

VIETNAMESE INSURANCE MARKET REPORT



Hanoi, December-2016

I. VIETNAMESE INSURANCE MARKET

1. General information about Vietnamese insurance market

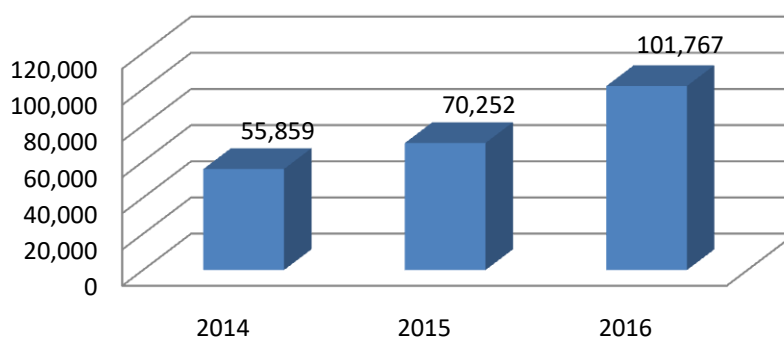
a. Number of insurance companies

According to Association of Vietnam Insurers (AVI), recently there are 61 insurers in Vietnam's insurance market, therein 29 non-life insurance companies, 17 life insurance companies, 2 reinsurance companies, 1 foreign life insurance branch and 12 insurance brokers.

It is estimated that within the next 5 years, there will be more 26 new insurers entering into Vietnamese market, including 10 non-life insurance companies, 9 life insurance companies, 2 reinsurance companies and 5 insurance brokers.

b. Insurance annual revenue

TOTAL INSURANCE ANNUAL REVENUE 2014-2016



(Source: Association of Vietnam Insurers)

(Unit: billion VND)

In the period from 2011 to 2015, the average growth rate of Vietnamese insurance market was 16%, of which life insurance increased by 24.6% and non-life insurance raised 11.7%.

According to the figures from Bureau of Insurance Supervisory Management, total revenue of Vietnam's insurance market in 2016 has overcome 100,000 billion VND (estimated at 101,767 billion VND). Therein total insurance premium reached 86,049 billion VND, an increase of 22.7% compared with last year.

Total revenue of insurance market accounted for 2% GDP of Vietnam. Insurance sector set a goal reaching a rate of 3-4% of Vietnam's GDP in the next 5 years.

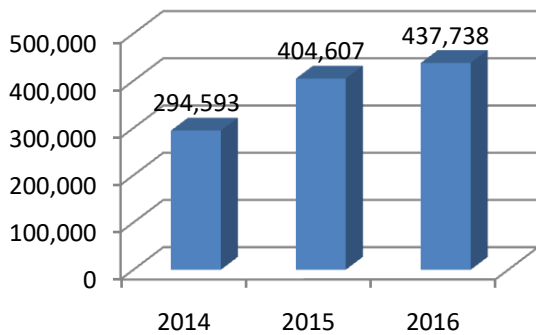
c. Insurance products

Until the end of 2015, Vietnamese insurance market had total 1,189 insurance products, which more and more meet the diverse needs of organizations and individuals, contribute to stabilize the economy and ensure the social security.

Therein, motor vehicle insurance accounted for the largest share of revenue with 30.08%, followed by health insurance accounted for 23.85%, property insurance and damage insurance was 18.46%.

d. Insurance agents

TOTAL INSURANCE AGENTS IN VIETNAMESE MARKET 6/2016

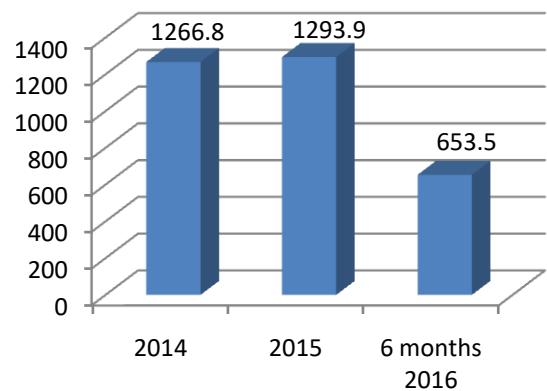


Until the end of June 2016, total insurance agents increased by 29.5% compared with same period last year to 437,738 agents. Prudential took the lead with 181,808 agents, followed by Bao Viet life with 94,129 agents and Dai-ichi Life with 53,811 agents.

e. The number of new insurance contracts

The number of new insurance contracts is increasing annually over 1 million. In the first 6 months of 2016, total new insurance contracts raised up 13% against same period last year to 653,458 contracts.

TOTAL INSURANCE CONTRACTS 6/2016



f. Total asset of insurance companies

Total asset of insurance companies reached more than 193,000 billion VND, therein owner's equity was 45,000 billion VND.

According to the figures from Bureau of Insurance Supervisory Management, total asset of insurance market in the early of 2016 was 193,158 billion VND. In which the asset of non-life insurance companies was 61,499 billion VND and the asset of life insurance companies accounted for 131,659 billion VND.

Total owner's equity of insurance market was estimated at 44,849 billion USD. Therein the owner's equity of non-life insurance and life insurance companies reached 21,533 billion VND and 23,316 billion VND respectively.

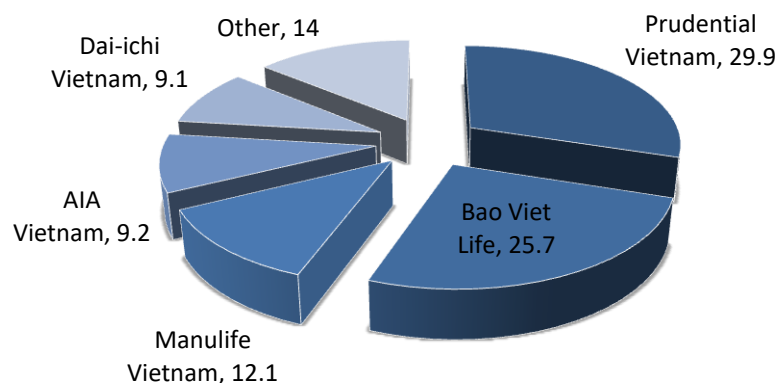
2. Life insurance and non-life insurance market in Vietnam

a. Life insurance market

Life insurance is assessed to be one of the highest growth sectors in Vietnamese economy. Only the 5 biggest insurance companies hold 86% of the market share.

Prudential Vietnam leads the Vietnamese life insurance market with 29.9% of the market share, followed by Bao Viet Life with 25.7% and Manulife with 12.1%, AIA Vietnam 9.2%, Dai-ichi Vietnam 9.1%, ACE Life Vietnam (now is Chubb Life Vietnam) 4.4% and PVI Sun Life 2.3%. The other companies are sharing only 7% of market share.

VIETNAMESE LIFE INSURANCE MARKET SHARE IN 2015

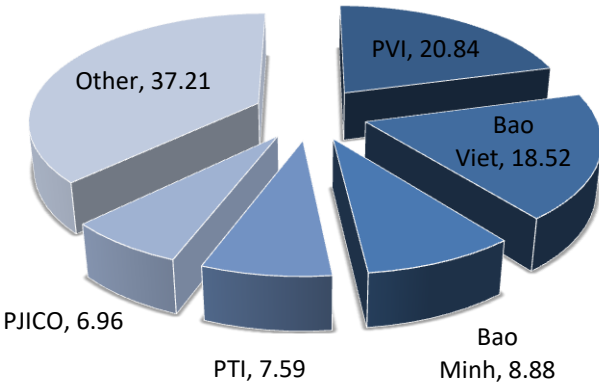


(Source: Association of Vietnam Insurers)

Nineteen life insurers have been competing fiercely in this field. However, there seems to be no room for domestic companies. According to Vietnam Report’s assessment, in the 5 biggest life insurance companies, there are 4 foreign companies and only one domestic company is Bao Viet Life. However, this company also has strategic shareholder which is Sumitomo Life from Japan.

b. Non-life insurance market

VIETNAMESE LIFE INSURANCE MARKET SHARE IN 2015



(Source: Association of Vietnam Insurers)

Conversely, domestic companies hold almost non-life insurance market share. According to Bureau of Insurance Supervisory Management, until the end 2015, the 5 biggest non-life insurance companies hold more than 62.79% of market share, other 24 companies and 1 agent only account for 37.21% market share. PVI Insurance took the lead with 20.84% of the market share, followed by Bao Viet Insurance with 18.52%, Bao Minh 8.88%, PTI Insurance with 7.59% and PJICO Insurance 6.96%.

II. POTENTIAL OF VIETNAMESE INSURANCE MARKET AND ORIENTATION FOR FOREIGN BUSINESS

1.Potential of Vietnamese insurance market

In Vietnam, insurance sector contributes less than 2% GDP. Meanwhile, insurance’s proportion in Indonesia is more than 2.6% and accounts more than 11-14% in Korea and Singapore. Vietnamese management agencies are attempting to

complete the legal framework for insurance business, so the market size will increase rapidly in the near future and contribute much more to the economy. Vietnam has a developing economy and young population, however the proportion of people participating in insurance is still low at only 6-7% among more than 90 million people. Thus, Vietnamese market is very potential and has a lot of chances to develop insurance sector in the next 10 years.

In recent years, Vietnam participated in free trade agreements (FTA) and bilateral trade agreements. Accordingly, insurance demand also increases when foreigners come to Vietnam to work and more foreign enterprises invest into Vietnamese market to take advantage of preferential policies. Vietnam will open its insurance market, call for investment from international enterprises, diversify insurance products, thereby helping Vietnamese market more competitive and providing services with higher quality to customers.

Moreover, the management of insurance business will be strengthened in the near future by amending and supplementing Decrees instead of the Decrees guiding the implementation of the insurance business law; handing insurance fraud acts... Recently, the Decree 73/2016/NĐ-CP of Vietnam Government prescribes the detailed implementation of Insurance business as well as the amendment law for some articles in Insurance business law coming to effect on 1st July 2016. This Decree will support for insurance business activities of insurance companies in Vietnam. It is required that insurance companies to comply with law, improve administration and operation capability, thereby improve better competitiveness.

In the recent years, Vietnam is valued as a potential market for life insurance sector. However, almost Vietnamese people are still afraid or find it unnecessary to buy insurance because they don't have a right understanding about the importance to participate in this kind of insurance. However, if insurers successfully exploit new segments, the life insurance market will have many opportunities to develop in Vietnam.

In the next 5 years, insurance companies will focus on promoting financial capability, managing, researching and developing new products beside traditional products (such as motor vehicle insurance, property insurance, fire insurance...); the market also develops information technology system, diversify products and

expand distribution channels through bank, e-commercial, telemarketing to decrease expense and increase profit.

Recently bancassurance only contributes a modest part in total insurance market turnover (about 2%). However, specialists in insurance sector believe that this channel has a great growing potential thanks to the efficiency in insurance product distribution. Apart from insurers having bank's capacity, non-life insurers are boosting to develop this new distribution channel such as Bao Viet insurance (cooperate with HSBC, Techcombank), PVI (Ocean Bank, Techcombank) or PJICO (Vietcombank). In life insurance sector, main companies as Prudential, Manulife, Bao Viet life,... are also planning to develop through this channel.

2.Orientation for foreign insurance businesses

The first thing foreign insurance enterprises need to do when doing business in Vietnam is identifying the target customer segments. Then insurers must expand distribution channels concentrating in large cities and key economic regions such as Hanoi, Ho Chi Minh city,...as well as expand regional branches around the country. Especially to enhance the competitive advantages as well as decrease competitors, foreign enterprises need to improve partnerships with local businesses having distribution network and occupied a certain market share. There are some joint ventures between foreign enterprises with domestic enterprises such as Bao Viet and Tokyo Marian and Fire Insurance; Bao Minh with Mitsui Insurance Company, Sampo Japan Insurance Inc...

In addition, foreign insurance enterprises with strong financial support from their parent companies to dominate the market by marketing, advertising strategy as well as offering a variety of products at low price; implementing many preferential strategies with lower price, accepting loss in the long term. Moreover, foreign insurance enterprises must improve the quality of human resource as well as information technology to be able to survive and develop in Vietnamese insurance market.

Appendix: DECREE No 73/2016/NĐ-CP

The Government has issued Decree No 73/2016/NĐ-CP on July 1, 2016 detailing the implementation of the Law on Insurance Business. The Decree regulates the establishment and operation of life insurance, non-life insurance, health insurance, reinsurance enterprises and foreign insurer branches.

a.Licensing for insurance enterprises, foreign branches and insurance broker enterprises

To establish and operate an insurance enterprise, foreign branch or insurance broker enterprise, an investor must use their capital contribution in cash and not be financed by other organizations or individuals. Additionally, investors that are organizations contributing 10% or more of the charter capital are required to have conducted a profitable business for three consecutive years before the year of license submission, and to have not incurred cumulative losses prior to the submission.

b.Specific requirements for the establishment of insurance enterprises

To establish an insurance enterprise in Vietnam, a foreign organization must operate the business intending to engage in Vietnam for at least ten years, and have total assets of at least US\$2 billion in the year before the year of license submission.

For Vietnamese organizations, the investor must have total assets of at least VNĐ2 trillion in the year before the year of license submission. In the case where an insurance joint stock enterprise is established, there must be at least two founding shareholders being organizations together holding at least 20per cent of the shares in the incorporated company.

c.Specific requirements for the establishment of insurance broker enterprises

In the case of the establishment of an insurance broker enterprise, a foreign organization must have operated an insurance brokerage business for at least ten years. Additionally, it must not have seriously violated any insurance brokerage provisions in its country for three consecutive years before the year of license submission.

d.Legal capital required for insurance business companies

The legal capital must be within the required range:

- VNĐ300 - 400 billion for non-life insurance enterprises
- VNĐ600 - 1,000 billion for life insurance enterprises
- VNĐ300 billion for health insurance enterprises
- VNĐ200 - 300 billion for foreign branches
- VNĐ400 - 1,100 billion for reinsurance enterprises
- VNĐ4 - 8 billion for insurance broker enterprises.

e. Insurance business enterprises' M&A

Once an insurance business enterprise conducts M&A activities, it must obtain approval from the Ministry of Finance (MOF) except for assignments of less than 10% of charter capital. The MOF must approve applications within 30 days of receiving an eligible dossier.

f. Technical reserves and mandatory reserves

Technical reserves: An insurance business enterprise must set up technical reserves for each line of insurance or insurance contract respective to its liabilities. Subject to the type of insurance business enterprise, reserves comprise of reserves for unearned premiums, claim reserves, claim reserves for large loss fluctuations, profit sharing reserves, interest rate commitment reserves and others.

Compulsory reserve: An insurance enterprise, insurance broker enterprise or foreign branch must extract 5% of its annual net profit to establish a compulsory reserve with the cap being 10% of the enterprise charter capital or the foreign branch allocated capital.

g. Cross-border insurance services

To provide cross-border insurance services in Vietnam, a foreign insurance enterprise must have total assets of at least US\$2 billion, and an insurance broker enterprise must have total assets of at least \$100 million in the fiscal year before the year that the cross-border insurance services are provided.

h. Funds for insured protection

An insurance enterprise or foreign branch (except for reinsurance enterprises) must contribute to a fund for insured protection ("Fund"). The highest contribution must not exceed 0.3% of total premiums from primary insurance contracts retained by the insurance enterprise or the foreign branch in the fiscal year before the year the

contribution is given. The contribution is made until the value of the Fund is equivalent to 5% of the total assets of non-life insurance enterprises, health insurance enterprises and foreign branches, and to 3% of the total assets of a life insurance enterprise.

The Decree takes effect on July 1, 2016 and replaces the Government Decrees No 45/2007/NĐ-CP and its amendments and No 46/2007/NĐ-CP.