601,659,053	520,956,220,382
- Loss for the year	-	-	-	-	-	-	(76,879,290,967)	(76,879,290,967)
- Increase during the year	-	-	-	-	-	876,652,763	-	876,652,763
- Utilization of funds	-	(1,287,027,400)	-	(150,944,400)	(75,472,200)	-	-	(1,513,444,000)
Ending balance	500,000,000,000	15,315,454,230	-	2,214,288,733	1,107,144,366	1,080,882,763	(76,277,631,914)	443,440,138,178
Current year:								
Beginning balance	500,000,000,000	15,315,454,230	-	2,214,288,733	1,107,144,366	1,080,882,763	(76,277,631,914)	443,440,138,178
- Profit for the year	-	-	-	-	-	-	78,008,118,103	78,008,118,103
- Appropriation of profit	-	519,145,855	-	173,048,620	86,524,310	951,767,404	(1,730,486,189)	-
- Other increase	-	-	(869,826,504)	-	-	-	-	(869,826,504)
- Utilization of funds	-	-	-	-	-	(1,896,983,357)	-	(1,896,983,357)
Ending balance	500,000,000,000	15,834,600,085	(869,826,504)	2,387,337,353	1,193,668,676	135,666,810	-	518,681,446,420

As stipulated in Article 31, Decree 46 issued by the Government on 22 March 2007, insurance businesses are required to appropriate 5% annual profit after tax to set up statutory reserve fund until it reaches 10% of the business's chartered capital.

The company's chartered capital as per the fourth amended Business License No. 11/GPDC4/KDBH was VND500 billions. Up to 31 December 2007, the chartered capital was fully contributed by the parent company.

15. REVENUE

15.1 *Gross written premiums*

Product category	*Current year VND*	*Previous year VND*
Health Insurance and Personal Accident Insurance	20,839,242,818	15,727,523,505
Property and Damages Insurance	128,517,616,290	110,279,493,022
Cargo Insurance	19,736,513,435	17,744,635,622
Automobile Insurance	111,000,613,959	72,751,891,096
Fire Insurance	37,780,661,958	25,937,266,214
Liability Insurance	2,870,859,269	1,161,908,351
Business Risk Insurance	697,199,191	1,292,015,865
Aviation Insurance	716,477,400	-
Hull and owner's liability Insurance	47,923,804,267	24,367,322,479
	370,082,988,587	**269,262,056,154**

15.2 *Income from financial activities*

	Current year VND	*Previous year VND*
Interest income from deposits with financial institutions	53,362,014,187	44,661,049,727
Gains from investments in bonds and shares	43,647,501,159	16,255,667,318
Dividend received	4,047,257,233	5,897,228,551
Foreign exchange gains	3,232,578,909	4,041,871,059
Interest from investment trusted to BIDV Securities Company	30,686,250,000	-
Other income from financial activities	6,329,885,962	166,701,378
	141,305,487,450	**71,022,518,033**

16. EXPENSES FROM FINANCIAL ACTIVITIES

	Current year VND	*Previous year VND*
Investment fee	337,112,322	92,946,495
Foreign exchange losses	2,988,598,786	5,619,258,225
Loss from investment activities	38,325,992,250	21,679,993,351
Interest expense of investment trusted from BIDV	53,504,166,667	9,091,666,667
Other expense from financial activities	128,023,558	21,742,466
(Reversal of)/Charge of provision for impairment	(43,656,573,637)	73,817,390,623
	51,627,319,946	**110,322,997,827**

17. CLAIM EXPENSES ON DIRECT INSURANCE, REINSURANCE ASSUMED AND REINSURANCE RECOVERIES

17.1 *Claim expenses on direct insurance*

Product category	*Current year VND*	*Previous year VND*
Health Insurance and Personal Accident Insurance	5,941,781,403	2,815,995,357
Property and Damages Insurance	49,478,879,627	5,537,008,274
Cargo Insurance	2,557,631,400	1,120,758,109
Automobile Insurance	48,337,056,063	36,179,548,070
Fire Insurance	25,275,740,145	2,915,847,377
Liability Insurance	44,546,854	28,544,773
Hull and ship owner's liability insurance	6,688,194,133	24,682,276,385
	138,323,829,625	**73,279,978,345**

17.2 *Claim expenses on reinsurance assumed*

Product category	*Current year VND*	*Previous year VND*
Health Insurance and Personal Accident Insurance	718,933,207	139,141,127
Property and Damages Insurance	2,748,312,807	543,046,603
Automobile Insurance	35,135,998	2,554,527
Fire Insurance	13,942,777	60,066,249
Liability Insurance	1,437,529	7,330,773
Cargo Insurance	242,370,168	-
Hull and ship owner's liability Insurance	47,919,254	-
	3,808,051,740	**752,139,279**

17.3 *Reinsurance recoveries*

Product category	*Current year VND*	*Previous year VND*
Health Insurance and Personal Accident Insurance	262,589,281	682,430,074
Property and Damages Insurance	34,031,984,176	2,458,939,105
Cargo Insurance	1,388,581,976	564,946,609
Automobile Insurance	7,968,827,532	3,527,434,873
Fire Insurance	15,735,095,813	1,306,749,016
Liability Insurance	22,895,026	18,359,413
Hull and ship owner's liability Insurance	4,304,329,882	20,220,034,465
Other Insurance	171,896,428	-
	63,886,200,114	**28,778,893,555**

18. REINSURANCE PREMIUMS ASSUMED AND CEDED

18.1 Reinsurance premiums assumed

Product category	*Current year VND*	*Previous year VND*
Health Insurance and Personal Accident Insurance	457,823,720	1,647,594,592
Property and Damages Insurance	30,881,818,128	18,718,271,222
Cargo Insurance	580,106,835	2,548,319,772
Automobile Insurance	557,774,213	146,231,616
Fire Insurance	888,435,316	1,003,433,360
Liability Insurance	395,782,301	655,110,249
Business Risk Insurance	225,148,228	492,616,320
Credit and Financial risk Insurance	75,209,848	-
Hull and owner's liability Insurance	1,930,446,167	1,895,623,814
Aviation Insurance	130,674,745	-
Others	496,999,070	-
	36,620,218,571	**27,107,200,945**

18.2 Reinsurance premiums ceded

Product category	*Current year VND*	*Previous year VND*
Health Insurance and Personal Accident Insurance	179,573,983	691,793,852
Property and Damages Insurance	101,123,855,783	93,783,335,187
Cargo Insurance	14,927,154,032	9,871,523,761
Automobile Insurance	45,287,741,213	1,393,689,707
Fire Insurance	22,622,593,876	14,814,111,068
Liability Insurance	1,589,724,936	647,501,782
Business Risk Insurance	791,510,623	1,529,515,441
Hull and owner's liability Insurance	33,996,696,082	18,051,299,751
Aviation Insurance	554,329,926	-
Others	298,212,150	-
	221,371,392,604	**140,782,770,549**

19. ADMINISTRATION EXPENSES

	Current year VND	*Previous year VND*
Salaries	24,522,832,772	30,552,889,540
Depreciation expenses	3,013,225,775	2,403,630,321
Out-sourcing expenses	26,187,311,069	23,963,058,810
Other expenses	12,843,191,643	14,957,476,393
	66,566,561,259	**71,877,055,064**

20. OTHER INCOMES AND EXPENSES

	Current year VND	*Previous year VND*
Other income	1,120,311,418	400,618,654
Other expenses	(4,311,452,550)	(197,695,961)
Net other profit/(loss)	**(3,191,141,132)**	**202,922,693**

21. EMPLOYEE REMUNERATION

ITEMS	*Current year VND*	*Previous year VND*
I. TOTAL NUMBER OF EMPLOYEES	422	354
II. EMPLOYEES' INCOME		
1. Total salaries paid during the period	33,933,358,375	23,825,547,150
2. Bonus paid during the period	15,176,446,093	7,050,405,019
3. Total remuneration	49,109,804,468	30,875,952,169
4. Average monthly salaries	6,700,900	6,596,220
5. Average monthly remuneration	9,697,829	8,548,160

22. CORPORATE INCOME TAX

The Company has the obligation to pay Corporate income Tax ("CIT") at the rate of 25% of taxable profits.

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

22.1 Corporate Income Tax Expense

ITEMS	*Current year VND*	*Previous year VND*
Current Corporate income Tax	2,671,681,630	-
Deferred Corporate income Tax	-	-
Corporate income Tax Expense	**2,671,681,630**	**-**

22.2 Current Corporate Income Tax

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

A reconciliation between the tax expense and the result of accounting profit/loss multiplied by the applicable tax rate for the year is presented below:

ITEMS	*Current year VND*	*Previous year VND*
Net accounting profit/(loss) before tax	**80,679,799,733**	**(76,879,290,967)**
Adjustments to increase/(decrease) accounting profit	**(5,902,573,693)**	**(5,576,056,750)**
Adjustments to increase	580,586,000	321,171,801
Loss on foreign exchange revaluation	-	321,171,801
Non-deductible expenses	580,586,000	-
Adjustments to decrease	(6,483,159,693)	(5,897,228,551)
Dividend income not subject to CIT	(3,847,138,900)	(5,897,228,551)
Non-taxable income	(2,636,020,793)	-
Adjusted net profit/(loss) before loss carry forward and tax	**74,777,226,040**	**(82,455,347,717)**
Tax losses carried forward	(64,342,073,520)	-
Estimated current taxable profit/(loss)	**10,435,152,520**	**(82,455,347,717)**
Estimated Current Corporate Income Tax expense	2,608,788,130	-
Tax increase due to impact of change in tax rate	62,893,500	-
Total estimated Current Enterprise Income Tax expense	**2,671,681,630**	**-**
Corporate income Tax (receivables)/payables at beginning of the year	(5,030,884,937)	228,029,015
Adjustment for under/(over) accrual of tax from previous periods	-	(353,027,480)
Corporate income Tax refunded/(paid) during the year	4,443,878,937	(4,905,886,472)
Corporate income Tax payable/(receivables) at the end of the year	**2,084,675,630**	**(5,030,884,937)**

22. CORPORATE INCOME TAX (continued)

22.2 Current Corporate Income Tax (continued)

22.2.1 Tax losses carried forward

The Company is entitled to carry each individual tax loss forward to offset against taxable profits arising within five years subsequent to the year in which the loss was incurred. Tax loss of the financial year 2008 was adjusted lower according to the Tax inspectors' conclusion. At the balance sheet date, the Company has utilized all of its tax losses available to offset against taxable profits of the year. Details are as follows:

Originating year	*Can be utilized up to*	*Tax loss amount*	*Utilized up to 31 Dec 2008*	*Utilized at 31 Dec 2009*
2005	2010	(1) 3,486,950,118	2,316,271,631	1,170,678,487
2008	2013	(1) 63,171,395,033	-	63,171,395,033
		66,658,345,151	**2,316,271,631**	**64,342,073,520**

(1) Tax loss as per tax assessment minutes

23. COMMITMENTS AND CONTINGENCIES

Operating expenses commitments

The Company has contractual commitments for the leases of offices as follows:

ITEMS	*Current year VND*
Commitments for the leases of office in Ho Chi Minh Branch	2,348,640,000
	2,348,640,000
In which:	
From 2-5 years	2,348,640,000

Foreign Contractor Tax ("FCT")

For the period from 2006 to 2008, the company has not provided for the potential foreign contractor withholding taxes from the offshore payments of reinsurance premiums ceded to overseas reinsurers on the ground that it is industry norm as well as based on the outcome of previous years' tax assessments carried out by the tax authority. Since there has not been final resolution from the governing tax authority on whether reinsurance premium ceded to overseas reinsurers would be subject to foreign contractor withholding tax, the Company has not created any provision in its financial statements for this potential tax obligation. Estimated FCT amount for period from 2006 to 2008 is VND 2,232,817,196.

The Company has made provision for potential tax obligation relating to reinsurance premium ceded to overseas reinsurers for the year 2009.

24. TRANSACTIONS WITH RELATED PARTIES

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

Company	*Relation*	*Transaction*	*Amount VND*
The Bank of Investment and Development of Viet Nam	Parent Company	Increase/(Decrease) in current accounts	(4,709,984,802)
		Increase in term deposit	308,500,000,000
		Trusted interest expense	53,504,166,667
		Profit from securities trading	14,365,749,574
		Salary fund received from BIDV	26,610,000,000
		Gross written premium	47,546,268,943
BIDV Leasing Company	Fellow subsidiary	Increase/(Decrease) in Term deposit	(5,000,000,000)
		Gross written premium	5,954,809,663
BIDV Securities Company	Fellow subsidiary	Increase/(Decrease) in margin deposit for securities trading	(2,758,505,366)
		Income from trusted investment to BSC	30,686,250,000
		Gross written premium	219,460,723
Lao Viet Insurance Company	Joint-venture	Assumed RI premium	8,944,008,923
		Outward RI	252,902,541

Amounts due to and due from related companies as at 31 December 2009 were as follows:

Related company	*Relationship*	*Description*	*Receivables VND*	*Payables VND*
The Bank of Investment and Development of Vietnam	Parent Company	Current account	18,316,016,805	
		Term deposit	753,500,000,000	
		Trusted investment payables		800,000,000,000
		Trusted investment interest payables		8,373,333,333
		Trusted investment receivables	28,143,908,331	
		Premium receivables	116,531,113	
BIDV Leasing Company	Fellow subsidiary	Term Deposit	12,000,000,000	
		Premium receivables	143,060,202	
BIDV Securities Company	Fellow subsidiary	Current account	162,140,723	
		Total	**812,381,657,174**	**808,373,333,333**

24. TRANSACTIONS WITH RELATED PARTIES (continued)

Remuneration to members of Board of Directors

	Current year VND	*Prior year VND*
Salaries and bonus	1,747,272,000	1,184,933,687
Other benefits	57,000,000	-
	1,804,272,000.00	**1,184,933,687**

25. EFFECTS OF CIRCULAR 201 TO THE FINANCIAL STATEMENTS

As mentioned in Note 3.1 and Note 3.10, in 2009 the Company adopted the guidance on foreign currency transactions provided by Circular 201 which is different from VAS 10.

Had the Company continued to follow VAS 10 for the year 2009, the financial position and financial operating result of the Company would have been as follows:

Currency: VND

	VAS 10	*Circular 201*	*Difference*
Balance sheet			
Current monetary assets	124,237,055,211	124,237,055,211	-
Non-current monetary assets	-	-	-
Current monetary liabilities	(264,889,490,487)	(264,889,490,487)	-
Non-current monetary liabilities	-	-	-
Foreign exchange difference reserve	-	869,826,504	869,826,504
Income statement			
Foreign exchange gains	(2,233,306,064)	-	2,233,306,064
Foreign exchange loss	3,103,132,568	-	(3,103,132,568)
In which			
- *Amount charged to income statements*	*3,103,132,568*	-	*(3,103,132,568)*
- *Amount deferred in balance sheet*	-	-	-
Net foreign exchange loss charged to income statement	869,826,504	-	*(869,826,504)*

26. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the financial statements.

27. CORRESPONDING FIGURES

Prior year figures have been reclassified wherever necessary in order to conform to current year's presentation.

Kieu Xuan Tuyen	Pham Quang Tung
Manager of Financial Accounting Department	Director

16 March 2010