# BIDV Insurance Company

Report of the Board of Management and
Audited Financial Statements

30 September 2010

BIDV Insurance Company

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# BIDV Insurance Company

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of BIDV Insurance Company ("the Company") presents its report and the Company's financial statements for the period from 1 January 2010 to 30 September 2010.

## 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, and its Amended Business Licenses; with the latest amendment to business license on 1 October 2010 bearing the amended business license No 11/GPDC7/KDBN. Company has a operating period of 89 years commencing from 10 April 2006.

On 25 June 2010, BIDV issued Decision No. 608/QD-HDQT approving the plan for the Company's equitization. Under the equitization plan, the current capital of BIDV in the Company remains unchanged with additional shares to be issued on the condition that BIDV still holds 82.3% of chartered capital of the joint stock company after equitization. On 5 August 2010, the Company successfully completed the Initial Public Offering of 11,682,491 shares equivalent to 17.7% of its chartered capital. Of the shares issued, 11,512,091 shares were subscribed by the public and 170,400 shares were offered to the employees. On 1 October 2010, the Company has formally been transformed into joint stock company under the Amended Business Licence No.11/GPDC7/KDBH dated 1 October 2010, issued by the Ministry of Finance under the new name BIDV Insurance Joint Stock Corporation.

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

The Company also entered into an joint venture contract with partners in Lao PRD following Foreign Investment Certificate No. 146/BKH/DTRNN granted by the Ministry of Investment and Planning on 19 June 2008 to set up a joint venture company named Lao-Viet Insurance Joint Venture Company, of which the Company owned 51% of chartered capital equivalent to USD 1,530,000.

### *Location and branch network*

The Company has its head office located at 10$^{th}$ 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 period from 1 January 2010 to 30 September 2010 was VND 5,030,034,072 (the net profit for the year ended 31 December 2009 was VND 78,008,118,103).

## THE BOARD OF MANAGEMENT

The members of the Board of Management for the period from 1 January 2010 to 30 September 2010, i.e. the period that the Company was a 100% state owned enterprise were:

| *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

On 1 October 2010, the Company was granted with the Amended Business License No. 11/GPDC7/KDBH for the transformation from a 100% state-owned enterprise into a joint stock Company. The following summarizes some key information about the newly transformed entity:

| | |
|---|---|
| Registered Company name: | BIDV Insurance Joint Stock Corporation |
| Address: | 16th Floor, A Tower, Vincom, 191 BaTrieu street, Hai Ba Trung District, HaNoi |
| Operating activities: | to provide general insurance products, reinsurance, loss survey, investing activities and other business operations that are in line with prevailing laws and regulations. |
| Chartered capital: | VND 660,000,000,000 |
| Charter capital structure: | BIDV (54,317,509 shares, equivalent to 82.3% shareholdings)<br>Others (11,682,491 shares, equivalent to 17.7% shareholdings) |

The composition of the Members' Council, Supervisory Board and Board of Management of the BIDV Insurance Joint Stock Corporation for the period from 1 October 2010 as below:

***Board of Directors***

The members of the Members' Council for the period starts on 1 October 2010, i.e. the period that the Company became a joint stock company, as appointed in the first General Shareholders' meeting on 9 September 2010 are:

| *Name* | *Position* | *Date of appointment* |
|---|---|---|
| Mr Pham Quang Tung | Chairman | 1 October 2010 |
| Mr Tran Xuan Hoang | Vice Chairman | 1 October 2010 |
| Ms Nguyen Thi Thanh Van | Member | 1 October 2010 |
| Mr Trinh Minh Tam | Member | 1 October 2010 |
| Mr Dang Quang Vinh | Member | 1 October 2010 |

***Supervisory Board***

The members of the Supervisory Board for the period starts on 1 October 2010, i.e. the period that the Company became a joint stock company, as appointed by the first General Shareholders' meeting on 9 September 2010 are:

| *Name* | *Position* | *Date of appointment* |
|---|---|---|
| Mr Cao Cu Tri | Chief | 1 October 2010 |
| Mr Nguyen Trung Kien | Member | 1 October 2010 |
| Mr Dao Manh Duong | Member | 1 October 2010 |

***Board of Management***

The members of the Board of Management for the period starts on 1 October 2010, i.e. the period that the Company became a joint stock company, as appointed by the Members' Council are:

| *Name* | *Position* | *Date of appointment* |
|---|---|---|
| Mr Pham Quang Tung | General Director | 1 October 2010 |
| Ms Nguyen Thi Thanh Van | Deputy General Director | 1 October 2010 |
| Mr Ton Lam Tung | Deputy General Director | 1 October 2010 |
| Mr Tran Trung Tinh | Deputy General Director | 1 October 2010 |
| Mr Mai Nguyen Dong | Deputy General Director | 1 October 2010 |
| Mr Dao Chi Cuong | Deputy General Director | 1 October 2010 |

**AUDITORS**

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

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

In accordance with Circular 146/2007/TT-BTC issued by the Ministry of Finance on 06 December 2007 and other relevant regulations on conversion of a 100% state owned enterprise to a joint stock Company, the Company has prepared this set of financial statements as at 30 September 2010 for the purpose of finalizing the state's capital as at that date. In accordance with the said Circular, this set of financial statements is prepared and approved by the Chief Accountant and the General Director/Director of the Company.

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 assumption that it will continue its operations on a going concern basis since the newly formed entity, i.e. Bank for investment and Development of Vietnam insurance Joint Stock Corporation , will carry on all the rights and obligations from the previous 100% state owned enterprise, i.e. BIDV Insurance Company.

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 for the period from 1 October 2010 to 30 September 2010.

Mr Pham Quang Tung
General Director

Hanoi, Vietnam

30 October 2010

Reference: 60755012/14576483

# INDEPENDENT AUDITORS' REPORT

**To: The Board of Management of BIDV Insurance Company**

We have audited the balance sheet of BIDV Insurance Company ("the Company") as at 30 September 2010, and the related income statement and cash flow statement for the period from 1 January 2010 to 30 September 2010 and the notes thereto ("the financial statements") as set out on pages 5 to 36. 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 30 September 2010 and of the results of its operations and its cash flows for the period from 1 January 2010 to 30 September 2010 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

Vo Tan Hoang Van
Deputy General Director
Registered Auditor
Certificate No. 0264/KTV

Tran Thi Minh Tien
Auditor-in-charge
Registered Auditor
Certificate No.1331/KTV

Hanoi, Vietnam

30 October 2010

BALANCE SHEET
as at 30 September 2010

*Currency: VND*

| *Code* | *ASSETS* | *Notes* | *30 September 2010* | *31 December 2009* |
|---|---|---|---|---|
| **100** | **A. CURRENT ASSETS** | | **2,763,058,147,929** | **1,571,544,541,178** |
| ***110*** | ***I. Cash*** | ***4*** | ***3,417,503,653*** | ***27,886,801,466*** |
| 111 | 1. Cash on hand | | 311,952,817 | 178,628,788 |
| 112 | 2. Cash at bank | | 3,105,550,836 | 18,468,228,600 |
| 113 | 3. Cash in transit | | - | 9,239,944,078 |
| ***120*** | ***II. Short-term investments*** | ***5*** | ***2,450,572,687,840*** | ***1,297,268,294,500*** |
| 121 | 1. Short-term investments in securities | | 144,572,687,840 | 97,499,627,391 |
| 128 | 2. Other short-term investments | | 2,306,000,000,000 | 1,219,038,230,000 |
| 129 | 3. Provision for impairment of short-term investments | | - | (19,269,562,891) |
| ***130*** | ***III. Account receivables*** | ***6*** | ***305,269,948,050*** | ***241,209,515,484*** |
| 131 | 1. Trade receivables | | 295,212,668,008 | 217,302,759,184 |
| 138 | 2. Other receivables | | 10,057,280,042 | 28,954,201,772 |
| 139 | 3. Allowance for doubtful debts | | - | (5,047,445,472) |
| ***150*** | ***IV. Other current assets*** | | ***3,798,008,386*** | ***5,179,929,728*** |
| 151 | 1. Advances | | 557,096,992 | 3,632,372,614 |
| 152 | 2. Prepaid expenses | | 3,240,911,394 | 1,547,557,114 |
| 154 | 3. Receivables from State Budget | 22.2 | - | - |
| **200** | **B. NON-CURRENT ASSETS** | | **290,816,244,537** | **241,470,438,674** |
| ***210*** | ***I. Fixed assets*** | ***7*** | ***11,053,366,512*** | ***8,168,106,135*** |
| 211 | 1. Tangible fixed assets | 7.1 | 11,053,366,512 | 8,156,282,148 |
| 212 | Cost | | 25,871,129,760 | 26,611,918,463 |
| 213 | Accumulated depreciation | | (14,817,763,248) | (18,455,636,315) |
| 217 | 2. Intangible fixed assets | 7.2 | - | 11,823,987 |
| 218 | Cost | | 56,057,850 | 56,057,850 |
| 219 | Accumulated depreciation | | (56,057,850) | (44,233,863) |
| ***220*** | ***II. Long-term investments*** | ***8*** | ***270,546,020,000*** | ***226,838,120,138*** |
| 221 | 1. Long-term investments in securities | 8.1 | 189,790,000,000 | 100,000,000,000 |
| 222 | 2. Investments in associates, joint ventures | 8.2 | 25,756,020,000 | 25,756,020,000 |
| 228 | 3. Other long-term investments | 8.3 | 55,000,000,000 | 117,123,008,331 |
| 229 | 4. Provision for long-term investments | | - | (16,040,908,193) |
| ***240*** | ***III. Other long-term assets*** | | ***9,216,858,025*** | ***6,464,212,401*** |
| | 1. Compulsory deposit | 9 | 6,000,000,000 | 6,000,000,000 |
| | 2. Long-term prepaid expense | | 3,146,519,623 | 374,095,581 |
| | 3. Long-term collateral and deposits | | 70,338,402 | 90,116,820 |
| **250** | **TOTAL ASSETS** | | **3,053,874,392,466** | **1,813,014,979,852** |

BALANCE SHEET (continued)
as at 30 September 2010

*Currency: VND*

| *Code* | *RESOURCES* | *Notes* | *30 September 2010* | *31 December 2009* |
|---|---|---|---|---|
| **300** | **A. TOTAL LIABILITIES** | | **2,508,385,027,706** | **1,294,333,533,432** |
| ***310*** | ***I. Current liabilities*** | | ***2,279,965,271,340*** | ***1,117,026,344,273*** |
| 313 | 1. Trade payables | 10 | 289,553,537,657 | 268,004,447,537 |
| 315 | 2. Statutory obligations | 11 | (6,835,855,423) | 6,939,066,062 |
| 318 | 3. Other payables | 12 | 1,997,247,589,106 | 842,082,830,674 |
| ***320*** | ***II. Long term liabilities*** | | ***145,812,959*** | ***169,067,159*** |
| 323 | 1. Retrenchment allowance | | 145,812,959 | 169,067,159 |
| ***330*** | ***III. Technical reserves*** | ***13*** | ***228,273,943,407*** | ***177,138,122,000*** |
| 331 | 1. Unearned premium reserve | 13.1 | 143,182,693,564 | 99,978,009,065 |
| 333 | 2. Claim reserves | 13.2 | 59,610,121,721 | 58,167,600,409 |
| 334 | 3. Catastrophe reserve | 13.3 | 25,481,128,122 | 18,992,512,526 |
| **400** | **B. OWNER'S EQUITY** | **14** | **545,489,364,760** | **518,681,446,420** |
| ***410*** | ***I. Capital*** | ***14*** | ***545,489,364,760*** | ***518,545,779,610*** |
| 411 | 1. Contributed charter capital | | 500,000,000,000 | 500,000,000,000 |
| | 2. Asset revaluation reserve | | 24,114,466,725 | - |
| 414 | 3. Investment and Development fund | | 17,039,386,896 | 15,834,600,085 |
| 416 | 4. Foreign exchange differences reserve | 25 | - | (869,826,504) |
| 420 | 5. Other funds | | 4,335,511,139 | 3,581,006,029 |
| ***430*** | ***II. Other capital, funds*** | ***14*** | ***-*** | ***135,666,810*** |
| 431 | 1. Bonus, welfare fund | | - | 135,666,810 |
| **430** | **TOTAL LIABILITIES AND OWNER'S EQUITY** | | **3,053,874,392,466** | **1,813,014,979,852** |

**OFF BALANCE SHEET ITEMS**

| *ITEMS* | *Note* | *30 September 2010* | *31 December 2009* |
|---|---|---|---|
| 1. Doubtful debts written off (VND) | | 635,312,321 | 1,657,786,988 |
| 2. Foreign currencies | | | |
| - United States dollar (US$) | | 33,600.86 | 140,092.43 |
| - Euro (EUR) | | 454.97 | 6,452.32 |
| 3. Trusted investment (VND) | | - | 16,187,900,000 |

Mr Kieu Xuan Tuyen
Director of Financial and Accounting Division

Mr Pham Quang Tung
General Director

30 October 2010

INCOME STATEMENT
for the period from 1 January 2010 to 30 September 2010

*Currency: VND*

| *Code* | *ITEMS* | *Notes* | *For the period from 1 January 2010 to 30 September 2010* | *For the year ended 31 December 2009* |
|---|---|---|---|---|
| **01** | **Gross written premium** | **15.1** | **336,023,648,106** | **370,082,988,587** |
| **02** | **Reinsurance premium assumed** | **18.1** | **35,540,982,841** | **36,620,218,571** |
| **03** | **Deductions** | | **(155,277,444,402)** | **(225,912,379,574)** |
| 04 | Reinsurance premium ceded | 18.2 | (145,694,286,558) | (221,371,392,604) |
| 05 | Premium returns and deduction | | (9,583,157,844) | (4,540,986,970) |
| **08** | **Increase in unearned premium reserve** | **13.1** | **(43,204,684,499)** | **(14,607,635,750)** |
| **09** | **Commissions on reinsurance ceded** | | **41,029,462,967** | **69,030,005,183** |
| **10** | **Other income from insurance activities** | | **674,867,509** | **5,113,370,055** |
| 13 | Income from other activities | | 674,867,509 | 5,113,370,055 |
| **14** | **Total operating revenue** | | **214,786,832,522** | **240,326,567,072** |
| **15** | **Claim expenses** | **17.1** | **(137,193,402,868)** | **(138,323,829,625)** |
| **16** | **Claim expenses for reinsurance assumed** | **17.2** | **(3,087,573,452)** | **(3,808,051,740)** |
| **17** | **Recoveries from reinsurance ceded** | **17.3** | **81,862,653,379** | **63,886,200,114** |
| **21** | **Claim expenses on retained risks** | | **(58,418,322,941)** | **(78,245,681,251)** |
| **23** | **Decrease/(Increase) on claim reserves** | 13.2 | **(1,397,868,668)** | **5,315,283,480** |
| **24** | **Provision for catastrophe reserve charged to current year's expense** | **13.3** | **(6,488,615,596)** | **(9,039,541,378)** |
| **25** | **Other operating expenses** | | **(81,263,138,709)** | **(97,597,293,303)** |
| 26 | Other underwriting expenses | | (30,900,755,658) | (32,905,717,435) |
| 35 | Commissions expense | | (37,193,109,540) | (36,956,138,000) |
| 40 | Other direct expenses of insurance activities | | (13,169,273,511) | (27,735,437,868) |

INCOME STATEMENT (continued)
for the period from 1 January 2010 to 30 September 2010

*Currency: VND*

| *Code* | *ITEMS* | *Notes* | *For the period from 1 January 2010 to 30 September 2010* | *For the year ended 31 December 2009* |
|---|---|---|---|---|
| **41** | **Total direct operating expenses** | | **(147,567,945,914)** | **(179,567,232,452)** |
| **42** | **Gross operating income** | | **67,218,886,608** | **60,759,334,620** |
| **44** | **Administration expenses** | **19** | **(88,990,705,578)** | **(66,566,561,259)** |
| **45** | **Net operating income** | | **(21,771,818,970)** | **(5,807,226,639)** |
| 46 | Financial income | 15.2 | 186,936,598,539 | 141,305,487,450 |
| 50 | Financial expense | 16 | (161,040,375,083) | (51,627,319,946) |
| **51** | **Net financial income** | | **25,896,223,456** | **89,678,167,504** |
| 52 | Other income | 20 | 1,825,533,956 | 1,120,311,418 |
| 53 | Other expenses | 20 | (515,570,945) | (4,311,452,550) |
| **54** | **Net other income** | **20** | **1,309,963,011** | **(3,191,141,132)** |
| **55** | **Profit before tax** | | **5,434,367,497** | **80,679,799,733** |
| 60 | Corporate income tax expense | 22.1 | (404,333,425) | (2,671,681,630) |
| **61** | **Profit after tax** | | **5,030,034,072** | **78,008,118,103** |

Mr Kieu Xuan Tuyen
Director of Financial and Accounting Division

Mr Pham Quang Tung
General Director

30 October 2010

CASH FLOW STATEMENT
for the period from 1 January 2010 to 30 September 2010

*Currency: VND*

| *Code* | *ITEMS* | *Notes* | *For the period from 1 January 2010 to 30 September 2010* | *For the year ended 31 December 2009* |
|---|---|---|---|---|
| | **I. CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **01** | **Net profit before tax** | | **5,434,367,498** | **80,679,799,733** |
| | Adjustments for: | | | |
| 02 | Depreciation and amortisation | 7 | 2,609,575,781 | 3,013,225,775 |
| 03 | Provisions | | 10,777,904,851 | (28,700,339,055) |
| 05 | Profits from investing activities | | (35,691,635,752) | (46,021,717,463) |
| 06 | Profits from disposal of fixed assets | | - | (106,464,019) |
| 07 | Interest expense | 16 | - | 123,596 |
| **08** | **Operating income before changes in working capital** | | **(16,869,787,622)** | **8,864,628,567** |
| 09 | (Increase)/Decrease in receivables | | (62,763,483,281) | 212,464,130,931 |
| 11 | Increase/ (Decrease) in payables | | 1,047,309,989,384 | (33,313,290,124) |
| 12 | Increase in prepaid expense | | 5,034,417,269 | (965,629,689) |
| 13 | Interest expense paid | | - | (123,596) |
| 14 | Corporate income tax refund/(paid) | | (404,333,425) | 4,443,878,937 |
| 15 | Decrease/(Increase) in receivables from other activities | | 2,518,073,157 | (4,037,094,294) |
| **20** | **Net cash inflows from operating activities** | | **974,824,875,482** | **187,456,500,732** |
| | **II. CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| 21 | Purchase of fixed assets | | (451,344,474) | (4,905,765,547) |
| 22 | Proceeds from sale of fixed assets | | 5,100,000 | 106,464,019 |
| 23 | Purchase of investments | | (1,130,231,293,578) | (270,428,744,623) |
| 24 | Receipt from withdrawal and maturity of investment | | (33,979,100,000) | 40,285,645,252 |
| 25 | Interest received | | 35,691,635,752 | 50,361,892,026 |
| **30** | **Net cash outflows from investing activities** | | **(1,128,965,002,300)** | **(184,580,508,873)** |

CASH FLOW STATEMENT (continued)
for the period from 1 January 2010 to 30 September 2010

*Currency: VND*

| *Code* | *ITEMS* | *Notes* | *For the period from 1 January 2010 to 30 September 2010* | *For the year ended 31 December 2009* |
|---|---|---|---|---|
| | **III. CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| 31 | Proceed from Initial Public Offering of shares | | 130,488,040,580 | - |
| 32 | Disbursement for Initial Public Offering of shares | | (817,211,575) | - |
| **40** | **Net cash inflows from financing activities** | | **129,670,829,005** | **-** |
| **50** | **Net cash flows** | | **(24,469,297,813)** | **2,875,991,859** |
| **60** | **Cash and cash equivalents at the beginning of the year** | | **27,886,801,466** | **24,866,425,912** |
| **61** | **Impact of exchange rate fluctuation** | | **-** | **144,383,695** |
| **70** | **Cash and cash equivalents at the end of the year** | **4** | **3,417,503,653** | **27,886,801,466** |

Mr Kieu Xuan Tuyen
Director of Financial and Accounting Division

Mr Pham Quang Tung
General Director

30 October 2010

## 1. CORPORATE INFORMATION

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, and its Amended Business Licenses; with the latest amendment to business license on 1 October 2010 bearing the amended business license No 11/GPDC7/KDBN. Company has a operating period of 89 years commencing from 10 April 2006.

On 25 June 2010, BIDV issued Decision No. 608/QD-HDQT approving the plan for the Company's equitization. Under the equitization plan, the current capital of BIDV in the Company remains unchanged with additional shares to be issued on the condition that BIDV still holds 82.3% of chartered capital of the joint stock company after equitization. On 5 August 2010, the Company successfully completed the Initial Public Offering of 11,682,491 shares equivalent to 17.7% of its chartered capital. Of the shares issued, 11,512,091 shares were subscribed by the public and 170,400 shares were offered to the employees. On 1 October 2010, the Company has formally been transformed into joint stock company under the amended business licence No.11/GPDC7/KDBH dated 1 October 2010, issued by Ministry of Finance under the new name BIDV Insurance Joint Stock Corporation.

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

The Company also entered into an joint venture contract with partners in Lao PRD to set up a joint venture company named Lao-Viet Insurance Joint Venture Company following Foreign Investment Certificate No. 146/BKH/DTRNN granted by the Ministry of Investment and Planning on 19 June 2008, of which the Company owned 51% of chartered capital equivalent to USD 1,530,000.

***Location and branch network***

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.

## 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 Company 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.

### *2.2 Registered accounting documentation system*

The registered accounting documentation system is the journal ledger system.

### *2.3 Fiscal year*

The Company's last fiscal period as a State owned company starts on 1 January 2010 and ends on 30 September 2010.

The first fiscal period of BIDV Insurance Joint Stock Company starts on 1 October 2010 and ends on 31 December 2010. The succeeding 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 Accounting adjustments in relation to the equitization process*

In accordance with the Circular 146/2007/TT-BTC of Ministry of Finance dated 6 December 2007 and the Decision 429/QD-HDQT of the BIDV dated 18 May 2010 approving the valuation of assets of BIDV Insurance Company and the equitization plan, the Company has adjusted its accounting records to reflect the effects of the following changes in the value of the Company's assets as a result of the revaluation process before equitizaton:

| *ITEMS* | *Impacts to net equity VND* |
|---|---|
| Increase in the value of the Company's tangible fixed assets | 5,057,472,541 |
| Increase in the value of the Company's long-term investment portfolio | 6,543,286,732 |
| Increase in the value of the Company's short-term investment portfolio | 2,328,496,000 |
| Increase in the value of the Company's receivables | 5,047,445,472 |
| Increase in the value of the Company's other current assets | 3,254,271,804 |
| Recognition of the Company's goodwill | 3,045,683,226 |
| Un-used assets and irrecoverable trade receivables | (647,347,547) |
| | **24,629,308,228** |

*(please refer to Note 14)*

### *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 Interest in joint venture*

The Company has interest in joint ventures whereby there are contractual agreements that establishes joint control over the economic activities of the entities. The Company recognizes its interest in the joint ventures using equity accounting method, where it is recognized to present its aggregate share of the profit or loss of joint ventures in its income statement.

The financial statements of the joint venture are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the parent company.

### *3.4 Investments in securities and other 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***3.4 Investments in securities and other investments*** (continued)

*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 30 September 2010 | **(x)** | ( | Unit price of security in accounting book | - | Closing market price of a unit of security as at 30 September 2010 | ) |

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 30 September 2010.
- Market value of other OTC shares is the average price announced by at least three independent securities companies operating in Vietnam.
- For OTC shares that their actual market values are impossible to determine, the Company may not appropriate the provision for decrease in securities price.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***3.4 Investments in securities and other 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.

***3.5 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 overdue* | *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% |

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *3.6 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.

### *3.7 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.

### *3.8 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:

| | |
|---|---|
| Buildings and materials | 6 - 25 years |
| Machines and equipments | 3 - 7 years |
| Motor vehicles | 6 - 10 years |
| Other tangible fixed assets | 5 years |
| Accounting software | 3 - 5 years |
| Other intangible fixed assets | 4 – 5 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 follows the guidance under VAS 10 “The Effects of Changes in Exchange Rates” (the “VAS 10”) in relation to foreign currency transactions.

Transactions in currencies other than the Company’s reporting currency of VND are recorded at the exchange rates ruling at the date of the transaction. At the end of the year, monetary assets and liabilities denominated in foreign currencies are translated at inter-bank exchange rates ruling at the consolidated balance sheet date (as at 30 September 2010: 1USD equals to 18,932 VND). All realised and unrealised foreign exchange differences are taken to the income statement.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *3.11 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 3% 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.

### *3.12 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *3.13 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*

*Unemployment benefits*

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.

*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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *3.14 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.

*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.

### *3.15 Interest*

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

### *3.16 Dividends*

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

### *3.17 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *3.17 Expense recognition* (continued)

*Commission expense*

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

### *3.18 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.

*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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *3.18 Taxation* (continued)

*Deferred tax* (continued)

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.

### *3.19. Profit Appropriation*

The Company has made the appropriation of profit after tax for the period according to the Decree 09/2009/ND-CP as follows:

| | |
|---|---|
| Statutory reserve: | 5% of the profit after tax; |
| Financial reserve: | 10% of the profit after tax; |
| Investment and development fund: | 30% of the profit after tax after making the appropriation for Statutory and Financial reserves; |
| Management bonus fund: | 5% of the profit after tax after making the appropriation for Statutory and Financial reserves but not over VND200 millions. |
| Bonus and welfare fund: | The remaining of the profit after tax after making the appropriation for all the above funds as due to this amount is not sufficient to allocate to this fund according to Decree 09/2009/ND-CP. |

This appropriation was required for this period due to the reason that it is the last fiscal period of the Company as a 100% State owned company.

## 4. CASH AND CASH EQUIVALENTS

| | *30 September 2010 VND* | *31 December 2009 VND* |
|---|---|---|
| Cash on hand | 311,952,817 | 178,628,788 |
| *In which:* | | |
| *VND* | *311,952,817* | *178,628,788* |
| Cash in banks | 3,105,550,836 | 18,468,228,600 |
| *In which:* | | |
| *VND* | *2,461,396,926* | *15,784,417,378* |
| *Foreign currency* | *644,153,910* | *2,683,811,222* |
| Cash in transit | - | 9,239,944,078 |
| | **3,417,503,653** | **27,886,801,466** |

## 5. SHORT-TERM INVESTMENTS

| | *30 September 2010 VND* | *31 December 2009 VND* |
|---|---|---|
| Short-term securities investments | 144,572,687,840 | 97,499,627,391 |
| *Listed shares* | *88,533,674,340* | *42,858,377,391* |
| *Unlisted shares* | *53,414,213,500* | *54,641,250,000* |
| *Corporate bonds* | *2,624,800,000* | - |
| Other short-term investments | 2,306,000,000,000 | 1,219,038,230,000 |
| *Term deposits in VND* | *2,306,000,000,000* | *1,218,500,000,000* |
| *Term deposits in USD* | - | *538,230,000* |
| Allowance for diminution of short-term investments value | - | (19,269,562,891) |
| **Net value of short-term investments** | **2,450,572,687,840** | **1,297,268,294,500** |

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 centres 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 8.5% p.a. to 12% p.a. (2009: 8.23% p.a. to 9.42% p.a.). Short-term deposits denominated in foreign currencies ("FC") have due date under one (1) year and earn interest at rate from 1% to 3% p.a. (2009: 2.3% 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 3.4.

As at 30 September 2010, the allowance for diminution of short-term investments value after compensating for any losses has been written-off to increase the State capital according to Circular 146/2007/TT-BTC.

## 6. ACCOUNT RECEIVABLES

| | *30 September 2010 VND* | *31 December 2009 VND* |
|---|---|---|
| Trade receivables | 295,212,668,008 | 217,302,759,184 |
| *Gross premium written receivables* | *31,200,856,880* | *32,381,842,491* |
| *Reinsurance assumed receivables* | *41,548,981,774* | *19,816,018,233* |
| *Reinsurance ceded receivables* | *185,659,128,777* | *142,940,962,026* |
| *Other trade receivables* | *924,736,713* | *1,980,951,156* |
| *Advance to suppliers* | *1,190,124,879* | *991,159,682* |
| *Accrued interest* | *34,688,838,985* | *19,191,825,596* |
| Other receivables | 10,057,280,042 | 28,954,201,772 |
| **Total receivables** | **305,269,948,050** | **246,256,960,956** |
| Allowance for doubtful debts | - | (5,047,445,472) |
| **Net trade and other receivables** | **305,269,948,050** | **241,209,515,484** |

As at 30 September 2010, the allowance for doubtful debts after compensating for any losses has been written-off to increase the State capital according to Circular 146/2007/TT-BTC.

## 7. FIXED ASSETS

### *7.1 Tangible fixed assets*

| | *Office equipments VND* | *Motor vehicles VND* | *Others VND* | *Total VND* |
|---|---|---|---|---|
| **Cost:** | | | | |
| Beginning balance | 6,898,583,703 | 19,582,568,377 | 130,766,383 | 26,611,918,463 |
| Additions | 415,117,218 | 2,295,044,911 | 36,227,256 | 2,746,389,385 |
| *In which:* | | | | |
| *Newly purchased* | *415,117,218* | - | *36,227,256* | *451,344,474* |
| *Transfer from parent company* | - | *817,234,000* | - | *817,234,000* |
| *Others* | - | *1 ,477,810,911* | - | *1,477,810,911* |
| Decrease | (3,461,150,816) | (26,027,272) | - | (3,487,178,088) |
| *In which:* | | | | |
| *Disposal* | *(1,648,999,934)* | *(26,027,272)* | - | *(1,675,027,206)* |
| *Others* | *(1,812,150,882)* | - | - | *(1,812,150,882)* |
| Ending balance | 3,852,550,105 | 21,851,586,016 | 166,993,639 | 25,871,129,760 |
| **Accumulated depreciation:** | | | | |
| Beginning balance | (4,973,889,614) | (13,374,140,288) | (107,606,413) | (18,455,636,315) |
| Increase | (871,336,039) | (2,526,615,472) | (17,034,283) | (3,414,985,794) |
| *In which:* | | | | |
| *Depreciated in the year* | *(871,336,039)* | *(1,709,381,472)* | *(17,034,283)* | *(2,597,751,794)* |
| *Transfer from parent company* | - | *(817,234,000)* | - | *(817,234,000)* |
| Decrease | 2,288,545,414 | 4,764,313,447 | - | 7,052,858,861 |
| *In which:* | | | | |
| *Disposal* | *1,647,054,303* | *26,027,272* | - | *1,673,081,575* |
| *Others* | *641,491,111* | *4,738,286,175* | - | *5,379,777,286* |
| Ending balance | (3,556,680,239) | (11,136,442,313) | (124,640,696) | (14,817,763,248) |
| **Net book value:** | | | | |
| Beginning balance | 1,924,694,089 | 6,208,428,089 | 23,159,970 | 8,156,282,148 |
| Ending balance | 295,869,866 | 10,715,143,703 | 42,352,943 | 11,053,366,512 |

## 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 | (44,233,863) | (44,233,863) |
| Charge for the year | (11,823,987) | (11,823,987) |
| *In which:* | | |
| *Depreciation charged for the year* | *(11,823,987)* | *(11,823,987)* |
| Ending balance | (56,057,850) | (56,057,850) |
| **Net book value:** | | |
| Beginning balance | 11,823,987 | 11,823,987 |
| Ending balance | - | - |

## 8. LONG-TERM INVESTMENTS

Details of the Company's long term investments as at 30 September 2010 are as follows:

| | *Notes* | *30 September 2010 VND* | *31 December 2009 VND* |
|---|---|---|---|
| 1. Long term securities investments | | 189,790,000,000 | 100,000,000,000 |
| *Bonds* | *8.1* | *189,790,000,000* | *100,000,000,000* |
| 2. Investment in associates, joint-ventures | | 25,756,020,000 | 25,756,020,000 |
| *Investment in Lao-Viet Insurance* | *8.2* | *25,756,020,000* | *25,756,020,000* |
| 3. Other long-term investments | | 55,000,000,000 | 117,123,008,331 |
| *Trusted investment in securities* | 8.3 | - | *28,143,908,331* |
| *Other equity investments* | *8.3* | *55,000,000,000* | *88,979,100,000* |
| 4. Provision for long-term investments | 8.4 | - | (16,040,908,193) |
| **Net value of long-term investments** | | **270,546,020,000** | **226,838,120,138** |

## 8. LONG-TERM INVESTMENTS (continued)

### *8.1 Bonds*

Investment in bonds issued by financial institutions and other companies as at 30 September 2010 as following:

| *Bonds* | *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 |
| Ho Chi Minh General import-export and investment JSC | 3 years | 15.450% | 20,000,000,000 |
| Hong Ha Petroleum JSC | 2 years | 15.00% | 29,790,000,000 |
| Long Hau JSC | 3 years | 15.00% | 20,000,000,000 |
| Van Loi Ltd. Company | 3 years | 15.00% | 20,000,000,000 |
| Vincom JSC | 5 years | 10.30% | 20,000,000,000 |
| Saigon Trading Group | 5 years | 9.60% | 10,000,000,000 |
| | | | **189,790,000,000** |

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

Following the Foreign Investment Certificate No. 146/BKH/ĐTRNN granted by the Ministry of Investment and Planning of Vietnam on 19 June 2008, the Company entered into a joint venture in Lao PDR to establish Lao - Viet Insurance Joint Venture Company ("the JV") of which the Company owns a 51% of the total charter capital. The operating period for this JV is 50 years.

The Company accounted for the investment in the JV using equity method of accounting. For that purpose, the Company should share profit/(loss) of the JV using pro-rata basis. According to the financial statements of the JV for the period from 1 January 2010 to 30 September 2010, it is reported that a net loss. However, the Company is convinced that the Company should not take into account this loss of the JV but still reflect at cost in the financial statements of the Company since this loss is within the anticipated losses in the business plan before making the investment. In accordance with the Circular 228/2209/TT-BTC issued by Ministry of Finance on 7 December 2009, such loss should not be taken into account to decline the value of investment for in the context of determination of the carrying value of the investment.

### *8.3 Other equity investments*

Other equity investments are detailed as follows (as at 30 September 2010):

| | *% owned* | *Number of shares* | *Unit cost* | *Amount VND* |
|---|---|---|---|---|
| Hoang Anh Dak Lak JSC | 0.45% | 500,000 | 10,000 | 5,000,000,000 |
| Vinaconex – Viettel Finance JSC | 5% | 5,000,000 | 10,000 | 50,000,000,000 |
| | | **5,500,000** | | **55,000,000,000** |

## 8. LONG-TERM INVESTMENTS (continued)

### *8.4 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 3.4.

As at 30 September 2010, the provision for long-term investments after compensating for any losses has been written-off to increase the State Capital according to Circular 146/2007/TT-BTC.

## 9. COMPULSORY DEPOSITS

Insurance deposit is a 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

| | *30 September 2010 VND* | *31 December 2009 VND* |
|---|---|---|
| Trade payables | | |
| Direct insurance payable | 18,805,743,466 | 8,642,127,244 |
| Inward reinsurance payable | 12,216,292,805 | 5,858,623,492 |
| Outward reinsurance premium payable | 248,943,730,250 | 244,100,008,817 |
| Paid in advance from customers | 8,115,705,575 | 8,156,725,035 |
| Other trade payables | 1,472,065,561 | 1,246,962,949 |
| | **289,553,537,657** | **268,004,447,537** |

## 11. STATUTORY OBLIGATIONS

| | *Balance as at 1 January 2010 VND* | *Movement during the year* | | *Balance as at 30 September 2010 VND* |
|---|---|---|---|---|
| | | *Payable of the year VND* | *Paid VND* | |
| Value added tax | 3,612,046,120 | 22,039,613,015 | 25,949,019,672 | (297,360,537) |
| Enterprise income tax | 2,084,675,630 | 404,333,425 | 10,523,254,433 | (8,034,245,378) |
| Other taxes | 1,242,344,312 | 3,377,389,041 | 3,123,982,861 | 1,495,750,492 |
| **Current enterprise income tax** | **6,939,066,062** | **25,821,335,481** | **39,596,256,966** | **(6,835,855,423)** |

## 12. OTHER PAYABLES

| | *30 September 2010 VND* | *31 December 2009 VND* |
|---|---|---|
| Payable to BIDV for trusted investment | 1,839,816,477,779 | 808,373,333,333 |
| *Principal payable* | *1,828,000,000,000* | *800,000,000,000* |
| *Interest payable* | *11,816,477,779* | *8,373,333,333* |
| Proceeds from IPO | 130,488,040,580 | - |
| Others | 26,943,070,747 | 33,709,497,341 |
| | **1,997,247,589,106** | **842,082,830,674** |

The proceeds from the Initial Public Offering of shares of the Company will be utilized in accordance with regulations of Government when the Company is formally transformed into joint-stock company on 1 October 2010.

## 13. TECHNICAL RESERVES

### *13.1 Unearned premium reserve*

| *Product category* | *30 September 2010 VND* | *31 December 2009 VND* |
|---|---|---|
| Health Insurance and Personal Accident Insurance | 8,401,744,685 | 12,208,080,889 |
| Property and Damages Insurance | 45,017,498,786 | 34,596,285,469 |
| Cargo Insurance | 1,363,775,377 | 1,970,059,204 |
| Automobile Insurance | 69,641,464,024 | 37,106,081,905 |
| Fire Insurance | 11,351,618,407 | 7,747,166,140 |
| Liability Insurance | 1,856,596,955 | 968,534,328 |
| Business risk Insurance | 70,610,510 | 76,006,392 |
| Hull and ship owner's liability Insurance | 4,923,577,554 | 5,172,488,745 |
| Aviation Insurance | 288,731,372 | 130,418,199 |
| Others | 267,075,894 | 2,887,794 |
| | **143,182,693,564** | **99,978,009,065** |

The unearned premium reserve expenses charged to the income statement for the period ended 30 September 2010 was VND 43,204,684,499.

### *13.2 Claim reserves*

| *Product category* | *30 September 2010 VND* | *31 December 2009 VND* |
|---|---|---|
| Health Insurance and Personal Accident Insurance | 4,998,110,074 | 4,877,159,469 |
| Property and Damages Insurance | 29,131,425,053 | 28,426,465,891 |
| Cargo Insurance | 903,723,355 | 881,853,911 |
| Automobile Insurance | 14,809,930,073 | 14,451,540,606 |
| Fire Insurance | 1,222,767,345 | 1,193,177,270 |
| Liability Insurance | 765,513,197 | 746,988,338 |
| Business risk Insurance | 1,367,508,983 | 1,334,416,267 |
| Hull and ship owner's liability Insurance | 6,411,143,641 | 6,255,998,657 |
| | **59,610,121,721** | **58,167,600,409** |

**13. RESERVES** (continued)

***13.2 Claim reserves*** (continued)

Claim reserves include:

1. Outstanding claim reserves, which, as at 30 September 2010, 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 30 September 2010. The net amount of such reserves as at 30 September 2010 are VND55,452,271,727, in which the claims payable for policy holders are VND240,145,458,417 and the reinsurance recoveries are VND 184,693,186,690;

2. Reserves for claims incurred but not reported as at 30 September 2010, amounted to VND 4,157,849,994.

The increase in claim reserves, of VND 1,397,868,668, was recorded in the income statement for the period ended 30 September 2010 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* | *30 September 2010 VND* | *31 December 2009 VND* |
|---|---|---|
| Health Insurance and Personal Accident Insurance | 2,275,125,511 | 1,697,882,523 |
| Property and Damages Insurance | 9,072,138,322 | 6,746,798,225 |
| Cargo Insurance | 1,236,512,232 | 922,785,358 |
| Automobile Insurance | 8,811,504,181 | 6,575,856,532 |
| Fire Insurance | 2,207,109,760 | 1,647,123,673 |
| Liability Insurance | 327,230,535 | 244,205,871 |
| Business Risk Insurance | 55,983,595 | 41,779,483 |
| Credit and Financial risk insurance | 4,915,625 | 3,668,437 |
| Hull and ship owner's liability Insurance | 1,458,477,382 | 1,088,433,691 |
| Aviation Insurance | 19,138,508 | 14,282,701 |
| Others | 12,992,471 | 9,696,032 |
| | **25,481,128,122** | **18,992,512,526** |

The catastrophe reserve expense charged to the income statement for the period ended 30 September 2010 was VND 6,488,615,596.

## 14. OWNER'S EQUITY

| | *Contributed chartered capital VND* | *Asset revaluation reserve* | *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 | 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 |
| - Net profit for the year | - | - | - | - | - | - | - | 78,008,118,103 | 78,008,118,103 |
| - Appropriation of profit to reserve | - | - | 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 |
| **Current year:** | | | | | | | | | |
| Beginning 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 |
| - Net profit for the year | - | - | - | - | - | - | - | 5,030,034,072 | 5,030,034,072 |
| - Appropriation of profit to reserve | - | - | 1,282,658,688 | - | 503,003,407 | 251,501,704 | 2,992,870,273 | (5,030,034,072) | - |
| - Increase due to valuation for equitization purpose | - | 24,629,308,228 | - | - | - | - | - | - | 24,629,308,228 |
| - Other increase | - | - | - | 869,826,504 | - | - | - | - | 869,826,504 |
| - Other decrease | - | (514,841,503) | (77,871,877) | - | - | - | (3,128,537,083) | - | (3,721,250,463) |
| Ending balance | 500,000,000,000 | 24,114,466,725 | 17,039,386,896 | - | 2,890,340,760 | 1,445,170,379 | - | - | 545,489,364,760 |

*Asset revaluation reserve consists* of the amounts arising from the revaluation of assets of the Company for the purpose of equitization. This amount will be transferred to contributed chartered capital as State Capital on 1 October 2010 upon formation of the joint stock company in accordance with Circular 146/2007/TT-BTC. Increased values of assets have been recorded on the balances sheet as at 30 September 2009 of which details are given in the Note 3.1.

## 15. REVENUE

### *15.1 Gross written premiums*

| *Product category* | *For the period from 1 January 2010 to 30 September 2010 VND* | *For the year ended 31 December 2009 VND* |
|---|---|---|
| Health Insurance and Personal Accident Insurance | 12,920,823,149 | 20,839,242,818 |
| Property and Damages Insurance | 103,754,210,653 | 128,517,616,290 |
| Cargo Insurance | 22,054,803,358 | 19,736,513,435 |
| Automobile Insurance | 111,329,537,002 | 111,000,613,959 |
| Fire Insurance | 33,179,618,449 | 37,780,661,958 |
| Liability Insurance | 6,326,841,432 | 2,870,859,269 |
| Business Risk Insurance | 1,395,246,939 | 697,199,191 |
| Aviation Insurance | 626,787,200 | 716,477,400 |
| Hull and owner's liability Insurance | 44,435,779,924 | 47,923,804,267 |
| | **336,023,648,106** | **370,082,988,587** |

### *15.2 Income from financial activities*

| | *For the period from 1 January 2010 to 30 September 2010 VND* | *For the year ended 31 December 2009 VND* |
|---|---|---|
| Interest income from deposits with financial institutions | 156,237,637,974 | 53,362,014,187 |
| Gains from investments in bonds and shares | 18,911,960,749 | 43,647,501,159 |
| Dividend received | 5,686,852,200 | 4,047,257,233 |
| Foreign exchange gains | 6,061,099,712 | 3,232,578,909 |
| Interest from investment trusted to BIDV Securities Company | - | 30,686,250,000 |
| Other income from financial activities | 39,047,904 | 6,329,885,962 |
| | **186,936,598,539** | **141,305,487,450** |

## 16. EXPENSES FROM FINANCIAL ACTIVITIES

| | *For the period from 1 January 2010 to 30 September 2010 VND* | *For the year ended 31 December 2009 VND* |
|---|---|---|
| Investment fee | 29,661,058,150 | 337,112,322 |
| Foreign exchange losses | 9,224,955,113 | 2,988,598,786 |
| Loss from investment activities | 12,351,817,905 | 38,325,992,250 |
| Interest expense of investment trusted from BIDV | 109,728,232,901 | 53,504,166,667 |
| Other expense from financial activities | 74,311,014 | 128,023,558 |
| (Reversal of)/Charge of provision for impairment | - | (43,656,573,637) |
| | **161,040,375,083** | **51,627,319,946** |

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

### *17.1 Claim expenses on direct insurance*

| *Product category* | *For the period from 1 January 2010 to 30 September 2010 VND* | *For the year ended 31 December 2009 VND* |
|---|---|---|
| Health Insurance and Personal Accident Insurance | 6,053,904,836 | 5,941,781,403 |
| Property and Damages Insurance | 37,634,870,093 | 49,478,879,627 |
| Cargo Insurance | 3,752,256,413 | 2,557,631,400 |
| Automobile Insurance | 46,476,909,021 | 48,337,056,063 |
| Fire Insurance | 33,951,135,360 | 25,275,740,145 |
| Liability Insurance | 43,240,790 | 44,546,854 |
| Hull and ship owner's liability insurance | 9,281,086,355 | 6,688,194,133 |
| | **137,193,402,868** | **138,323,829,625** |

### *17.2 Claim expenses on reinsurance assumed*

| *Product category* | *For the period from 1 January 2010 to 30 September 2010 VND* | *For the year ended 31 December 2009 VND* |
|---|---|---|
| Health Insurance and Personal Accident Insurance | 83,523,313 | 718,933,207 |
| Property and Damages Insurance | 1,743,174,604 | 2,748,312,807 |
| Automobile Insurance | 239,817,645 | 35,135,998 |
| Fire Insurance | 72,016,592 | 13,942,777 |
| Liability Insurance | 5,239,793 | 1,437,529 |
| Cargo Insurance | 682,141,413 | 242,370,168 |
| Hull and ship owner's liability Insurance | 261,660,092 | 47,919,254 |
| | **3,087,573,452** | **3,808,051,740** |

### *17.3 Reinsurance recoveries*

| *Product category* | *For the period from 1 January 2010 to 30 September 2010 VND* | *For the year ended 31 December 2009 VND* |
|---|---|---|
| Health Insurance and Personal Accident Insurance | 355,440,342 | 262,589,281 |
| Property and Damages Insurance | 41,977,196,110 | 34,031,984,176 |
| Cargo Insurance | 2,645,277,368 | 1,388,581,976 |
| Automobile Insurance | 14,214,874,105 | 7,968,827,532 |
| Fire Insurance | 16,250,030,881 | 15,735,095,813 |
| Liability Insurance | 2,777,712 | 22,895,026 |
| Hull and ship owner's liability Insurance | 5,265,077,908 | 4,304,329,882 |
| Other Insurance | 1,151,978,953 | 171,896,428 |
| | **81,862,653,379** | **63,886,200,114** |

## 18. REINSURANCE PREMIUMS ASSUMED AND CEDED

### *18.1 Reinsurance premiums assumed*

| *Product category* | *For the period from 1 January 2010 to 30 September 2010 VND* | *For the year ended 31 December 2009 VND* |
|---|---|---|
| Health Insurance and Personal Accident Insurance | 432,648,426 | 457,823,720 |
| Property and Damages Insurance | 28,466,449,639 | 30,881,818,128 |
| Cargo Insurance | 158,464,093 | 580,106,835 |
| Automobile Insurance | 1,907,048,015 | 557,774,213 |
| Fire Insurance | 1,432,632,266 | 888,435,316 |
| Liability Insurance | 1,021,208,441 | 395,782,301 |
| Business Risk Insurance | 184,251,438 | 225,148,228 |
| Credit and Financial risk Insurance | - | 75,209,848 |
| Hull and owner's liability Insurance | 1,389,240,700 | 1,930,446,167 |
| Aviation Insurance | 500,982,910 | 130,674,745 |
| Others | 48,056,913 | 496,999,070 |
| | **35,540,982,841** | **36,620,218,571** |

### *18.2 Reinsurance premiums ceded*

| *Product category* | *For the period from 1 January 2010 to 30 September 2010 VND* | *For the year ended 31 December 2009 VND* |
|---|---|---|
| Health Insurance and Personal Accident Insurance | 151,863,436 | 179,573,983 |
| Property and Damages Insurance | 72,537,286,245 | 101,123,855,783 |
| Cargo Insurance | 16,195,927,659 | 14,927,154,032 |
| Automobile Insurance | 2,656,122,876 | 45,287,741,213 |
| Fire Insurance | 15,626,386,605 | 22,622,593,876 |
| Liability Insurance | 4,814,545,128 | 1,589,724,936 |
| Business Risk Insurance | 891,583,488 | 791,510,623 |
| Hull and owner's liability Insurance | 31,880,525,377 | 33,996,696,082 |
| Aviation Insurance | 447,646,913 | 554,329,926 |
| Others | 492,398,831 | 298,212,150 |
| | **145,694,286,558** | **221,371,392,604** |

## 19. ADMINISTRATION EXPENSES

| | *For the period from 1 January 2010 to 30 September 2010 VND* | *For the year ended 31 December 2009 VND* |
|---|---|---|
| Salaries | 37,354,348,508 | 24,522,832,772 |
| Depreciation expenses | 2,609,575,781 | 3,013,225,775 |
| Out-sourcing expenses | 28,984,796,104 | 26,187,311,069 |
| Other expenses | 20,041,985,185 | 12,843,191,643 |
| | **88,990,705,578** | **66,566,561,259** |

## 20. OTHER INCOMES AND EXPENSES

| | *For the period from 1 January 2010 to 30 September 2010 VND* | *For the year ended 31 December 2009 VND* |
|---|---|---|
| Other income | 1,825,533,956 | 1,120,311,418 |
| Other expenses | (515,570,945) | (4,311,452,550) |
| **Net other profit/(loss)** | **1,309,963,011** | **(3,191,141,132)** |

## 21. EMPLOYEE REMUNERATION

| *ITEMS* | *For the period from 1 January 2010 to 30 September 2010 VND* | *For the year ended 31 December 2009 VND* |
|---|---|---|
| I. TOTAL NUMBER OF EMPLOYEES | 489 | 422 |
| II. EMPLOYEES' INCOME | | |
| 1. Total salaries paid during the period | 37,354,348,508 | 24,522,832,772 |
| 2. Bonus and additional income paid during the period | 11,227,700,000 | 24,586,971,696 |
| 3. Total remuneration | 48,582,048,508 | 49,109,804,468 |
| 4. Average monthly salaries | 8,487,696 | 4,842,582 |
| 5. Average monthly remuneration | 11,038,866 | 9,697,829 |

## 22. CORPORATE INCOME TAX

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

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* | *For the period from 1 January 2010 to 30 September 2010 VND* | *For the year ended 31 December 2009 VND* |
|---|---|---|
| Current Corporate Income Tax | 404,333,425 | 2,671,681,630 |
| Deferred Corporate Income Tax | - | - |
| **Corporate Income Tax Expense** | **404,333,425** | **2,671,681,630** |

## 22. CORPORATE INCOME TAX (continued)

### 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* | *For the period from 1 January 2010 to 30 September 2010 VND* | *For the year ended 31 December 2009 VND* |
|---|---|---|
| **Net accounting profit/(loss) before tax** | **5,434,367,497** | **80,679,799,733** |
| **Adjustments to increase/(decrease) accounting profit** | **(3,817,033,796)** | **(5,902,573,693)** |
| Adjustments to increase | 1,869,818,404 | 580,586,000 |
| Loss on foreign exchange revaluation | 1,869,818,404 | - |
| Non-deductible expenses | - | 580,586,000 |
| Adjustments to decrease | (5,686,852,200) | (6,483,159,693) |
| Dividend income not subject to CIT | (5,686,852,200) | (3,847,138,900) |
| Non-taxable income | - | (2,636,020,793) |
| **Adjusted net profit before loss carry forward and tax** | **1,617,333,701** | **74,777,226,040** |
| Tax losses carried forward | | (64,342,073,520) |
| **Estimated current taxable profit** | **1,617,333,701** | **10,435,152,520** |
| Estimated Current Corporate Income Tax expense | 404,333,425 | 2,608,788,130 |
| Tax increase due to impact of change in tax rate | - | 62,893,500 |
| **Total estimated Current Enterprise Income Tax expense** | **404,333,425** | **2,671,681,630** |
| Corporate income Tax (receivables)/payables at beginning of the year | 2,084,675,630 | (5,030,884,937) |
| Corporate income Tax refunded/(paid) during the year | (10,523,254,433) | 4,443,878,937 |
| **Corporate income Tax (receivables)/payable at the end of the year** | **(8,034,245,378)** | **2,084,675,630** |

## 23. COMMITMENTS AND CONTINGENCIES

### Operating expenses commitments

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

| *ITEMS* | *For the period from 1 January 2010 to 30 September 2010 VND* |
|---|---|
| Commitments for the leases of offices in Ho Chi Minh Branch | 4,066,528,860 |
| | **4,066,528,860** |
| *In which:* | |
| From 2-5 years | 4,066,528,860 |

*Foreign Contractor Tax ("FCT")*

The Company has not provided for the potential foreign contractor withholding taxes from the offshore payments of reinsurance premiums ceded to overseas reinsurers from countries without Double Tax Treaty with Vietnam for the period from 1 Jan 2005 to 31 December 2008. The potential tax risks relating to these issues are VND1.6 billions for foreign contractor withholding tax.

From year 2009 up to date, the Company has sufficiently made provision for potential tax obligation relating to reinsurance premium ceded to overseas reinsurer.

## 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 | Decrease in current accounts | (9,773,327,901) |
| | | Decrease in term deposit | (638,500,000,000) |
| | | Trusted interest expense | 108,537,625,262 |
| | | Gross written premium | 47,546,268,943 |
| BIDV Leasing Company | Fellow subsidiary | Decrease in Term deposit | (2,000,000,000) |
| | | Gross written premium | 496,060,515 |
| BIDV Securities Company | Fellow subsidiary | Increase in margin deposit for securities trading | 284,097,434 |
| | | Gross written premium | 30,595,000 |
| Lao Viet Insurance Company | Joint-venture | Assumed RI premium | 13,572,913,696 |
| | | Outward RI | 213,420,267 |

## 24. TRANSACTIONS WITH RELATED PARTIES (continued)

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 | 8,380,548,181 | - |
| | | Term deposit | 115,000,000,000 | - |
| | | Trusted investment payables | - | 1,828,000,000,000 |
| | | Trusted investment interest payables | - | 11,816,477,779 |
| | | Trusted investment receivables | 30,600,000,000 | - |
| | | Premium receivables | 708,578,965 | - |
| BIDV Leasing Company | Fellow subsidiary | Term deposit | 5,000,000,000 | - |
| | | Premium receivables | 629,931,208 | - |
| BIDV Securities Company | Fellow subsidiary | Current account | 446,238,157 | - |
| | | Premium receivables | 3,057,881 | - |
| | | **Total** | **160,768,354,392** | **1,839,816,477,779** |

*Remuneration to members of Board of Directors*

| | *For the period from 1 January 2010 to 30 September 2010 VND* | *For the year ended 31 December 2009 VND* |
|---|---|---|
| Salaries and bonus | 1,712,419,811 | 1,747,272,000 |
| Other benefits | 42,750,000 | 57,000,000 |
| | **1,755,169,811** | **1,804,272,000** |

## 25. APPROVAL FOR ISSUANCE

The financial statements as at 30 September 2010 and for the period then ended were authorised for issuance by the General Director on 30 October 2010.

Mr Kieu Xuan Tuyen
Director of Financial and Accounting Division

Mr Pham Quang Tung
General Director

30 October 2010