

SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE

CORPORATE INFORMATION

Establishment and operation licence

73GP/KDBH dated 26 August 2014.

The first amended Licence for establishment and operation No. 73/GPĐC1/KDBH was issued on 25 June 2015. The Licence for establishment and operation and its subsequent amendments were issued by the Ministry of Finance for a period of 50 years from the initial Licence 73GP/KDBH dated 26 August 2014.

As at the date of the financial statements

Board of Management

Mr. Park You Hong	Director (appointed on 13 March 2020)
Mr. Jeong Beom Soon	Director (resigned on 13 March 2020)
Mr. Jung Youn Ho	Deputy Director

Legal Representative

Mr. Park You Hong	Director (appointed on 13 March 2020)
Mr. Jeong Beom Soon	Director (resigned on 13 March 2020)

Registered office

Unit 901, 9th Floor, East Tower, Hanoi Lotte Center,
54 Lieu Giai street, Cong Vi ward, Ba Dinh district, Hanoi, Vietnam

Auditor

Branch of PwC (Vietnam) Limited in Hanoi

SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE

STATEMENT OF RESPONSIBILITY OF THE LEGAL REPRESENTATIVE OF THE BRANCH IN RESPECT OF THE FINANCIAL STATEMENTS

The Legal representative of Seoul Guarantee Insurance Company – Hanoi Branch Office ("the Branch") is responsible for preparing the financial statements which give a true and fair view of the financial position of the Branch as at 31 December 2019, the results of its operations and its cash flows for the year then ended. In preparing these financial statements, the Legal representative is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Branch will continue in business.

The Legal representative is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Branch and which enable financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the financial statements. The Legal representative is also responsible for safeguarding the assets of the Branch and hence for taking reasonable steps for the prevention and detection of fraud or error.

APPROVAL OF THE FINANCIAL STATEMENTS

I hereby approve the accompanying financial statements as set out on pages 6 to 33 which give a true and fair view of the financial position of the Branch as at 31 December 2019 and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and regulations on preparation and presentation of financial statements applicable to insurance companies operating in Vietnam.



Park You-Hong
Legal Representative/Director

Hanoi, SR Vietnam
17 March 2020

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE**

We have audited the accompanying financial statements of Seoul Guarantee Insurance Company – Hanoi Branch Office ("the Branch") which were prepared on 31 December 2019 and approved by the Legal representative on 17 March 2020. The financial statements comprise the balance sheet as at 31 December 2019, the income statement and the cash flow statement for the year then ended and explanatory notes to the financial statements including significant accounting policies, as set out on pages 6 to 33.

Responsibility of the Legal representative

The Legal representative of the Branch is responsible for the preparation and the true and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and regulations on the preparation and presentation of financial statements applicable to insurance companies operating and for such internal control which the Legal representative determines as necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical standards and requirements and plan and perform the audit in order to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Branch's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2019, its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and regulations on preparation and presentation of financial statements applicable to insurance companies operating in Vietnam.

Other matters

The independent auditor's report is prepared in Vietnamese and English. Should there be any conflict between the Vietnamese and English versions, the Vietnamese version shall take precedence.

For and on behalf of Branch of PwC (Vietnam) Limited in Hanoi



Tran Hong Kien
Audit Practising Licence No.
0298-2018-006-1
Authorised signatory

Report reference number: HAN 2336
Hanoi, 17 March 2020



Bui Phuong Hanh
Audit Practising Licence No.
3823-2017-006-1

SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE

FINANCIAL INDICATORS OF THE BUSINESS

		2019	2018 (As previously reported)	2018 (As restated)
1.	Asset and equity structure			
1.1	Asset structure			
	- Current assets / Total assets (%)	93.38	91.91	91.91
	- Non-current assets / Total assets (%)	6.62	8.09	8.09
1.2	Equity structure			
	- Total liabilities / Total resources (%)	6.89	7.92	7.93
	- Owner's equity / Total resources (%)	93.11	92.08	92.07
2.	Liquidity			
2.1	Liquidity ratio (times)	14.50	12.63	12.61
2.2	Current ratio (times)	16.25	13.68	13.67
2.3	Quick ratio (times)	16.19	13.67	13.66
3.	Profitability			
3.1	Profit margins			
	- Net profit before tax / (Net Premium + Commission from Ceded Premium) (%)	81.89	42.65	42.55
	- Net profit after tax / (Net Premium + Commission from Ceded Premium) (%)	65.42	35.47	35.39
3.2	Return on assets			
	- Net profit before tax / Total assets (%)	3.40	2.81	2.80
	- Net profit after tax / Total assets (%)	2.72	2.34	2.33
3.3	Return on equity			
	- Net profit after tax / Owner's equity (%)	2.92	2.54	2.53

The notes on pages 12 to 33 are an integral part of these financial statements.

BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2019 VND	2018 (As restated – Note 28) VND
100	CURRENT ASSETS		656,400,991,952	634,247,481,726
110	Cash and cash equivalents	4	628,693,804,147	633,899,499,611
111	Cash		15,817,126,945	19,983,174,789
112	Cash equivalents		612,876,677,202	613,916,324,822
120	Short-term investments		25,000,000,000	-
121	Investments held to maturity	5(a)	25,000,000,000	-
130	Short-term receivables		2,552,758,904	106,769,880
131	Short-term trade accounts receivable		-	90,706,866
131.1	Insurance receivables		-	90,706,866
135	Other short-term receivables	6(a)	2,552,758,904	16,063,014
150	Other current assets		46,426,636	-
151	Short-term prepaid expenses		46,426,636	-
190	Reinsurance assets		108,002,265	241,212,235
191	Reinsurance assets from unearned premium	12(a)	99,998,718	233,208,688
192	Reinsurance assets from claims reserves	12(a)	8,003,547	8,003,547
200	LONG-TERM ASSETS		46,515,134,375	55,836,385,461
210	Long-term receivables		14,913,135,160	13,641,236,530
218	Other long-term receivables		14,913,135,160	13,641,236,530
218.1	Insurance compulsory deposit	7	12,000,000,000	12,000,000,000
218.2	Other long-term receivables	6(b)	2,913,135,160	1,641,236,530
220	Fixed assets		531,066,798	1,067,246,974
221	Tangible fixed assets	8(a)	492,896,797	1,003,196,974
222	Historical cost		3,070,340,001	3,040,340,001
223	Accumulated depreciation		(2,577,443,204)	(2,037,143,027)
227	Intangible fixed assets	8(b)	38,170,001	64,050,000
228	Historical cost		204,440,000	183,000,000
229	Accumulated amortisation		(166,269,999)	(118,950,000)
250	Long-term investments		30,000,000,000	40,000,000,000
255	Investments held to maturity	5(b)	30,000,000,000	40,000,000,000
260	Other long-term assets		1,070,932,417	1,127,901,957
261	Long-term prepaid expenses		142,376,717	120,086,657
268	Other long-term assets	9	928,555,700	1,007,815,300
270	TOTAL ASSETS		702,916,126,327	690,083,867,187

The notes on pages 12 to 33 are an integral part of these financial statements.

BALANCE SHEET
(CONTINUED)

Code	RESOURCES	Note	As at 31 December	
			2019 VND	2018 (As restated – Note 28) VND
300	LIABILITIES		48,462,237,530	54,719,807,871
310	Short-term liabilities		40,382,971,928	46,407,524,702
312	Short-term trade accounts payable		-	266,518,115
312.1	<i>Payables on insurance policy</i>		-	266,518,115
314	Tax and other payables to the State	10	2,482,136,980	1,090,368,470
315	Short-term accruals		3,795,253	-
319.1	Unearned commission		33,999,564	45,291,390
319	Other short-term payables	11	521,832,920	3,686,809,976
329	Technical reserves		37,341,207,211	41,318,536,751
329.1	<i>Unearned premium reserve for direct insurance</i>	12(a)	31,360,804,249	32,420,820,990
329.2	<i>Gross claims reserves</i>	12(a)	1,471,265,808	5,262,587,219
329.3	<i>Catastrophe reserves</i>	12(b)	4,509,137,154	3,635,128,542
330	Long-term liabilities		8,079,265,602	8,312,283,169
335	Deferred income tax liabilities	13	8,079,265,602	8,278,283,605
338	Unearned revenue		-	33,999,564
400	OWNER'S EQUITY		654,453,888,797	635,364,059,316
410	Capital and reserves		654,453,888,797	635,364,059,316
411	Owner's capital	14,15	600,000,000,000	600,000,000,000
419	Compulsory reserve fund	15	3,481,309,668	2,526,818,194
421	Undistributed earnings	15	50,972,579,129	32,837,241,122
421a	<i>- Undistributed post-tax profits of the previous years</i>		32,837,241,122	17,577,678,530
421b	<i>- Post-tax profit of current year</i>		18,135,338,007	15,259,562,592
440	TOTAL RESOURCES		702,916,126,327	690,083,867,187


Ha Thi Minh Thu
Preparer/ Chief AccountantPark You Hong
Legal Representative/Director
17 March 2020

The notes on pages 12 to 33 are an integral part of these financial statements.

INCOME STATEMENT (CONTINUED)

PART II – OPERATIONAL INCOME STATEMENT

Code		Note	Year ended 31 December	
			2019 VND	2018 (As restated – Note 28) VND
01	Insurance premium income	17	30,193,637,141	27,709,775,409
	In which:			
01.1	- Direct written premiums		29,133,620,400	45,375,282,600
01.3	- Decrease/(increase) in direct and assumed unearned premium reserves		1,060,016,741	(17,665,507,191)
02	Reinsurance premiums ceded		(133,209,970)	(33,576,212)
	In which:			
02.1	- Reinsurance premiums ceded		-	(266,784,900)
02.2	- (Decrease)/increase in ceded premium reserves		(133,209,970)	233,208,688
03	Net insurance premium income		30,060,427,171	27,676,199,197
04	Commission income and other insurance income		45,291,390	11,415,912
	In which:			
04.1	- Commission from reinsurance premiums ceded		45,291,390	11,415,912
10	Net income from insurance business		30,105,718,561	27,687,615,109
11	Claim expenses	18	1,767,095,304	(5,841,832,552)
	In which:			
11.1	- Gross claim expenses		(5,184,058,211)	(7,612,229,763)
11.2	- Deductions		6,951,153,515	1,770,397,211
13	Decrease/(increase) in direct and assumed claims reserves	12(a)	3,791,321,411	(3,279,685,060)
14	Increase in ceded claims reserves	12(a)	-	8,003,547
15	Total claim expenses		5,558,416,715	(9,113,514,065)
16	Increase in catastrophe reserves	12(b)	(874,008,612)	(1,353,254,931)
17	Other insurance expenses		(873,520,832)	(879,947,473)
17.2	Other insurance expenses	19	(873,520,832)	(879,947,473)
18	Total insurance income/(expenses)		3,810,887,271	(11,346,716,469)
19	Gross insurance profit		33,916,605,832	16,340,898,640

The notes on pages 12 to 33 are an integral part of these financial statements.

INCOME STATEMENT (CONTINUED)

PART II – OPERATIONAL INCOME STATEMENT (CONTINUED)

Code		Note	Year ended 31 December	
			2019 VND	2018 (As restated – Note 28) VND
23	Financial income	20	4,333,664,007	15,273,504,024
24	Financial expenses	21	(1,040,835,678)	(4,721,324)
25	Net profit from financial activities		3,292,828,329	15,268,782,700
26	General and administrative expenses	22	(13,398,925,217)	(12,297,712,283)
30	Net operating profit		23,810,508,944	19,311,969,057
31	Other income		92,163,138	-
32	Other expenses		(7,555,753)	-
40	Other income		84,607,385	-
50	Net accounting profit before tax		23,895,116,329	19,311,969,057
51	Business income tax ("BIT") – current	23	(5,004,304,851)	(766,785,433)
52	BIT – deferred	23	199,018,003	(2,482,486,159)
60	Net accounting profit after tax		19,089,829,481	16,062,697,465



Ha Thi Minh Thu
Preparer/ Chief Accountant



Park You Heng
Legal Representative/Director
17 March 2020

The notes on pages 12 to 33 are an integral part of these financial statements.

CASH FLOW STATEMENT
(Indirect method)

		Year ended 31 December	
		2019 VND	2018 (As restated – Note 28) VND
Code	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
01	Net accounting profit before tax	23,895,116,329	19,311,969,057
Adjustments for:			
02	Depreciation and amortisation	587,620,176	584,108,792
03	Changes in technical reserves	(3,844,119,570)	22,057,234,947
04	Net loss/(gain) from foreign currency translation at year end	1,040,381,407	(12,491,721,750)
05	Profit from investing activities	(4,333,459,948)	(1,657,299,544)
08	Operating gain before changes in working capital	17,345,538,394	27,804,291,502
09	Decrease/(increase) in receivables	169,966,466	(88,694,653)
11	(Decrease)/increase in payables	(3,501,812,198)	3,691,591,743
12	(Increase)/decrease in prepaid expenses	(68,716,696)	17,798,691
15	BIT paid	(3,583,715,451)	-
20	Net cash inflows from operating activities	10,361,260,515	31,424,987,283
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets	(51,440,000)	(158,660,000)
23	Short-term deposit at banks	(15,000,000,000)	(23,000,000,000)
27	Interest received	524,865,428	1,632,963,889
30	Net cash outflows from investing activities	(14,526,574,572)	(21,525,696,111)
50	Net (decrease)/increase in cash and cash equivalents	(4,165,314,057)	9,899,291,172
60	Cash and cash equivalents at beginning of year	633,899,499,611	611,508,486,689
61	Effect of foreign exchange differences	(1,040,381,407)	12,491,721,750
70	Cash and cash equivalents at end of year	628,693,804,147	633,899,499,611


Ha Thi Minh Thu
Preparer/ Chief AccountantPark You Hong
Legal Representative/Director
17 March 2020

The notes on pages 12 to 33 are an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****1 GENERAL INFORMATION**

Seoul Guarantee Insurance Company – Hanoi Branch Office ("the Branch") is a foreign general insurance company's branch established in SR Vietnam pursuant to the Licence for establishment and operation licence No. 73GP/KDBH dated 26 August 2014 which was issued by the Ministry of Finance for a period of 50 years from the date of the Licence. It was first amended in accordance with amended Licence No. 73/GPĐC1/KDBH dated 25 June 2015 issued by the Ministry of Finance.

The owner of the Company is Seoul Guarantee Insurance Company, which is incorporated in South Korea. Details of capital contributions are presented in Note 14.

The principal activity of the Branch is to provide general insurance services, including guarantee insurance, reinsurance, financial investments and other business operations that are in line with prevailing laws and regulations.

The normal business cycle of the Branch is within 12 (twelve) months.

As at 31 December 2019, the Branch had 10 employees (as at 31 December 2018: 10 employees).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation of financial statements**

The financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements. The financial statements have been prepared under the historical cost convention.

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

The financial statements in the Vietnamese language are the official statutory financial statements of the Branch. The financial statements in the English language have been translated from the Vietnamese version.

2.2 Fiscal year

The Branch's fiscal year is from 1 January to 31 December.

2.3 Currency

The financial statements are measured and presented in Vietnamese Dong ("VND"). The Branch determines its accounting currency based on the currency which is mainly used in rendering of services, which has a significant impact on selling prices services, which is normally used for list selling prices and receive payments; which is mainly used in purchases of services, which has a significant impact on cost of labor, operating costs and normally used as payments of those costs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.4 Exchange rates**

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are respectively translated at the buying and selling exchange rates at the balance sheet date of the commercial bank where the Branch regularly trades. Foreign currencies deposited in bank at the balance sheet date are translated at the buying exchange rate of the commercial bank where the Branch opens its foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the income statement.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit, demand deposits and other short-term investments with an original maturity of three months or less.

2.6 Investments held-to-maturity

Investments held-to-maturity are investments which the Branch's Legal representative has positive intention and ability to hold until maturity.

Investments held-to-maturity include term deposits. Those investments are initially accounted for at cost. Subsequently, the Legal representative of the Branch reviews all outstanding investments to determine the amount of provision to recognise at the year end.

Provision for diminution in value of investments held-to-maturity is made when there is evidence that the investment is uncollectible in whole or in part.

2.7 Receivables

Receivables represent trade receivables from customers arising from rendering of services or non-trade receivables from others and are stated at cost. Provision for doubtful debts is made for each outstanding amount based on overdue days in payment according to the initial payment commitment (exclusive of the payment rescheduling between parties). Bad debts are written off when identified.

Receivables are classified into long-term and short-term receivables on the balance sheet based on the remaining period from the balance sheet date to the maturity date.

2.8 Fixed assets*Tangible and intangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation or amortisation. Historical cost includes any expenditure that is directly attributable to the acquisition of the fixed assets bringing them to their suitable conditions for their intended use. Expenditure incurred subsequently which has resulted in an increase in the future economic benefits expected to be obtained from the use of fixed assets, can be capitalised as an additional historical cost. Otherwise, they are charged to the income statement when incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Fixed assets (continued)

Depreciation and amortisation

Fixed assets are depreciated and amortised using the straight-line method so as to write off the historical cost of the fixed assets over their estimated useful lives. The estimated useful lives of each asset class are as follows:

Furniture and fittings	5 years
Motor vehicles	6 years
Office equipment	5 years
Software	5 years

Disposals

Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount of the fixed assets and are recognised as income or expense in the income statement.

2.9 Prepaid expenses

Prepaid expenses include short-term and long-term prepayments on the balance sheet. Prepaid expenses are recorded at historical cost and allocated on the straight-line basis over their estimated useful lives.

2.10 Payables

Classifications of payables are based on their nature as follows:

- Insurance payables are trade payables arising from insurance transactions;
- Other trade accounts payables are trade payables arising from purchase of goods and services other than insurance transactions; and
- Other payables are non-trade payables and payables are not relating to purchases of services.

Payables are classified into long-term and short-term payables on the balance sheet based on remaining period from the balance sheet date to the maturity date.

2.11 Provisions

Provisions are recognised when the Branch has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provision is not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provision will be measured at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a financial expense. Changes in the provision balance during the accounting fiscal year are recorded as an increase or decrease in operating expenses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Technical reserves

Non-life insurers are not allowed to net off reserves of direct and assumed insurance activities with reserves of ceded insurance activities. These reserves have to be presented separately on the balance sheet, in which unearned premium reserves and claims reserves for direct and assumed insurance, catastrophe reserves are disclosed as liabilities; unearned premium reserve and claims reserve for reinsurance ceded are disclosed as reinsurance assets.

Technical reserves are established in accordance with the provisions and instructions of Circular 50/2017/TT-BTC ("Circular 50") issued by the Ministry of Finance on 15 May 2017, the Branch has implemented and submitted the proposal of application/amendment for the technical reserves method to the Insurance Supervisory Authority – the Ministry of Finance. The Branch's technical reserves method was approved by the Ministry of Finance in Official Letter No. 14000/BTC-QLBH ("Official Letter 14000") dated 2 October 2014.

(a) Unearned premium reserves ("UPR")

Unearned premium reserves ("UPR") are made for the portion of premium corresponding with the risks to which the Branch was exposed at the reporting date and accounted as a liability in the balance sheet.

The method for establishing the unearned premium reserves is based upon the period of the insurance and reinsurance contract. UPR is calculated proportionally over the period of coverage using the daily method by using the following formula:

$$\text{Unearned premium reserve} = \frac{\text{Retained premium} \times \text{Number of remaining insured days under insurance contract}}{\text{Number of insured days under insurance contract}}$$

(b) Claims reserves

Claims reserves include Outstanding Loss Reserve ("OSLR") and claims incurred but not reported ("IBNR"), at the balance sheet date, after deduction of estimated recoveries from outward reinsurance.

- OSLR are set up for each loss based on the estimated total claims payable which has been notified or submitted but has not been settled at the balance sheet date.
- IBNR reserves are set up for estimated costs of all claims incurred but not reported at the balance sheet date. The IBNR reserves are provided at three (3) percent of net written premium of the year.

(c) Catastrophe reserves

In accordance with Circular 50 and Official Letter 14000 issued by the Ministry of Finance, the reserves are provided annually at the rate of three (3) percent of net written premiums of the year until the reserves reaches one hundred (100) percent of net written premiums of the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Compulsory reserves fund

Compulsory reserves fund is established in order to supplement the Branch's charter capital and ensure its solvency. In accordance with Decree 73/2016/NĐ-CP issued by the Government of Vietnam on 1 July 2016 ("Decree 73"), the Branch is required to make an annual appropriation to the compulsory reserves fund at five (5) percent of after-tax profit until the fund reaches ten (10) percent of the charter capital.

2.14 Insurance compulsory deposits

In accordance with Decree 73, the Branch has to maintain statutory deposits equivalent to 2% of its legal capital. The statutory deposits earn interest as agreed with the bank at which the deposit account is opened and is withdrawn upon cessation of business operation. The deposits will be used for meeting commitments with the insured only when payment ability is inadequate, and it must be approved by the Ministry of Finance in writing.

2.15 Revenue recognition

(a) Premium income

Revenue comprises gross written premiums excluding Value Added Tax ("VAT").

Insurance premiums are recognised when the Branch incurred insurance obligations for the insured in accordance with Circular 50. Specifically, direct written premiums are recognised as revenue at the point of time when the following conditions are met:

1. The insurance contract has been entered into by the Branch and the insured and the premium has been paid in full; or
2. There is evidence for the insurance contract have been entered into by the Branch and the insured and the premium has been paid in full; or
3. The insurance contract has been entered into by the Branch and the insured; if there is an agreement between the Branch and the insured on premium payment period, it must be specified in the insurance contract, in particular:
 - For one-time payment of premium: the premium payment period may not exceed 30 days from the inception date of the insurance period. The Branch will recognise premium revenue for the insurance contract although the premium has not been paid by the insured.
 - In case of instalment payment: the premium payment period of the first payment term may not exceed 30 days from the beginning date of the insurance contract. The Branch may only recognise premium revenue in accordance with the instalment payment period. Premium paid in advance of the due date is recorded as "Advance premium" on the balance sheet as at the end of the financial statements period.

If the policy holder cannot make full premium payment as agreed in the insurance contract, the insurance contract shall be automatically terminated after contractual premium payment date.

(b) Interest income

Interest income is recognised on an earned basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.16 Premiums ceded**

Premiums ceded are recorded in the income statement as a reduction in gross written premiums to reinsurers. Premiums ceded are amortised into the income statement over the period of coverage.

Outward reinsurance does not relieve the Branch of its liabilities to its insured in the event that any reinsurer is unable to meet its obligations under reinsurance agreements.

2.17 Claim and loss adjusting expenses

Claim and loss adjusting expenses are charged to the income statement as incurred based on the estimated liability for compensation owed to insurance policyholders or third parties damaged by the insurance policyholders. They include allowance for direct and indirect claim settlement costs and arising from events that have occurred up to the balance sheet date.

2.18 Claims to be recovered from reinsurers

Claims incurred are recovered from reinsurers according to terms in the relevant reinsurance agreements.

2.19 Commission income and expenses

Commission income represents fee received and receivable from reinsurers. It is calculated on the basis of reinsurance premiums and accounted for on an accruals basis.

Non-life insurers have to record the details of commission income and expenses incurred in the year for each product category of direct insurance, reinsurance assumed and ceded. At the end of each accounting period, they have to determine the part of insurance commission which is not included in income and expenses of the period corresponding with unearned premium of direct insurance, reinsurance assumed and ceded, and allocate them in subsequent periods.

The actual commission expenses incurred but not included in expenses of the year are recorded in "Deferred commission expenses". The ceded commission income incurred but not included in income of the year is recorded in "Unearned commission income".

2.20 Unearned commission income

Commission income is deferred and recognised as a liability in accordance with the pattern of recognition of reinsurance premiums. Unearned commission income is allocated to the income statement over the terms of the related reinsurance contracts.

2.21 Financial expenses

Financial expenses are expenses incurred in the period for financial activities including expenses or losses incurred when selling foreign currencies, losses from foreign exchange differences.

2.22 Others insurance expenses

Other insurance expenses represent expenses related to insurance activities which mainly include salary expenses of sales staff and agents, management activities, commission expenses, insurance system expenses, advertising expenses, bond holders' protection fund and other expenses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.23 General and administration expenses**

General and administration expenses represent expenses for administrative purposes which mainly include salary expenses of administrative staff; social insurance, medical insurance, trade union fees, unemployment insurance of administrative staff; expenses of office materials, tools and supplies, depreciation of fixed assets used for administration; licence tax; provision for bad debts; outside services and other expenses.

2.24 Current and deferred income tax

Income tax include all income tax which are based on taxable profits including profits generated from production and trading activities in other countries with which the Socialist Republic of Vietnam has not signed any double taxation agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profits at the current year tax rates. Current and deferred tax should be recognised as an income or an expense and included in the profit or loss of the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.25 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Branch, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Branch. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Branch that gives them significant influence over the Branch, key management personnel, including directors of the Branch and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering the related party relationship, the Branch considers the substance of the relationship not merely the legal form.

2.26 Accounting estimates

The preparation of financial statements in conformity with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements requires the Branch's Legal representative to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.26 Accounting estimates (continued)**

The area involving significant estimates and assumptions is estimation of technical reserves (Note 2.12).

Such estimates and assumptions are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Branch and that are believed to be reasonable under the circumstances.

3 RISK MANAGEMENT FRAMEWORK**3.1 Governance framework**

The primary objective of the Branch's risk and financial management framework is to protect the Branch from events that hinder the sustainable achievement of financial performance objectives. The Legal representative recognises the importance of having efficient and effective risk management systems in place.

The Branch has established a risk management function which agreed with clear terms of reference from the Legal representative. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Members to other senior management. A policy framework has been developed and implemented which sets out the risk profiles for the Branch's risk management, control and business conduct standards for the Branch's operations. Each policy has Members' charged with overseeing compliance with the policy throughout the Branch.

3.2 Risk management objectives, policies and processes for management of insurance risk

The primary insurance activity carried out by the Branch is the assumption of risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to guarantee insurance activities that may arise from insurable events. As such the Branch is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Branch also has exposure to market risk through its insurance and investment activities.

The Branch manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or those exceed set limits, risk diversification, pricing guidelines, reinsurance and monitoring of emerging issues.

3.3 Underwriting strategy

The Branch's underwriting strategy seeks diversity to ensure a balanced mix of business portfolio and is based on a large portfolio of similar risks over a number of years and, as such, reduces the variability of the outcome.

3.4 Reinsurance strategy

The Branch reinsures a portion of the insurance risks it underwrites in order to control its exposures to losses and protect its capital, through treaty and facultative reinsurance arrangements. These reinsurance agreements transfer part of the risk and limit the exposure from each insured. The amount of each risk retained depends on the Branch's evaluation of the specific risk, subject in certain circumstances, to maximum limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the Branch remains liable to its beneficiary with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

Ceded reinsurance contains credit risk, and to minimise such risk, only those reinsurers meeting the Branch's credit rating standard, either assessed from public rating information or internally investigations, will be used.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**4 CASH AND CASH EQUIVALENTS**

	2019 VND	2018 VND
Cash on hand	5,389,022	3,170,280
Cash at bank	15,811,737,923	19,980,004,509
Cash equivalents (*)	612,876,677,202	613,916,324,822
	<u>628,693,804,147</u>	<u>633,899,499,611</u>

(*) Cash equivalents included term deposits with an original maturity of 3 months or less, in USD with an interest rate of 0% (2018: 0%) and in VND with an interest rate of 3.5% per annum (2018: 4.1% per annum).

5 INVESTMENTS HELD TO MATURITY

	2019 VND	2018 VND
(a) Short-term		
Investments held to maturity (*)	<u>25,000,000,000</u>	<u>-</u>
(b) Long-term		
Investments held to maturity (**)	<u>30,000,000,000</u>	<u>40,000,000,000</u>

(*) Short-term investments held to maturity represent term deposits at bank in VND with a remaining maturity of 12 months or less and interest rates ranging from 3.5% to 3.8% per annum.

(**) Long-term investments held to maturity represent term deposits at bank in VND with a remaining maturity over 12 months and interest rates ranging from 5.8% to 5.9% per annum (2018: 5.4% to 5.9% per annum).

6 OTHER RECEIVABLES

	2019 VND	2018 VND
(a) Short-term		
Interest receivables	<u>2,552,758,904</u>	<u>16,063,014</u>
(b) Long-term		
Interest receivables	<u>2,913,135,160</u>	<u>1,641,236,530</u>

These are accrued interest from term deposits and statutory deposits at the end of the accounting period.

7 INSURANCE COMPULSORY DEPOSIT

The insurance compulsory deposit is in VND at Shinhan Bank Vietnam Limited earning interest rate from 5.4% to 5.6% per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

8 FIXED ASSETS

(a) Tangible fixed assets

	Furniture and fittings VND	Motor vehicles VND	Office equipment VND	Total VND
Historical cost				
As at 1 January 2019	1,640,727,273	1,269,316,364	130,296,364	3,040,340,001
New purchases	-	-	30,000,000	30,000,000
As at 31 December 2019	1,640,727,273	1,269,316,364	160,296,364	3,070,340,001
Accumulated depreciation				
As at 1 January 2019	(1,272,460,603)	(722,805,151)	(41,877,273)	(2,037,143,027)
Charge for the year	(302,333,338)	(211,552,728)	(26,414,111)	(540,300,177)
As at 31 December 2019	(1,574,793,941)	(934,357,879)	(68,291,384)	(2,577,443,204)
Net book value				
As at 1 January 2019	368,266,670	546,511,213	88,419,091	1,003,196,974
As at 31 December 2019	65,933,332	334,958,485	92,004,980	492,896,797

(b) Intangible fixed assets

	Software VND
Historical cost	
As at 1 January 2019	183,000,000
New purchases	21,440,000
As at 31 December 2019	204,440,000
Accumulated amortisation	
As at 1 January 2019	(118,950,000)
Charge for the year	(47,319,999)
As at 31 December 2019	(166,269,999)
Net book value	
As at 1 January 2019	64,050,000
As at 31 December 2019	38,170,001

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9 OTHER LONG-TERM ASSETS

	2019 VND	2018 VND
Office rental deposit	501,878,400	501,878,400
Housing rental deposits	424,029,640	503,289,240
Office card deposit	2,647,660	2,647,660
	<u>928,555,700</u>	<u>1,007,815,300</u>

10 TAX AND OTHER PAYABLES TO THE STATE

Movements in tax and other payables to the State were as follows:

	As at 1.1.2019 VND	Payable during the year VND	Payment during the year VND	As at 31.12.2019 VND
VAT	288,929,239	2,098,763,657	(2,128,137,868)	259,555,028
BIT	766,785,433	5,004,304,851	(3,583,715,451)	2,187,374,833
Foreign contractors' withholding tax	266,785	-	(266,785)	-
Personal income tax	34,387,013	464,371,684	(463,551,578)	35,207,119
	<u>1,090,368,470</u>	<u>7,567,440,192</u>	<u>(6,175,671,682)</u>	<u>2,482,136,980</u>

11 OTHER SHORT-TERM PAYABLES

	2019 VND	2018 VND
Claim payables awaiting for resolution (*)	-	3,481,000,000
Other payables	521,832,920	205,809,976
	<u>521,832,920</u>	<u>3,686,809,976</u>

(*) These are payments relating to the claim expense incurred by the Branch where the claim filings have not been settled as at the date of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

12 TECHNICAL RESERVES

(a) Claim reserves and unearned premium reserves

	2019			2018		
	Direct premium VND	Premiums ceded VND	Net amount VND	Direct premium VND	Premiums ceded VND	Net amount VND
1. Claim reserves	1,471,265,808	(8,003,547)	1,463,262,261	5,262,587,219	(8,003,547)	5,254,583,672
In which:						
- Outstanding claim reserves	597,257,196	-	597,257,196	3,901,328,741	-	3,901,328,741
- /BNR	874,008,612	(8,003,547)	866,005,065	1,361,258,478	(8,003,547)	1,353,254,931
2. Unearned premium reserves	31,360,804,249	(99,998,718)	31,260,805,531	32,420,820,990	(233,208,688)	32,187,612,302
	32,832,070,057	(108,002,265)	32,724,067,792	37,683,408,209	(241,212,235)	37,442,195,974

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

12 TECHNICAL RESERVES (CONTINUED)

(a) Claim reserves and unearned premium reserves (continued)

Movement of technical reserves during the year were as follows:

	2019			2018		
	Direct premium VND	Premiums ceded VND	Net amount VND	Direct premium VND	Premiums ceded VND	Net amount VND
1. Claim reserves						
At 1 January	5,262,587,219	(8,003,547)	5,254,583,672	1,982,902,159	-	1,982,902,159
Movement during the year	(3,791,321,411)	-	(3,791,321,411)	3,279,685,060	(8,003,547)	3,271,681,513
At 31 December	1,471,265,808	(8,003,547)	1,463,262,261	5,262,587,219	(8,003,547)	5,254,583,672
2. Unearned premium reserves						
At 1 January	32,420,820,990	(233,208,688)	32,187,612,302	14,755,313,799	-	14,755,313,799
Movement during the year	(1,060,016,741)	133,209,970	(926,806,771)	17,665,507,191	(233,208,688)	17,432,298,503
At 31 December	31,360,804,249	(99,998,718)	31,260,805,531	32,420,820,990	(233,208,688)	32,187,612,302

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

12 TECHNICAL RESERVES (CONTINUED)

(b) Catastrophe reserves

	2019 VND	2018 VND
At 1 January	3,635,128,542	2,281,873,611
Movement during the year	874,008,612	1,353,254,931
At 31 December	<u>4,509,137,154</u>	<u>3,635,128,542</u>

13 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The details were as follows:

	2019 VND	2018 (As restated- Note 28) VND
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	<u>8,079,265,602</u>	<u>8,278,283,605</u>

Movements in the deferred income tax, taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

	2019 VND	2018 (As restated- Note 28) VND
Beginning of the year	8,278,283,605	5,795,797,446
(Credit)/charged to the income statement (Note 23)	(199,018,003)	2,482,486,159
End of year	<u>8,079,265,602</u>	<u>8,278,283,605</u>

Details of deferred tax liabilities

	2019 VND	2018 (As restated- Note 28) VND
Taxable temporary differences	<u>40,396,328,010</u>	<u>41,391,418,025</u>

The Branch uses tax rate of 20% in year 2019 (2018: 20%) for determining deferred tax liabilities.

14 CHARTER CAPITAL

The Branch's authorised legal capital of VND 600,000,000,000 has been fully contributed by Seoul Guarantee Insurance Company, which is incorporated in South Korea.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

15 MOVEMENTS IN OWNER'S EQUITY

	Owner's capital VND	Compulsory reserve fund VND	Undistributed earnings VND	Total VND
At 1 January 2018	600,000,000,000	1,723,683,321	17,577,678,530	619,301,361,851
<i>Net profit for the year (As previously reported)</i>	-	-	16,126,130,228	16,126,130,228
<i>Adjustments</i>	-	-	(63,432,763)	(63,432,763)
Net profit for the year (As restated - Note 28)	-	-	16,062,697,465	16,062,697,465
<i>Appropriation to reserve (As previously reported)</i>	-	806,306,511	(806,306,511)	-
<i>Adjustments</i>	-	(3,171,638)	3,171,638	-
Appropriation to reserve (As restated - Note 28)	-	803,134,873	(803,134,873)	-
At 31 December 2018 (As restated – Note 28)	600,000,000,000	2,526,818,194	32,837,241,122	635,364,059,316
<i>Net profit for the year</i>	-	-	19,089,829,481	19,089,829,481
<i>Appropriation to reserve</i>	-	954,491,474	(954,491,474)	-
At 31 December 2019	600,000,000,000	3,481,309,668	50,972,579,129	654,453,888,797

16 OFF BALANCE SHEET ITEMS

(a) Foreign currencies

	2019	2018
United States Dollars ("USD")	26,032,917.86	26,042,167.48

(b) Operating lease assets

The future minimum lease payments under non-cancellable operating leases are VND 6,189,736,500 and VND 3,418,549,189 as of 31 December 2019 and 31 December 2018, respectively (Note 27).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

17 INSURANCE PREMIUM INCOME

	2019 VND	2018 VND
Direct written premium	29,800,440,600	45,797,888,500
- <i>Advance payment bonds</i>	5,354,119,500	5,161,352,600
- <i>Bid bonds</i>	2,000,000	4,273,500
- <i>Maintenance bonds</i>	7,696,397,500	12,485,898,000
- <i>Performance bonds</i>	7,188,251,300	13,626,298,800
- <i>Personal loan bonds</i>	9,559,672,300	14,520,065,600
Premium deductions	(666,820,200)	(422,605,900)
	<u>29,133,620,400</u>	<u>45,375,282,600</u>
Decrease/(increase) in unearned premium reserves for direct insurance	1,060,016,741	(17,665,507,191)
	<u>30,193,637,141</u>	<u>27,709,775,409</u>

18 CLAIM EXPENSES

	2019 VND	2018 VND
Claim expenses	5,184,058,211	7,612,229,763
- <i>Advance payment bonds</i>	-	4,956,930,223
- <i>Maintenance bonds</i>	1,672,000,000	-
- <i>Performance bonds</i>	-	1,589,000,000
- <i>Personal loan bonds</i>	3,512,058,211	1,066,299,540
Claim deductions	(6,951,153,515)	(1,770,397,211)
	<u>(1,767,095,304)</u>	<u>5,841,832,552</u>

19 OTHER INSURANCE EXPENSES

	2019 VND	2018 VND
Sales promotion expenses	805,858,084	829,460,663
Contribution to beneficiaries protection fund	67,662,748	50,486,810
	<u>873,520,832</u>	<u>879,947,473</u>

20 FINANCIAL INCOME

	2019 VND	2018 VND
Interest income from deposits	4,333,459,948	2,778,367,809
Realised foreign exchange gains	204,059	3,414,465
Unrealised foreign exchange gains	-	12,491,721,750
	<u>4,333,664,007</u>	<u>15,273,504,024</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

21 FINANCIAL EXPENSES

	2019 VND	2018 VND
Unrealised foreign exchange losses	1,040,381,407	-
Realised foreign exchange losses	454,271	4,721,324
	<u>1,040,835,678</u>	<u>4,721,324</u>

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2019 VND	2018 VND
Staff costs	5,082,679,270	4,368,191,330
Office equipment expenses	332,328,736	225,205,746
Depreciation expenses	587,620,176	584,108,792
Rental fee	5,187,822,780	4,956,598,158
Outside services	1,180,001,317	1,450,465,687
Other expenses	1,028,472,938	713,142,570
	<u>13,398,925,217</u>	<u>12,297,712,283</u>

23 BIT

The BIT tax on the Branch's profit before tax differs from the theoretical amount that would arise using the applicable tax rate of 20% as follows:

	2019 VND	2018 (As restated - Note 28) VND
Net accounting profit before tax	23,895,116,329	19,311,969,057
Tax calculated at a rate of 20%	4,779,023,266	3,862,393,811
Effect of:		
- Expenses not deductible for tax purposes	26,263,582	29,542,371
- Utilisation of previous unrecognised tax losses	-	(642,664,590)
BIT charge (*)	<u>4,805,286,848</u>	<u>3,249,271,592</u>
Charged to the income statement:		
- BIT – current	5,004,304,851	766,785,433
- BIT – deferred (Note 13)	(199,018,003)	2,482,486,159
	<u>4,805,286,848</u>	<u>3,249,271,592</u>

(*) The BIT charge for the year is based on estimated taxable income and is subject to review and possible adjustments by the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

24 FINANCIAL RISK MANAGEMENT

The Branch activities expose it to credit risk, liquidity risk and market risk. The Branch's overall risk management strategy seeks to minimise the adverse effect of these risks on the Branch's financial performance.

(a) Credit risk

Credit risk is the risk of financial loss to the Branch if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Branch adopts the policy of dealing with customers of appropriate credit history to mitigate credit risk.

	2019 VND	2018 VND
Current accounts at banks and cash equivalents	628,688,415,125	633,896,329,331
Short-term financial investments	25,000,000,000	-
Long-term financial investments	30,000,000,000	40,000,000,000
Insurance compulsory deposits	12,000,000,000	12,000,000,000
Other receivables	5,465,894,064	1,657,299,544
	<u>701,154,309,189</u>	<u>687,553,628,875</u>

All the bank balances of the Branch are placed with foreign-owned financial institutions which have high credit ratings.

Management does not foresee any significant credit risks from these deposits and insurance compulsory deposits and does not expect that these financial institutions may default and cause losses to the Branch.

(b) Liquidity risk

Liquidity risk is the risk that the Branch will encounter difficulty in meeting obligations associated with financial liabilities. The table below categorises the Branch's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date:

	Book value VND	Within 1 year VND
As at 31 December 2019		
Other short-term payables	95,181,030	95,181,030
Claim reserves	1,471,265,808	1,471,265,808
	<u>1,566,446,838</u>	<u>1,566,446,838</u>
As at 31 December 2018		
Payables on insurance policy	266,518,115	266,518,115
Other short-term payables	161,650,916	161,650,916
Claim reserves	5,262,587,219	5,262,587,219
	<u>5,690,756,250</u>	<u>5,690,756,250</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate according to changes in market prices. The Branch's market risks include currency risk and interest rate risk.

(i) Currency risk

The Branch's business is exposed to foreign currency risk arising from various currency exposures, primarily United States Dollars ("USD").

The Branch's currency exposure to USD is as follows:

	2019 VND	2018 VND
Current accounts at bank in USD	963,067,007	1,178,587,315
Term deposits at bank in USD	599,876,677,202	600,916,324,822
	<u>600,839,744,209</u>	<u>602,094,912,137</u>

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Branch's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Change in USD rate %	Effect on profit before tax VND
For the year ended 31 December 2019	+ 1	4,806,717,954
	- 1	(4,806,717,954)
For the year ended 31 December 2018	+ 1	4,816,759,297
	- 1	(4,816,759,297)

(ii) Interest rate risk

The Branch's exposure to interest rate risk is minimum as the Branch primarily has fixed interest holdings in the investment portfolio.

	2019 VND	2018 VND
Fixed rate instruments		
Current accounts at bank and cash equivalents	628,688,415,125	633,896,329,331
Short-term financial investments	25,000,000,000	-
Statutory deposits	12,000,000,000	12,000,000,000
Long-term financial investments	<u>30,000,000,000</u>	<u>40,000,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

25 INSURANCE RISKS

Statutory capital management

The primary capital management objective of the Branch is to maintain a strong capital base to support the development of its business and to comply with regulatory capital requirements at all times. The Branch recognises the impact on the returns of the level of equity capital employed and seeks to maintain a prudent balance.

Regulatory capital requirements arise from the operation of the Branch require the Branch to hold assets sufficient to cover liabilities and satisfy the solvency margin requirements in Vietnam. The principal solvency requirements that apply to the Branch are those set out in Circular 50.

The solvency ratio of the Branch is calculated based on the relevant regulations promulgated by the Ministry of Finance in Vietnam, which is an indicator of the overall solvency position of the relevant insurance operations.

	The Branch solvency margin	Minimum solvency margin	Unit: VND' million Solvency margin percentage
As at 31 December 2019	651,373	7,283	8,943.30%
As at 31 December 2018 (As previously reported)	632,791	11,277	5,610.30%
As at 31 December 2018 (As restated)	632,728	11,277	5,610.72%

26 RELATED PARTY DISCLOSURES

	2019 VND	2018 VND
Compensation of key management		
Gross salaries and other benefits	1,386,934,000	1,355,082,000

27 COMMITMENTS UNDER OPERATING LEASES

The future minimum lease payments under non-cancellable operating leases were as follows:

	2019 VND	2018 VND
Within one year	3,739,877,000	3,418,549,189
Between one and two years	2,449,859,500	-
Total minimum payments	6,189,736,500	3,418,549,189

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

28 PRIOR YEAR ADJUSTMENTS

Subsequent to the issuance of the Branch's financial statements for the year ended 31 December 2018, the Legal representative of the Branch decided to restate the allocation amount of VND 90,706,866 of commission from reinsurance premium ceded using the straight-line method for a period from 30 September 2018 to 30 September 2020 instead of fully recognised in 2018 as previously reported, to the 2018 financial statements as follows:

Balance sheet (impacted items only)

Code	As at 31.12.2018 (As previously reported) VND	Restatement VND	As at 31.12.2018 (As restated) VND
319.1 Unearned commission	-	45,291,390	45,291,390
335 Deferred income tax liabilities	8,294,141,796	(15,858,191)	8,278,283,605
338 Unearned revenue	-	33,999,564	33,999,564
300 Liabilities	54,656,375,108	63,432,763	54,719,807,871
419 Compulsory reserve fund	2,529,989,832	(3,171,638)	2,526,818,194
421 Undistributed earnings	32,897,502,247	(60,261,125)	32,837,241,122
421b Post-tax profit of current year	15,319,823,717	(60,261,125)	15,259,562,592
440 Total owners' equity	635,427,492,079	(63,432,763)	635,364,059,316

PART I – COMPREHENSIVE INCOME STATEMENT

Comprehensive income statement (impacted items only)

Code	As at 31.12.2018 (As previously reported) VND	Restatement VND	As at 31.12.2018 (As restated) VND
10 Net income from insurance business	27,766,906,063	(79,290,954)	27,687,615,109
52 BIT - deferred	(2,498,344,350)	15,858,191	(2,482,486,159)
60 Net accounting profit after tax	16,126,130,228	(63,432,763)	16,062,697,465

PART II – OPERATIONAL INCOME STATEMENT

Income statement (impacted items only)

Code	As at 31.12.2018 (As previously reported) VND	Restatement VND	As at 31.12.2018 (As restated) VND
04.1 Commission from reinsurance premiums ceded	90,706,866	(79,290,954)	11,415,912
52 BIT-deferred	(2,498,344,350)	15,858,191	(2,482,486,159)
60 Net accounting profit after tax	16,126,130,228	(63,432,763)	16,062,697,465

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

28 PRIOR YEAR ADJUSTMENTS (CONTINUED)

Cash flow statements (impacted items only)

Code		As at 31.12.2018 (As previously Reported) VND	Restatement VND	As at 31.12.2018 (As restated) VND
01	Net accounting profit before tax	19,391,260,011	(79,290,954)	19,311,969,057
11	Increase in payables	3,612,300,789	79,290,954	3,691,591,743

The financial statements were approved by the Legal representative on 17 March 2020.



Ha Thi Minh Thu
Preparer/ Chief Accountant



Park You Hong
Legal Representative/Director