

**SEOUL GUARANTEE INSURANCE COMPANY
– HANOI BRANCH OFFICE**
(Incorporated in the Socialist Republic of Vietnam)

AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2023

SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE

Unit 901, 9th Floor, East Tower, Hanoi Lotte Center,
54 Lieu Giai Street, Cong Vi Ward, Ba Dinh District, Hanoi, Vietnam

TABLE OF CONTENTS

<u>CONTENTS</u>	<u>PAGE(S)</u>
STATEMENT OF THE BOARD OF MANAGEMENT OF THE BRANCH	1
INDEPENDENT AUDITORS' REPORT	2 - 3
BALANCE SHEET	4 - 5
INCOME STATEMENT	6 - 8
CASH FLOW STATEMENT	9
NOTES TO THE FINANCIAL STATEMENTS	10 - 33



SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE

Unit 901, 9th Floor, East Tower, Hanoi Lotte Center,
54 Lieu Giai Street, Cong Vi Ward, Ba Dinh District, Hanoi, Vietnam

STATEMENT OF THE BOARD OF MANAGEMENT OF THE BRANCH

The Board of Management of Seoul Guarantee Insurance Company – Hanoi Branch Office (the “Branch”) presents this report together with the Branch’s financial statements for the year ended 31 December 2023.

THE BOARD OF MANAGEMENT OF THE BRANCH

The members of the Board of Management of the Branch during the year and to the date of this report are as follows:

Board of Management of the Branch

Mr. Kwon Soon Yong	Branch Manager (appointed on 11 September 2023)
Mr. Park You Hong	Branch Manager (resigned on 11 September 2023)
Mr. Hwang Soon Young	Deputy Branch Manager

THE BOARD OF MANAGEMENT’S STATEMENT OF RESPONSIBILITY

The Board of Management of 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 2023, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese accounting standards, accounting regime applicable to insurance enterprises and legal regulations relating to financial reporting. In preparing these financial statements, the Board of Management is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Branch will continue in business; and
- Design and implement an effective internal control system for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds.

The Board of Management of the Branch 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 that the financial statements comply with Vietnamese accounting standards, accounting regime applicable to insurance enterprises and legal regulations relating to financial reporting. The Board of Management is also responsible for safeguarding the assets of the Branch and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of Management confirms that the Branch has complied with the above requirements in preparing these financial statements.

For and on behalf of the board of management of the branch,


Kwon Soon Yong
Branch Manager

Hanoi, 18 March 2024

No.: 0550 /VN1A-HN-BC

INDEPENDENT AUDITORS' REPORT

To: The Owners and The Board of Management 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"), prepared on 18 March 2024 as set out from page 04 to page 33, which comprise the balance sheet as at 31 December 2023, the statement of income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Management's Responsibility for the Financial Statements

The Board of Management of the Branch is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese accounting standards, accounting regime applicable to insurance enterprises and legal regulations relating to financial reporting, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Branch's preparation 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 Board of 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.

INDEPENDENT AUDITORS' REPORT (Continue)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese accounting standards, accounting regime applicable to Vietnamese insurance enterprises and legal regulations relating to financial reporting.



Phạm Tuan Linh
Deputy General Director
Audit Practising Registration Certificate
No. 3001-2024-001-1

DELOITTE VIETNAM AUDIT COMPANY LIMITED

18 March 2024
Hanoi, S.R. Vietnam

Nguyen Khuong Duy
Auditor
Audit Practising Registration Certificate
No. 5063-2020-001-1

Unit 901, 9th Floor, East Tower, Hanoi Lotte Center,
54 Lieu Giai Street, Cong Vi Ward, Ba Dinh District,
Hanoi, S.R. Vietnam

Issued under Circular No.232/2012/TT-BTC
dated 28 December 2012 of the Ministry of Finance

BALANCE SHEET
As at 31 December 2023

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS	100		554,698,355,753	757,303,253,380
I. Cash and cash equivalents	110	5	270,474,011,786	453,294,569,602
1. Cash	111		4,986,055,969	6,940,887,624
2. Cash equivalents	112		265,487,955,817	446,353,681,978
II. Short-term financial investments	120		264,710,000,000	288,200,000,000
1. Held-to-maturity investments	123	6	264,710,000,000	288,200,000,000
III. Short-term receivables	130		19,366,778,466	13,918,051,881
1. Short-term trade receivables	131	7	45,808,742,708	44,506,187,400
Receivables of insurance contracts	131.1		45,808,742,708	44,506,187,400
2. Other short-term receivables	135	8	18,697,991,458	12,019,855,342
3. Provision for short-term doubtful debts	139	7	(45,139,955,700)	(42,607,990,861)
IV. Other short-term assets	150		147,565,501	62,929,126
1. Short-term prepayments	151		56,198,223	62,929,126
2. Value added tax deductibles	152		91,367,278	-
V. Reinsurance assets	190	11	-	1,827,702,771
1. Unearned premium reserve for outward reinsurance	191		-	1,751,413,257
2. Claim reserve for outward reinsurance	192		-	76,289,514
B. NON-CURRENT ASSETS	200		268,327,101,876	24,656,129,352
I. Long-term receivables	210		31,524,214,792	14,372,889,947
1. Other long-term receivables	218		31,524,214,792	14,372,889,947
Insurance deposit	218.1		12,000,000,000	12,000,000,000
Other deposits	218.2		1,078,602,150	898,955,700
Other long-term receivables	218.3	8	18,445,612,642	1,473,934,247
II. Fixed assets	220		138,537,906	176,740,211
1. Tangible fixed assets	221	9	138,537,906	176,740,211
- Cost	222		3,321,608,183	3,288,608,183
- Accumulated depreciation	223		(3,183,070,277)	(3,111,867,972)
2. Intangible assets	227		-	-
- Cost	228		204,440,000	204,440,000
- Accumulated amortisation	229		(204,440,000)	(204,440,000)
III. Long-term financial investments	250		236,571,900,000	10,000,000,000
1. Held-to-maturity investments	255	6	236,571,900,000	10,000,000,000
IV. Other long-term assets	260		92,449,178	106,499,194
1. Long-term prepayments	261		92,449,178	106,499,194
TOTAL ASSETS (270=100+200)	270		823,025,457,629	781,959,382,732

The accompanying notes are an integral part of these financial statements

Unit 901, 9th Floor, East Tower, Hanoi Lotte Center,
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Hanoi, S.R. Vietnam

Issued under Circular No.232/2012/TT-BTC
dated 28 December 2012 of the Ministry of Finance

BALANCE SHEET (Continued)

As at 31 December 2023

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		51,737,039,367	62,174,444,529
I. Current liabilities	310		47,351,802,841	59,883,840,716
1. Taxes and amounts payable to the State budget	314	10	7,355,689,903	1,849,964,602
2. Short-term accrued expenses	316		562,928,000	590,939,219
3. Other current payables	319		179,177,251	168,612,768
4. Unearned commission income	319.1		-	595,480,507
5. Underwriting reserves	329	11	39,254,007,687	56,678,843,620
<i>Unearned premium reserve for direct insurance</i>	329.1		22,114,628,174	27,352,584,158
<i>Claim reserve for direct insurance</i>	329.2		8,920,512,012	22,025,416,621
<i>Catastrophe reserve</i>	329.3		8,218,867,501	7,300,842,841
II. Long-term liabilities	330		4,385,236,526	2,290,603,813
1. Deferred tax liabilities	335	12	4,385,236,526	2,290,603,813
D. EQUITY	400		771,288,418,262	719,784,938,203
I. Owners' equity	410	13	771,288,418,262	719,784,938,203
1. Owners' contributed capital	411		600,000,000,000	600,000,000,000
2. Compulsory reserve fund	419		9,283,296,221	6,708,122,218
3. Retained earnings	421		162,005,122,041	113,076,815,985
- <i>Retained earnings accumulated to the prior year end</i>	421a		113,076,815,985	86,589,115,361
- <i>Retained earnings of the current year</i>	421b		48,928,306,056	26,487,700,624
TOTAL RESOURCES (440=300+400)	440		823,025,457,629	781,959,382,732



Nguyen Thi Van
Preparer



Ha Thi Minh Thu
Chief Accountant



Kwon Sooh Yong
Branch Manager

Hanoi, 18 March 2024

INCOME STATEMENT*For the year ended 31 December 2023**Unit: VND***PART I: GENERAL INCOME STATEMENT**

ITEMS	Codes	Current year	Prior year
1. Net revenue from insurance activities	10	34,682,845,234	35,615,199,911
2. Financial income	12	47,036,548,844	30,215,486,720
3. Other income	13	82,654,693	39,644,675
4. Total expenses for insurance activities	20	(11,042,907,034)	14,239,556,895
5. Financial expenses	22	405,511,809	4,003,097
6. General and administration expenses	23	22,039,681,261	21,599,389,825
7. Other expenses	24	146,053	34,310,326
8. Total accounting profit before tax (50 = 10+12+13-20-22-23-24)	50	70,399,616,682	29,993,071,163
9. Current corporate income tax expense	51	16,801,503,910	2,942,312,453
10. Deferred corporate income tax expense/(income)	52	2,094,632,713	(831,031,421)
11. Net profit after corporate income tax (60 = 50-51-52)	60	51,503,480,059	27,881,790,131

INCOME STATEMENT (Continued)

For the year ended 31 December 2023

Unit: VND

PART II: INCOME STATEMENT BY ACTIVITY

ITEMS	Codes	Notes	Current year	Prior year
1. Insurance premium (01=01.1-01.3)	01	14	35,838,777,984	36,137,636,461
- Direct insurance premium	01.1		30,600,822,000	36,134,291,600
- (Decrease) in unearned premium reserves for direct insurance and inward reinsurance	01.3		(5,237,955,984)	(3,344,861)
2. Outward reinsurance premium (02=02.1-02.2)	02	15	1,751,413,257	791,570,530
- Total outward reinsurance premium	02.1		-	2,542,983,787
- (Decrease)/Increase in unearned premium reserves for outward reinsurance	02.2		(1,751,413,257)	1,751,413,257
3. Net insurance premium (03 = 01 - 02)	03		34,087,364,727	35,346,065,931
4. Commission income from outward reinsurance and other income from insurance activities	04		595,480,507	269,133,980
- Commission income from outward reinsurance	04.1		595,480,507	269,133,980
5. Net revenue from insurance activities (10 = 03 + 04)	10		34,682,845,234	35,615,199,911
6. Claim settlement expenses (11 = 11.1 - 11.2)	11		-	-
- Total claim settlement expenses	11.1		2,698,289,831	15,376,042,704
- Deductions	11.2		(2,698,289,831)	(15,376,042,704)
+ Indemnity recovered during the year			(1,395,734,523)	(12,543,755,581)
+ Indemnity receivables			(1,302,555,308)	(2,832,287,123)
7. Claims receipts from ceded policies	12		-	-
8. (Decrease)/Increase in claim reserves for direct insurance and inward reinsurance	13		(13,104,904,609)	12,190,377,180
9. Increase/(decrease) in claim reserve for outward reinsurance	14		(76,289,514)	76,289,514
10. Total insurance claim settlement expenses (15 = 11 - 12 + 13 - 14)	15	16	(13,028,615,095)	12,114,087,666
11. Increase in catastrophe reserve	16		918,024,660	1,007,739,235
12. Other expenses for insurance activities	17		1,067,683,401	1,117,729,994
- Other expenses for insurance activities	17.2		1,067,683,401	1,117,729,994
13. Total expenses for insurance activities (18 = 15 + 16 + 17)	18		(11,042,907,034)	14,239,556,895
14. Gross profit from insurance activities (19 = 10 - 18)	19		45,725,752,268	21,375,643,016


The accompanying notes are an integral part of these financial statements

INCOME STATEMENT (Continued)
For the year ended 31 December 2023

Unit: VND

PART II: INCOME STATEMENT BY ACTIVITY (Continued)

ITEMS	Codes	Notes	Current year	Prior year
15. Financial income	23	17	47,036,548,844	30,215,486,720
16. Financial expenses	24		405,511,809	4,003,097
17. Gross profit from financial activities (25 = 23-24)	25		46,631,037,035	30,211,483,623
18. General and administration expenses	26	18	22,039,681,261	21,599,389,825
19. Net profit from operating activities (30 = 25 - 26)	30		70,317,108,042	29,987,736,814
20. Other incomes	31		82,654,693	39,644,675
21. Other expenses	32		146,053	34,310,326
22. Other profit (40 = 31 - 32)	40		82,508,640	5,334,349
23. Accounting profit before tax (50 = 30 + 40)	50		70,399,616,682	29,993,071,163
24. Current corporate income tax expense	51	19	16,801,503,910	2,942,312,453
25. Deferred corporate income tax (income)	52		2,094,632,713	(831,031,421)
26. Net profit after corporate income tax (60 = 50 - 51 - 52)	60		51,503,480,059	27,881,790,131



Nguyen Thi Van
Preparer



Ha Thi Minh Thu
Chief Accountant



Kwon Soon Yong
Branch Manager

Hanoi, 18 March 2024

CASH FLOW STATEMENT

(Indirect method)

For the year ended 31 December 2023

Unit: VND

ITEMS	Codes	Current year	Prior year
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	70,399,616,682	29,993,071,163
2. Adjustments for:			
Depreciation and amortisation of fixed assets	02	71,202,305	79,585,632
Provisions	03	(13,065,168,323)	14,472,654,142
Foreign exchange gain arising from translating foreign currency items	04	(6,518,503,645)	(14,272,214,923)
Gains from investing activities	05	(40,511,486,955)	(14,260,190,654)
3. Operating profit before movements in working capital	08	10,375,660,064	16,012,905,360
(Increase) in receivables	09	(1,573,569,036)	(4,378,513,180)
(Decrease)/increase in payables (excluding accrued loan interest and corporate income tax payable)	11	(663,061,975)	610,780,266
Decrease in prepaid expenses	12	20,780,919	284,506,693
Corporate income tax paid	15	(11,245,643,877)	(4,277,893,648)
Net cash (used in)/generated by operating activities	20	(3,085,833,905)	8,251,785,491
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(33,000,000)	(54,000,000)
2. Cash outflow for lending, buying debt instruments of other entities	23	(476,281,900,000)	(87,840,000,000)
3. Cash recovered from lending, selling debt instruments of other entities	24	273,200,000,000	50,000,000,000
4. Interest earned	27	16,861,672,444	32,166,902,574
Net cash used in investing activities	30	(186,253,227,556)	(5,727,097,426)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	40	-	-
Net (decrease)/increase in cash (50=20+30+40)	50	(189,339,061,461)	2,524,688,065
Cash and cash equivalents at the beginning of the year	60	453,294,569,602	436,497,666,614
Effects of changes in foreign exchange rates	61	6,518,503,645	14,272,214,923
Cash and cash equivalents at the end of the year (70=50+60+61)	70	270,474,011,786	453,294,569,602


 Nguyen Thi Van
 Preparer


 Ha Thi Minh Thu
 Chief Accountant


 Kwon Soon Yong
 Branch Manager

Hanoi, 18 March 2024

NOTES TO THE FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

1. GENERAL INFORMATION**Structure of ownership**

Seoul Guarantee Insurance Company – Hanoi Branch Office (the “Branch”) was incorporated in Vietnam under the License for establishment and operation 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 License. It was first amended in accordance with amended License 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 13.

The total number of employees of the Branch as at 31 December 2023 was 16 (as at 31 December 2022: 15).

Business sector

Business sector of the Branch includes insurance services.

Operating industry

- Direct insurance business;
- Reinsurance business
- Investing idle funds in Vietnam in various financial sectors and activities as allowed by the law:
 - Buy government bonds
 - Buy stocks and corporate bonds
 - Real estate business
 - Contribute capital to other businesses
 - Lending according to the provisions of the Law on Credit Institutions
 - Deposit money at credit institutions

Normal business cycle

The Branch’s normal business cycle is carried out for a time period of 12 months or less.

Disclosure of information comparability in the financial statements

Comparative figures are the figures of the audited financial statements for the year ended 31 December 2022.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The accompanying financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with accounting standards, accounting regime applicable to insurance enterprises and legal regulations relating to financial reporting.

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

Financial year

The Branch's financial year begins on 01 January and ends on 31 December.

3. NEW LEGAL REGULATIONS IN EFFECT IN THE REPORTING

On 16 June 2022, the National Assembly issued Law No. 08/2022/QH15 on the Insurance Business ("2022 Insurance Business Law"), which regulates the organization and operation of insurance business; rights and obligations of organizations and individuals participating in insurance; state management of insurance business. On 01 July 2023, the Government issued Decree No. 46/2023/NĐ-CP ("Decree 46"), detailing the implementation of some articles of the 2022 Insurance Business Law.

The 2022 Insurance Business Law came into effect on 01 January 2023, replacing Law No. 24/2000/QH10 on Insurance Business dated 09 December 2000, Law No. 61/2010/QH12 on Amendments and Supplements to Certain Articles of the Insurance Business Law dated 24 November 2010, and Law No. 42/2019/QH14 on Amendments and Supplements to Certain Articles of the Insurance Business Law, the Intellectual Property Law dated 14 June 2019 ("2022 Insurance Business Law").

Decree No. 46 came into effect on 01 July 2023, replacing Decree No. 73/2016/NĐ-CP dated 1 July 2016 ("Decree 73") detailing the implementation of some articles of the 2000 Insurance Business Law. Some provisions in Decree 46 came into effect on 01 January 2023, including provisions on finance, accounting, and financial statements. Circular 67/2023/TT-BTC dated 02 November 2023 ("Circular 67") guiding in detail some articles of the 2022 Insurance Business Law and Decree No. 46/2023/BTC ("Decree 46"). It also updates some policies stipulated in Circular No. 50/2017/TT-BTC dated 15 May 2017 ("Circular 50").

The Board of Directors has complied with the regulations above and assessed that the application of these regulations did not have a material impact on the financial statements of the Company for the year ended 31 December 2023.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Estimates

The preparation of financial statements in conformity with Vietnamese accounting standards, accounting regime applicable to Vietnamese insurance enterprises and legal regulations relating to financial reporting requires the Board of Management of the Branch 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. Although these accounting estimates are based on the Board of Management's best knowledge, actual results may differ from those estimates.

Financial instruments

Initial recognition

Financial assets

At the date of initial recognition, financial assets are recognized at cost plus transaction costs that are directly attributable to the acquisition of the financial assets.

Financial assets of the Branch comprise cash, cash equivalents, short-term and long-term investments, trade receivables and other receivables.

The fair value of cash is defined as the book value. The fair value of the receivables is measured at cost less provision. The fair value of the investments is presented in the note to the accounting policies on financial investments. The fair value of other financial assets is measured at the book value.

Financial liabilities

At the date of initial recognition, financial liabilities are recognized at cost plus transaction costs that are directly attributable to the issue of the financial liabilities.

Financial liabilities of the Branch comprise other payables and other financial liabilities.

Subsequent measurement after initial recognition

Currently, there are no requirements for the subsequent measurement of the financial instruments after initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial investments

Held-to-maturity investments comprise investments that the Branch has the positive intent or ability to hold to maturity, including bank term deposits.

Held-to-maturity investments are recognized on a trade date basis and are initially measured at acquisition price plus directly attributable transaction costs. Post-acquisition interest income from held-to-maturity investments is recognized in the income statement on an accrual basis. Pre-acquisition interest is deducted from the cost of such investments at the acquisition date.

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

Provision for doubtful debts relating to held-to-maturity investments is made in accordance with prevailing accounting regulations.

Receivables

Indemnity receivables

Indemnity receivables presents claim receivable amount secured as per contract terms, covering insurance, interest, and other expenses (if any).

Provision for indemnity receivables is assessed in accordance with the estimated loss that may arise. The details were as follows:

For the corporate customers:

Provision for indemnity receivables from corporate customer are individually assessed on a case-by-case basis.

For individual customers:

Provision for indemnity receivables from individual customer are collectively assessed based on historical loss rate over the last five years.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Furniture and fittings	05
Motor vehicles	06
Office equipment	05
Software	05

Loss or gain resulting from sales and disposals of tangible fixed assets is the difference between profit from sales or disposals of assets and their residual values and is recognised in the income statement.

Prepayments

Prepayments are expenses which have already been paid but relate to results of operations of multiple financial years, including unallocated office rentals and other prepayments.

Office rentals represent rentals that have been paid in advance. Prepaid office rentals are charged to the income statement using the straight-line method over the lease term.

Other prepayments comprise costs of tools, supplies issued for consumption, other prepaid fees for services which are expected to provide future economic benefits to the Branch. These expenditures have been capitalised as prepayments, and are allocated to the income statement using the straight-line method in accordance with the prevailing accounting regulations.

Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates of commercial bank where the Company usually transacts on the same date. Exchange differences arising from the translation of these accounts are recognized in the income statement.

Unearned commission income

Unearned commission income is the amounts received in advance relating to results of operations of multiple accounting periods for reinsurance activities that have been yet delivered. The Company recognizes unearned commission income in proportion to its obligations that the Company will have to perform in the future. When the revenue recognition conditions are satisfied, unearned commission income will be recognized in the income statement for the year corresponding to the portion that meets the revenue recognition conditions.

Underwriting reserves

Underwriting reserves are made in accordance with Circular 50 and Circular 67 and the approved Official Letter No. 14000/BTC-QLBH dated 2 October 2014 from the Insurance Supervisory Authority – Ministry of Finance. Details are as follows:

Unearned premium reserve

The method for establishing the unearned premium reserves is based upon the period of the insurance and reinsurance contract. Unearned premium reserves are calculated proportionally over the period of coverage using the daily method.

Claim reserve

For outstanding loss reserve ("OSLR"), the Branch provides for claim reserves for direct insurance and outward reinsurance using the statistic of retention liabilities for each estimated loss incurred and reported.

For losses incurred but not reported ("IBNR"), the reserve is provided for at the rate of 3% of the retained premium for the year.

Catastrophe reserve

Under Vietnamese Accounting Standard No. 19 "Insurance Contract", it is not mandatory to provide for claim (including catastrophe reserve) under contracts that do not in existence at the reporting date. However, the Branch follows the reserve policy in accordance with Circular 50 and Circular 67 and the approved Official Letter No. 14000/BTC-QLBH, accordingly, catastrophe reserve for all types of insurance services is consistently made at 3% of total retained premium until its balance is equal to 100% of the retained premium in the year.

Insurance deposits

The Branch is obliged to pay a deposit equal to 2% of the legal capital, the deposit shall receive interest in accordance with the agreement reached with the bank into which it is paid and the Branch may withdraw the whole amount of their deposit upon termination of its operation. The Branch may only use its insurance deposit to meet undertakings to purchasers of insurance when its solvency is inadequate and upon written approval of the Ministry of Finance.

Compulsory reserve funds

Compulsory reserves fund is established in order to supplement the Branch's charter capital and ensure its solvency. In accordance with Decree 46, 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 Branch's charter capital.

Revenue recognition

Direct insurance premium

Direct insurance premium is recognized under Circular 50 when the Company incurs insurance responsibilities for the buyers; and following the revised guidance in Circular 67, revenue recognition occurs when the buyer make payment for the insurance premium. Both of them also must subject to specified criteria are fulfilled for recognizing the original insurance premium revenue following conditions are met: (1) the contract has been signed between the insurer and the insured and; (2) the insured has paid insurance fee or has agreed with the insured on the payment of the premium (including the extension period) that is no more than 30 days from the effective date of the insurance policy (applicable to the first instalment of insurance premium or one-time payment policy). Particularly, the first instalment of insurance premium (for periodical premium payment) or insurance premium for the one-time premium payment should be accounted for at the beginning of the insurance policy.

Reinsurance premium

Commission income is recognized corresponding to outward reinsurance premium incurred in the year. In the year, the entire outward reinsurance commission under outward reinsurance contracts signed in accordance with regulations of the financial regime is presented in the "Commission income from outward reinsurance" item.

At the year end, the Branch should determine unearned commission income from outward reinsurance corresponding to outward reinsurance premium not yet recognized in this year so as to allocate to the subsequent financial years in accordance with the above-mentioned method.

Other incomes from reinsurance activities are recognized when incurred.

Financial income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate.

Interest income from investments is recognised when the Company's right to receive payment has been established.

Expenditures

Claim settlement expenses for direct insurance are recorded as incurred, that is, when the Branch accepts to settle the insured's claims following respective settlement notice.

Claim receipts from ceded policies are recognized based on the receivable amount incurred corresponding to the claim settlement expenses recorded in the year and the ceded ratios.

Other expenses are recognized when incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognized on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. In the year, there were no significant temporary differences; therefore, the Branch presented no deferred tax in the financial statements.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled, or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Branch intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

5. CASH AND CASH EQUIVALENTS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Cash on hand	10,025,830	4,487,444
Bank demand deposits	4,976,030,139	6,936,400,180
Cash equivalents (i)	265,487,955,817	446,353,681,978
	<u>270,474,011,786</u>	<u>453,294,569,602</u>

- (i) Represent deposits at domestic joint stock commercial banks with original term of 3 months or less with interest rate from 0% to 2.4 % per annum (as at 31 December 2022: from 0% to 6.0% per annum).

6. HELD-TO-MATURITY INVESTMENTS

	Closing balance			Opening balance		
	Cost	Book value	VND Provision	Cost	Book value	VND Provision
a. Current investments						
- Term deposits (i)	264,710,000,000	264,710,000,000	-	288,200,000,000	288,200,000,000	-
b. Non - current investments						
- Term deposits (ii)	236,571,900,000	236,571,900,000	-	10,000,000,000	10,000,000,000	-
(i)	Represent deposits at domestic joint stock commercial banks with the original term of more than 3 months and the remaining term of 12 months or less from the reporting date, with interest rate from 4.8% to 8.9% per annum (as at 31 December 2022: from 4.0% to 6.0% per annum).					
(ii)	Represent deposits at domestic joint stock commercial banks with the original term of more than 3 months and the remaining term more than 12 months or less from the reporting date, with interest rate from 7.6 % to 8.8% per annum (as at 31 December 2022: 4.9% per annum).					

7. RECEIVABLES UNDER INSURANCE CONTRACTS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Indemnity receivables from guaranteed customers	45,808,742,708	44,506,187,400
Provision for indemnity receivables from guaranteed customers	(45,139,955,700)	(42,607,990,861)
	<u>668,787,008</u>	<u>1,898,196,539</u>

Movement of indemnity receivables from guaranteed customers balance during the year is as follows:

	<u>Current year</u>	<u>Current year</u>
	VND	VND
Opening balance	44,506,187,400	41,673,900,277
Indemnity receivables from claim expense during the year (Note 16)	1,302,555,308	2,832,287,123
Closing balance	<u>45,808,742,708</u>	<u>44,506,187,400</u>

Movement of provision for indemnity receivables from guaranteed customers during the year is as follows:

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Opening balance	42,607,990,861	39,502,405,502
Provision for indemnity receivables from guaranteed customers (Note 18)	2,531,964,839	3,105,585,359
Closing balance	<u>45,139,955,700</u>	<u>42,607,990,861</u>

8. OTHER RECEIVABLES

	Closing balance VND	Opening balance VND
a. Current		
Interest receivables	18,697,991,458	12,019,855,342
	18,697,991,458	12,019,855,342
b. Non-current		
Interest receivables	18,445,612,642	1,473,934,247
	18,445,612,642	1,473,934,247

9. INCREASES, DECREASES IN TANGIBLE FIXED ASSETS

	Furniture and fittings VND	Motor vehicles VND	Office equipment VND	Total VND
COST				
Opening balance	1,719,177,273	1,269,316,364	300,114,546	3,288,608,183
Additions	-	-	33,000,000	33,000,000
Closing balance	1,719,177,273	1,269,316,364	333,114,546	3,321,608,183
ACCUMULATED DEPRECIATION				
Opening balance	1,667,827,074	1,269,316,364	174,724,534	3,111,867,972
Charge for the year	26,423,336	-	44,778,969	71,202,305
Closing balance	1,694,250,410	1,269,316,364	219,503,503	3,183,070,277
NET BOOK VALUE				
Opening balance	51,350,199	-	125,390,012	176,740,211
Closing balance	24,926,863	-	113,611,043	138,537,906

The cost of the Branch's tangible fixed assets includes VND 3,008,580,001 of tangible fixed assets which have been fully depreciated but are still in use as at 31 December 2023 (as at 31 December 2022: VND 2,881,680,001).

10. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET

	Opening balance VND	Payable during the year VND	Paid during the year VND	Closing balance VND
Value added tax	37,333,966	2,271,760,129	2,338,594,225	(29,500,130)
Corporate income tax	1,775,893,300	16,801,503,910	11,245,643,877	7,331,753,333
Personal income tax	36,799,140	791,078,263	774,378,899	53,498,504
Foreign contractor tax	(61,804)	-	-	(61,804)
Business license tax	-	3,000,000	3,000,000	-
	1,849,964,602	19,867,342,302	14,361,617,001	7,355,689,903

11. UNDERWRITING RESERVES

Claim reserve and unearned premium reserve:

	Closing balance			Opening balance		
	Direct insurance reserve	Outward reinsurance reserve	Net reserve	Direct insurance reserve	Outward reinsurance reserve	Net reserve
1. Unearned premium reserve	22,114,628,174	-	22,114,628,174	27,352,584,158	1,751,413,257	25,601,170,901
2. Claim reserve	8,920,512,012	-	8,920,512,012	22,025,416,621	76,289,514	21,949,127,107
Including:						
- Reserve for claims not yet settled (OSLR)	8,002,487,352	-	8,002,487,352	20,941,387,873	-	20,941,387,873
- Reserve for loss incurred but not reported (IBNR)	918,024,660	-	918,024,660	1,084,028,748	76,289,514	1,007,739,234
Total	31,035,140,186	-	31,035,140,186	49,378,000,779	1,827,702,771	47,550,298,008

In detail:

	Current year			Prior year		
	Direct insurance reserve	Outward reinsurance reserve	Net unearned premium reserve	Direct insurance reserve	Outward reinsurance reserve	Net unearned premium reserve
1. Unearned premium reserve						
Opening balance	27,352,584,158	1,751,413,257	25,601,170,901	27,355,929,019	-	27,355,929,019
(Reversal)/Provided for in the year	(5,237,955,984)	(1,751,413,257)	(3,486,542,727)	(3,344,861)	1,751,413,257	(1,754,758,118)
Closing balance	22,114,628,174	-	22,114,628,174	27,352,584,158	1,751,413,257	25,601,170,901

	Current year			Prior year		
	Direct insurance reserve	Outward reinsurance reserve	Net claim reserve	Direct insurance reserve	Outward reinsurance reserve	Net claim reserve
2. Claim reserve						
Opening balance	22,025,416,621	76,289,514	21,949,127,107	9,835,039,441	-	9,835,039,441
(Reversal)/Provided for in the year	(13,104,904,609)	(76,289,514)	(13,028,615,095)	12,190,377,180	76,289,514	12,114,087,666
Closing balance	8,920,512,012	-	8,920,512,012	22,025,416,621	76,289,514	21,949,127,107

Catastrophe reserve:

	Current year	Prior year
	VND	VND
Opening balance	7,300,842,841	6,293,103,606
Provided for in the year	918,024,660	1,007,739,235
Closing balance	8,218,867,501	7,300,842,841

12. DEFERRED TAX LIABILITIES

	Closing balance VND	Opening balance VND
Corporate income tax rates used for determination of value of deferred tax liabilities	20%	20%
Taxable temporary differences	21,926,182,632	11,453,019,066
In which:		
- Difference in provision for indemnity receivables between the Branch's provision policy and Circular 48/2019/TT-BTC	(3,065,040,358)	(2,578,634,821)
- Bonus expense accrued	(266,753,025)	(203,419,990)
- Unrealized foreign exchange gains	25,257,976,015	14,235,073,877
Deferred tax liabilities	4,385,236,526	2,290,603,813
	Closing balance VND	Opening balance VND
Movement in deferred tax liabilities is as follows:		
Opening balance	2,290,603,813	3,121,635,234
Recorded in the income statement	2,094,632,713	(831,031,421)
Closing balance	4,385,236,526	2,290,603,813

13. OWNER'S EQUITY

	Owner's contributed capital VND	Compulsory reserve fund VND	Retained earnings VND	Total VND
Prior year's opening balance	600,000,000,000	5,314,032,711	86,589,115,361	691,903,148,072
Profit for the year	-	-	27,881,790,131	27,881,790,131
Allocated to compulsory reserve fund	-	1,394,089,507	(1,394,089,507)	-
Current year's opening balance	600,000,000,000	6,708,122,218	113,076,815,985	719,784,938,203
Profit for the year	-	-	51,503,480,059	51,503,480,059
Allocated to compulsory reserve fund	-	2,575,174,003	(2,575,174,003)	-
Current year's closing balance	600,000,000,000	9,283,296,221	162,005,122,041	771,288,418,262

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.

14. INSURANCE PREMIUM

	Current year	Prior year
	VND	VND
Direct insurance premium	33,482,881,500	36,962,734,000
Advance payment bonds	4,616,383,900	11,200,724,100
Bid bonds	22,829,600	12,391,600
Maintenance bonds	10,716,272,800	7,189,502,900
Performance bonds	11,388,518,500	17,261,818,900
Personal loan bonds	6,738,876,700	1,298,296,500
Deductions from direct insurance premium	(2,882,059,500)	(828,442,400)
Increase in unearned premium reserves for direct insurance	5,237,955,984	3,344,861
	<u>35,838,777,984</u>	<u>36,137,636,461</u>

15. OUTWARD REINSURANCE PREMIUM

	Current year	Prior year
	VND	VND
Total outward reinsurance premium	-	2,542,983,787
Advance payment bonds	-	1,240,598,611
Performance bonds	-	1,302,385,176
Decrease/(Increase) in unearned premium reserve for outward reinsurance	1,751,413,257	(1,751,413,257)
	<u>1,751,413,257</u>	<u>791,570,530</u>

16. TOTAL CLAIM SETTLEMENT EXPENSES

	Current year	Prior year
	VND	VND
Total claim settlement expenses	2,698,289,831	15,376,042,704
Advance payment bonds	1,018,113,102	-
Maintenance bonds	-	11,757,300,000
Performance bonds	676,932,743	1,611,462,321
Personal loan bonds	1,003,243,986	2,007,280,383
Deductions from claim settlement expenses	(1,395,734,523)	(12,543,755,581)
Increase in indemnity receivables (i) (Note 7)	(1,302,555,308)	(2,832,287,123)
(Decrease)/Increase in claim reserves for direct insurance	(13,104,904,609)	12,190,377,180
Decrease/(Increase) in claim reserve for outward reinsurance	76,289,514	(76,289,514)
	<u>(13,028,615,095)</u>	<u>12,114,087,666</u>

- (i) During the year, claim settlement expenses which the Branch are entitled to the right to collect from guaranteed customers under the insurance contract terms are recorded in the Receivable under insurance contracts (Note 7).

17. FINANCIAL INCOME

	Current year	Prior year
	VND	VND
Interest from term deposits	40,517,637,349	15,829,940,980
Unrealized foreign exchange gain	6,518,503,645	14,272,214,923
Realized foreign exchange gain	407,850	113,330,817
	47,036,548,844	30,215,486,720

18. GENERAL AND ADMINISTRATION EXPENSES

	Current year	Prior year
	VND	VND
Labour	8,443,066,596	7,922,992,793
Rental fee	7,529,000,711	6,920,072,672
Provision for indemnity receivables (Note 7)	2,531,964,839	3,105,585,359
Out-sourced services	1,305,259,681	1,199,139,524
Office equipment expenses	320,722,999	593,573,280
Depreciation expenses	71,202,305	79,585,632
Others	1,838,464,130	1,778,440,565
	22,039,681,261	21,599,389,825

19. CORPORATE INCOME TAX

	Current year	Prior year
	VND	VND
Profit before tax	70,399,616,682	29,993,071,163
Adjustments for taxable profit		
Less: Non-taxable income	(9,300,558,457)	(18,507,572,784)
- Foreign exchange (gain) arising from translating foreign currency balance at the year - end	(6,518,503,645)	(14,272,214,923)
- Reversal of provision for indemnity receivables	(2,578,634,822)	(4,012,145,861)
- Reversal of bonus expense accrued	(203,419,990)	(223,212,000)
Add back: Non-deductible expenses	7,950,420,375	3,226,063,890
- Provision for indemnity receivables	3,065,040,358	2,578,634,822
- Bonus expense accrued	266,753,025	203,419,990
- Unearned insurance costs	10,288,500	-
- Other non-deductible expenses	4,608,338,492	444,009,078
- Foreign exchange gains of foreign currency deposits from previous fiscal years realized in the current year	14,958,040,953	-
Taxable profit	84,007,519,553	14,711,562,269
Normal tax rate	20%	20%
Corporate income tax expense based on taxable profit in the current year(i)	16,801,503,910	2,942,312,453

- (i) Corporate income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustments by the tax authorities.

20. KEY FINANCIAL INDICATORS

Items	Unit	Closing balance	Opening balance
1. Structure of assets and resources			
1.1 Structure of assets			
- Short-term assets/Total assets	%	67.40%	96.85%
- Long-term assets/Total assets	%	32.60%	3.15%
1.2 Structure of resources			
- Liabilities/Total resources	%	6.29%	7.95%
- Equity/Total resources	%	93.71%	92.05%
2. Liquidity ratios			
2.1 Current ratio	time	15.91	12.58
2.2 Short-term debt coverage	time	11.71	12.65
2.3 Quick ratio	time	11.30	12.38

Items	Unit	Current year	Prior year
3. Profitability ratios			
3.1 Profit margin			
- Profit before tax/Revenue	%	193.22%	82.38%
- Profit after tax/Revenue	%	141.36%	76.58%
3.2 Profit ratios over total assets			
- Profit before tax/Total assets	%	8.55%	3.84%
- Profit after tax/Total assets	%	6.26%	3.57%
3.3 Profit after tax/Equity	%	6.68%	3.87%

21. SOLVENCY MARGIN

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 principal solvency requirements that apply to the Branch are those set out in Circular 50 and Circular 67.

	Closing balance	Opening balance
	VND	VND
I. The Branch's solvency margin	765,257,878,304	715,327,683,556
II. Minimum solvency margin	7,650,205,500	8,397,826,953
Solvency margin percentage	10,003.10%	8,518.01%

22. FINANCIAL INSTRUMENTS

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 Board of Management recognises the importance of having efficient and effective risk management systems in place.

The Branch has established a risk management function which is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Management 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 specific director in charge with overseeing compliance with the policy throughout the Branch.

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.

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.

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. The Branch did not initiate any new reinsurance business in 2023.

Capital risk management

The Branch manages its capital to ensure that the Branch will be able to continue as a going concern while maximizing the return to the owner through the optimization of the debt and equity balance.

The capital structure of the Branch consists of owners' equity (comprising owner's contributed capital, compulsory reserve fund and retained earnings).

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial assets, financial liabilities and equity instruments are disclosed in Note 4.

Categories of financial instruments

	Closing balance		Opening balance	
	Book value	Fair value	Book value	Fair value
	VND	VND	VND	VND
Financial assets				
Cash and cash equivalents	270,474,011,786	270,474,011,786	453,294,569,602	453,294,569,602
Trade and other receivables	19,366,778,466	19,366,778,466	13,918,051,881	13,918,051,881
Financial investments	501,281,900,000	501,281,900,000	298,200,000,000	298,200,000,000
	791,122,690,252	791,122,690,252	765,412,621,483	765,412,621,483
Financial liabilities				
Other payables	179,177,251	179,177,251	168,612,768	168,612,768
Accrued expenses	562,928,000	562,928,000	590,939,219	590,939,219
	742,105,251	742,105,251	759,551,987	759,551,987

The fair value of financial assets and financial liabilities is stated at the value of convertible financial instruments in a current transaction between the parties, except where required to sell or liquidation. The Branch uses the following methods and assumptions to estimate the fair value:

- The fair value of investments is determined as presented in Note 6.
- The fair value of short-term items including cash, trade receivables, other receivables, trade payables, accrued expenses, and other short-term amounts is equivalent to the book value of these items due to their short-term or undetermined periods.

Financial risk management objectives

The Branch has set up risk management system to identify and assess the risks exposed by the Branch and designed control policies and procedures to manage those risks at an acceptable level. Risk management system is reviewed on a regular basis to reflect changes in market conditions and the Branch's operations.

Significant risks include market risk (including foreign currency risk and interest rate risk), credit risk, liquidity risk and insurance risk.

Market risk

The Branch's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risk management

The Branch undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Branch's foreign currency denominated monetary assets at the end of the year are as follows:

	Closing balance	Opening balance
	VND	VND
Current account at bank denominated in USD	927,421,091	653,231,815
Term deposits at bank denominated in USD	240,487,955,816	421,353,681,978
	241,415,376,908	422,006,913,793

Foreign currency sensitivity analysis

The Branch is mainly exposed to United States Dollar.

For a 1% increase/decrease in the United States Dollar against Vietnam Dong, the profit before tax in the year would decrease/increase by about VND 2,414,153,769 (2022: VND 4,220,069,138). 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the Board of Management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis is solely applicable to the balance of the foreign currency denominated monetary items at the year end and the retranslation of these items is subject to an adjustment when there is a 1% change in the exchange rate.

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.

	Closing balance	Opening balance
	VND	VND
Fixed rate instruments		
Cash and cash equivalents	270,474,011,786	453,294,569,602
Short-term financial investments	264,710,000,000	288,200,000,000
Insurance compulsory deposits	12,000,000,000	12,000,000,000
Long-term financial investments	236,571,900,000	10,000,000,000
	783,755,911,786	763,494,569,602

Credit risk

Credit risk refers to the risk that a client or a counterparty fails to perform or fails to fulfill the contractual obligations, therefore, the Branch is obliged to make compensation resulting in financial loss to the Branch. The Branch has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. At the balance sheet date, there is a significant concentration of credit risk arising on the amount due from the receivables from guaranteed customers. The maximum credit risk is represented as the carrying value of the trade accounts receivable that have been provided for devaluation.

In order to minimize risks, the Branch has implemented credit policies that consider factors like financial strength, transaction records, customer industry focus, and adherence to evaluation processes. The Branch sets fair credit terms for customers and ensures that any costs associated with seeking reimbursement for receivables fall within acceptable risk thresholds. Additionally, the Branch evaluates loss rates to maintain operational security.

Liquidity risk management

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any year is kept to manageable levels relative to the amount of funds that the Branch believes can generate within that year. The Branch's policy is to regularly monitor current and expected liquidity requirements to ensure that the Branch maintains sufficient reserves of cash and adequate committed funding from its owner to meet its liquidity requirements in the short and longer terms.

The following table details the Branch's remaining contractual maturity for its non-derivative financial assets and financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial assets and undiscounted cash flows of financial liabilities based on the earliest date on which the Branch can be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand the Branch's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Less than 1 year	More than 1 year	Total
	VND	VND	VND
Closing balance			
Cash and cash equivalents	270,474,011,786	-	270,474,011,786
Trade and other receivables	19,366,778,466	31,524,214,792	50,890,993,258
Short-term financial investments	264,710,000,000	-	264,710,000,000
Long-term financial investments	-	236,571,900,000	236,571,900,000
	554,550,790,252	268,096,114,792	822,646,905,044
			-
Other payables	179,177,251	-	179,177,251
Accrued expenses	562,928,000	-	562,928,000
	742,105,251	-	742,105,251
Net liquidity gap	553,808,685,001	268,096,114,792	821,904,799,793

	Less than 1 year VND	More than 1 year VND	Total VND
Opening balance			
Cash and cash equivalents	453,294,569,602	-	453,294,569,602
Trade and other receivables	13,918,051,881	14,372,889,947	28,290,941,828
Short-term financial investments	288,200,000,000	-	288,200,000,000
Long-term financial investments	-	10,000,000,000	10,000,000,000
	755,412,621,483	24,372,889,947	779,785,511,430
Other payables	168,612,768	-	168,612,768
Accrued expenses	590,939,219	-	590,939,219
	759,551,987	-	759,551,987
Net liquidity gap	754,653,069,496	24,372,889,947	779,025,959,443

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

Insurance risk

A risk arising from any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the claim payments. As the nature of an insurance contract, this risk is random and therefore unpredictable.

To achieve the goal of managing insurance risk, the Branch has established and applied a full range of risk assessment processes before accepting insurance, insurance risk transfer processes (reinsurance), damage assessment processes and claim settlement processes.

For premium operations, the Branch has diversified the types of insurance products as well as geographical areas to minimize concentrations of insurance risk. Besides, the Branch has also applied different criteria in risk selection and also applies different criteria in selecting risks, implements many different measures in assessing risks as well as periodically reassessing risk rates to establish fee levels. The Branch does not accept insurance risks that highly likely occur or are subject to self-interested profiteering behaviours.

For insurance risks accepted for the year ended 31 December 2023, the Branch redefined the premium rates applicable to each risk group based on historical loss statistics and forecasted the trend of risks, inflation, level of industry competition and related regulations.

- With regard to the risk groups having increasing rates of losses and premiums, the Branch will only accept insurance risk if the insured accepts to increase the premium correspondingly or limit the insurance coverage.
- With regard to the risk groups having loss rate increasing but still at an acceptable level and ensuring insurance profit, the Branch has adopted a policy on increasing the proportion of acceptable insurance risk to have its market share risen, and also to take advantage of cash inflows from insurance premiums for the purpose of investments.

The Branch has also conducted thorough and strict measures to transfer insurance risks to other insurance companies in order to minimize the risks which may occur but still ensure the effectiveness of insurance businesses through building a reasonable level of retained premium for each type of insurance products by reinsurance arrangements.

The Branch has been undertaking the policy on the acceleration of the damage assessment and settlement of compensation to minimize the risks which may arise during the compensation assessment process, such as exchange rate risk, inflation risk, increased loss risk, ethical risk, etc. The damage assessment and compensation settlement are conducted at the Branch.

23. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties with significant transactions for the year:

<u>Related party</u>	<u>Relationship</u>
Seoul Guarantee Insurance Company	Parent company

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

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Seoul Guarantee Insurance Company		
Outward reinsurance premium	-	2,542,983,787
Commission income from outward reinsurance	-	864,614,487
	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Remuneration for key management personnel		
Salary	1,565,826,000	1,356,720,000
Other benefits	2,312,343,244	2,287,675,500
	<u>3,878,169,244</u>	<u>3,644,395,500</u>

24. OPERATING LEASE COMMITMENTS

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

	<u>Current year</u> VND	<u>Prior year</u> VND
Office rental fee (i)		
Within one year	2,909,751,735	3,055,430,400
Apartment rental fee (ii)		
Within one year	2,538,170,782	2,552,087,860
(i) Total rentals payable by the Branch for renting 230 m ² of office at Unit 901, on the 9th Floor, East Tower, Hanoi Lotte Center, 54 Lieu Giai Street, Công Vi Ward, Ba Dinh District, Hanoi, Vietnam with renting fee of VND 851,025/m ² /month and service fee of VND 194,520m ² /month. The office lease agreement was signed for a period of 1 year from 08 December 2023 to 07 December 2024.		
(ii) Total rentals payable by the Branch for renting apartments for expatriates who are currently working for the Branch under the apartment lease agreements signed in for a period lease term of 1 year.		



Nguyen Thi Van
Preparer



Ha Thi Minh Thu
Chief Accountant



Kwon Soon Yong
Branch Manager

Hanoi, 18 March 2024