

SEOUL GUARANTEE INSURANCE COMPANY - HANOI BRANCH OFFICE

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

SEOUL GUARANTEE INSURANCE COMPANY - HANOI BRANCH OFFICE

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

TABLE OF CONTENTS	PAGE
Corporate information	1
Statement by Board of Management	2
Independent auditor's report	3
Financial indicators of the business	5
Balance sheet (Form B 01 – DNPNT)	6
Income statement (Form B 02 – DNPNT)	8
Cash flow statement (Form B 03 – DNPNT)	11
Notes to the financial statements (Form B 09 – DNPNT)	12

## 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/GPDC1/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. Jeong Beom Soon

Director

Mr. Jung Youn Ho

Deputy Director  
(from 10 February 2018)

Mr. Kwon Soon Yong

Deputy Director  
(until 9 February 2018)

**Legal Representative**

Mr. Jeong Beom Soon

Director

**Registered office**

Unit 901, 9<sup>th</sup> 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 THE RESPONSIBILITY OF THE BOARD OF MANAGEMENT OF THE BRANCH IN RESPECT OF THE FINANCIAL STATEMENTS

Board of Management 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 2018, the results of its operations and its cash flows for the year then ended. In preparing these financial statements, the Board of Management 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 Board of Management 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 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 fraud and other irregularities.

### APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements as set out on pages 6 to 34 which give a true and fair view of the financial position of the Branch as at 31 December 2018 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.

On behalf of the Board of Management



Jeong Beom Soon  
Director

Hanoi, SR Vietnam  
21 March 2019



**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 2018 and approved by the Board of Management on 21 March 2019. The financial statements comprise the balance sheet as at 31 December 2018, 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 34.

**The Board of Management's Responsibility to the financial statements**

The Board of Management 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 in Vietnam and for such internal control which the Board of Management determines 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 2018, 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 financial statements of the Branch for the year ended 31 December 2017 were audited by another audit firm who issued an unmodified opinion on 28 February 2018.

The independent auditor's report is prepared in Vietnamese and English. Should there be any conflict between the Vietnamese and English copies, the Vietnamese copy 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



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

Report reference number: HAN 2150  
Hanoi, 21 March 2019

# SEOUL GUARANTEE INSURANCE COMPANY - HANOI BRANCH OFFICE

## FINANCIAL INDICATORS OF THE BUSINESS

	2018	2017
<b>1. Asset and equity structure</b>		
1.1 Asset structure		
- Current assets / Total assets (%)	91.91	97.72
- Non-current assets / Total assets (%)	8.09	2.28
1.2 Equity structure		
- Total liabilities / Total resources (%)	7.92	3.95
- Owner's equity / Total resources (%)	92.08	96.05
<b>2. Liquidity</b>		
2.1 Liquidity ratio (times)	12.63	25.30
2.2 Current ratio (times)	13.68	32.01
2.3 Quick ratio (times)	13.67	31.93
<b>3. Profitability</b>		
3.1 Profit margins		
- Net profit before tax / (Net Premium + Commission from Ceded Premium) (%)	42.65	46.29
- Net profit after tax / (Net Premium + Commission from Ceded Premium) (%)	35.47	46.49
3.2 Return on assets		
- Net profit before tax / Total assets (%)	2.81	1.81
- Net profit after tax / Total assets (%)	2.34	1.82
3.3 Return on equity		
- Net profit after tax / Owner's equity (%)	2.54	1.90



SEOUL GUARANTEE INSURANCE COMPANY - HANOI BRANCH OFFICE

Form B 01 – DNPNT

BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2018 VND	2017 VND
100	<b>CURRENT ASSETS</b>		<b>634,247,481,726</b>	<b>630,086,496,124</b>
110	Cash and cash equivalents	4	633,899,499,611	611,508,486,689
111	Cash		19,983,174,789	10,067,933,316
112	Cash equivalents		613,916,324,822	601,440,553,373
120	Short-term investments		-	17,000,000,000
121	Investments held to maturity	5(a)	-	17,000,000,000
130	Short-term receivables		106,769,880	1,575,097,222
131	Short-term trade accounts receivable		90,706,866	-
131.1	Insurance receivables		90,706,866	-
135	Other short-term receivables	6(a)	16,063,014	1,575,097,222
150	Other current assets		-	2,912,213
152	Value Added Tax to be reclaimed		-	2,912,213
190	Reinsurance assets		241,212,235	-
191	Reinsurance assets from unearned premium		233,208,688	-
192	Reinsurance assets from claims reserves		8,003,547	-
200	<b>LONG-TERM ASSETS</b>		<b>55,836,385,461</b>	<b>14,695,363,081</b>
210	Long-term receivables		13,641,236,530	12,057,866,667
218	Other long-term receivables		13,641,236,530	12,057,866,667
218.1	Insurance compulsory deposit	7	12,000,000,000	12,000,000,000
218.2	Other long-term receivables	6(b)	1,641,236,530	57,866,667
220	Fixed assets		1,067,246,974	1,492,695,766
221	Tangible fixed assets	8(a)	1,003,196,974	1,392,045,766
222	Historical cost		3,040,340,001	2,881,680,001
223	Accumulated depreciation		(2,037,143,027)	(1,489,634,235)
227	Intangible fixed assets	8(b)	64,050,000	100,650,000
228	Historical cost		183,000,000	183,000,000
229	Accumulated amortisation		(118,950,000)	(82,350,000)
250	Long-term investments		40,000,000,000	-
255	Investments held to maturity	5(b)	40,000,000,000	-
260	Other long-term assets		1,127,901,957	1,144,800,648
261	Long-term prepaid expenses		120,086,657	137,885,348
268	Other long-term assets	9	1,007,815,300	1,006,915,300
270	<b>TOTAL ASSETS</b>		<b>690,083,867,187</b>	<b>644,781,859,205</b>

The notes on pages 12 to 34 are an integral part of these financial statements.




SEOUL GUARANTEE INSURANCE COMPANY - HANOI BRANCH OFFICE

Form B 01 – DNPNT

BALANCE SHEET  
(CONTINUED)

Code	RESOURCES	Note	As at 31 December	
			2018 VND	2017 VND
300	LIABILITIES		54,656,375,108	25,480,497,354
310	Short-term liabilities		46,362,233,312	19,684,699,908
312	Short-term trade accounts payable		266,518,115	-
312.1	Payables on insurance policy		266,518,115	-
314	Tax and other payables to the State Budget	10	1,090,368,470	175,601,448
319	Other short-term payables	11	3,686,809,976	489,008,891
329	Technical reserves		41,318,536,751	19,020,089,569
329.1	Unearned premium reserve for direct insurance	12(a)	32,420,820,990	14,755,313,799
329.2	Gross claims reserves	12(a)	5,262,587,219	1,982,902,159
329.3	Catastrophe reserves	12(b)	3,635,128,542	2,281,873,611
330	Long-term liabilities		8,294,141,796	5,795,797,446
335	Deferred income tax liabilities	13	8,294,141,796	5,795,797,446
400	OWNER'S EQUITY		635,427,492,079	619,301,361,851
410	Capital and reserves		635,427,492,079	619,301,361,851
411	Owner's capital	14,15	600,000,000,000	600,000,000,000
419	Compulsory reserve fund	15	2,529,989,832	1,723,683,321
421	Undistributed earnings	15	32,897,502,247	17,577,678,530
421a	- Undistributed post-tax profits of the previous years		17,577,678,530	6,428,231,916
421b	- Post-tax profit of current year		15,319,823,717	11,149,446,614
440	TOTAL RESOURCES		690,083,867,187	644,781,859,205

  
Ha Thi Minh Thu  
Preparer/ Chief Accountant

  
Jeong Beom Soon  
Director  
21 March 2019

The notes on pages 12 to 34 are an integral part of these financial statements.

SEOUL GUARANTEE INSURANCE COMPANY - HANOI BRANCH OFFICE

Form B 02 – DNPNT

INCOME STATEMENT

PART I – COMPREHENSIVE INCOME STATEMENT

Code		Year ended 31 December	
		2018 VND	2017 VND
10	Net income from insurance business	27,766,906,063	24,341,839,306
12	Financial income	15,273,504,024	1,820,247,753
20	Total insurance expenses	(11,346,716,469)	(2,785,260,875)
22	Financial expenses	(4,721,324)	(266,678,177)
23	General and administrative expenses	(12,297,712,283)	(11,424,672,062)
<b>50</b>	<b>Net accounting profit before tax</b>	<b>19,391,260,011</b>	<b>11,685,475,945</b>
51	Business income tax – current	(766,785,433)	-
52	Business income tax – deferred	(2,498,344,350)	50,783,649
<b>60</b>	<b>Net profit after tax</b>	<b>16,126,130,228</b>	<b>11,736,259,594</b>



Ha Thi Minh Thu  
Preparer/ Chief Accountant



Jeong Beom Soor  
Director  
21 March 2019

The notes on pages 12 to 34 are an integral part of these financial statements.

## INCOME STATEMENT (CONTINUED)

## PART II – OPERATIONAL INCOME STATEMENT

Code		Note	Year ended 31 December	
			2018 VND	2017 VND
<b>01</b>	<b>Insurance premium income</b>	<b>17</b>	<b>27,709,775,409</b>	<b>24,341,839,306</b>
	In which:			
01.1	- Direct written premiums		45,375,282,600	25,243,405,300
01.3	- Increase in direct and assumed unearned premium reserves		(17,665,507,191)	(901,565,994)
<b>02</b>	<b>Reinsurance premiums ceded</b>		<b>(33,576,212)</b>	<b>-</b>
	In which:			
02.1	- Reinsurance premiums ceded		(266,784,900)	-
02.2	- Decrease in ceded premium reserves		233,208,688	-
<b>03</b>	<b>Net insurance premium income</b>		<b>27,676,199,197</b>	<b>24,341,839,306</b>
<b>04</b>	<b>Commission income and other insurance income</b>		<b>90,706,866</b>	<b>-</b>
	In which:			
04.1	- Commission from reinsurance premiums ceded		90,706,866	-
<b>10</b>	<b>Net income from insurance business</b>		<b>27,766,906,063</b>	<b>24,341,839,306</b>
<b>11</b>	<b>Claim expenses</b>	<b>18</b>	<b>(5,841,832,552)</b>	<b>(136,244,816)</b>
	In which:			
11.1	- Gross claim expenses		(7,612,229,763)	(436,244,816)
11.2	- Deductions		1,770,397,211	300,000,000
<b>13</b>	<b>Increase in direct and assumed claims reserves</b>	<b>12(a)</b>	<b>(3,279,685,060)</b>	<b>(1,187,232,388)</b>
<b>14</b>	<b>Increase in ceded claims reserves</b>	<b>12(a)</b>	<b>8,003,547</b>	<b>-</b>
<b>15</b>	<b>Total claim expenses</b>		<b>(9,113,514,065)</b>	<b>(1,323,477,204)</b>
<b>16</b>	<b>Increase in catastrophe reserves</b>	<b>12(b)</b>	<b>(1,353,254,931)</b>	<b>(757,302,159)</b>
<b>17</b>	<b>Other insurance expenses</b>		<b>(879,947,473)</b>	<b>(704,481,512)</b>
17.2	- Other insurance expenses	<b>19</b>	(879,947,473)	(704,481,512)
<b>18</b>	<b>Total insurance expenses</b>		<b>(11,346,716,469)</b>	<b>(2,785,260,875)</b>
<b>19</b>	<b>Gross insurance profit</b>		<b>16,420,189,594</b>	<b>21,556,578,431</b>

The notes on pages 12 to 34 are an integral part of these financial statements



SEOUL GUARANTEE INSURANCE COMPANY - HANOI BRANCH OFFICE

Form B 02 – DNPNT

INCOME STATEMENT (CONTINUED)

PART II – OPERATIONAL INCOME STATEMENT (CONTINUED)

Code	Note	Year ended 31 December	
		2018 VND	2017 VND
23	Financial income	15,273,504,024	1,820,247,753
24	Financial expenses	(4,721,324)	(266,678,177)
<b>25</b>	<b>Net profit from financial activities</b>	<b>15,268,782,700</b>	<b>1,553,569,576</b>
26	General and administrative expenses	(12,297,712,283)	(11,424,672,062)
<b>30</b>	<b>Net operating profit</b>	<b>19,391,260,011</b>	<b>11,685,475,945</b>
<b>50</b>	<b>Net accounting profit before tax</b>	<b>19,391,260,011</b>	<b>11,685,475,945</b>
51	Business income tax – current	(766,785,433)	-
52	Business income tax – deferred	(2,498,344,350)	50,783,649
<b>60</b>	<b>Net accounting profit after tax</b>	<b>16,126,130,228</b>	<b>11,736,259,594</b>



Ha Thi Minh Thu  
Preparer/ Chief Accountant



Jeong Beom Seon  
Director  
21 March 2019



CASH FLOW STATEMENT  
(Indirect method)

		Year ended 31 December	
Code	Note	2018 VND	2017 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01	Net accounting profit before tax	19,391,260,011	11,685,475,945
	Adjustments for:		
02	Depreciation and amortisation	584,108,792	570,625,452
03	Changes in technical reserves	12 22,057,234,947	2,846,100,541
04	Net gain from foreign currency translation at year end	20 (12,491,721,750)	(572,986)
05	Profit from investing activities	(1,657,299,544)	(1,819,510,934)
08	Operating gain before changes in working capital	27,883,582,456	13,282,118,018
09	Increase in receivables	(88,694,653)	(56,606,306)
11	Increase/(decrease) in payables	3,612,300,789	(248,226,826)
12	Decrease/(increase) in prepaid expenses	17,798,691	(97,696,968)
20	Net cash inflows from operating activities	31,424,987,283	12,879,587,918
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets	(158,660,000)	-
23	Short-term deposit at banks	(23,000,000,000)	(11,000,000,000)
27	Interest received	1,632,963,889	1,733,999,823
30	Net cash outflows from investing activities	(21,525,696,111)	(9,266,000,177)
50	Net increase in cash and cash equivalents	9,899,291,172	3,613,587,741
60	Cash and cash equivalents at beginning of year	4 611,508,486,689	607,894,325,962
61	Effect of foreign exchange differences	12,491,721,750	572,986
70	Cash and cash equivalents at end of year	4 633,899,499,611	611,508,486,689


Ha Thi Minh Thu  
Preparer/ Chief AccountantJeong Beom Soon  
Director  
21 March 2019

The notes on pages 12 to 34 are an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**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 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/GPDC1/KDBH dated 25 June 2015 issued by the Ministry of Finance.

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 2018, the Branch had 10 employees (as at 31 December 2017: 8 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 Vietnamese language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Vietnamese language financial statements.

**2.2 Fiscal year**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Currency**

The financial statements are measured and presented in Vietnamese Dong ("VND").

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 the foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the income statement.

**2.4 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.

**2.5 Investments held-to-maturity**

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

Investments held-to-maturity include term deposits. Those investments are accounted for at cost less provision.

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

**2.6 Trade receivables**

Trade receivables are carried at the original invoice amount less an estimate made for doubtful receivables based on a review by the Branch's Board of Management of all outstanding amounts at the year end. Bad debts are written off when identified.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.7 Fixed assets***Tangible and intangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation/amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

*Depreciation and amortisation*

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

Furniture and fittings	5 years
Vehicles	6 years
Office equipment	5 years
Software	5 years

*Disposals*

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

**2.8 Prepaid expenses**

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

**2.9 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.
- Other payables are non-trade payables and are not relating to purchase 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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.10 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 interest expenses.

**2.11 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**

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:

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.11 Technical reserves (continued)***(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.

**2.12 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/ND-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.

**2.13 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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.14 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.

**2.15 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.16 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.

**2.17 Claims to be recovered from reinsurers**

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

**2.18 Commission income**

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".

**2.19 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.

**2.20 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.

**2.21 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 2018****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.22 General and administration expenses**

General and administration expenses represent expenses for administrative purposes which mainly include salary expenses of administrative staff (salaries, wages, allowances,...); 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.

**2.23 Current and deferred income tax**

Income taxes include all income taxes which are based on taxable profits. 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.

**2.24 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 enterprise, 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****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 Board of Management recognise 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 Board of Management. 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. 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 2018

## 4 CASH AND CASH EQUIVALENTS

	2018 VND	2017 VND
Cash on hand	3,170,280	1,929,356
Cash at bank	19,980,004,509	10,066,003,960
Cash equivalents (*)	613,916,324,822	601,440,553,373
	<u>633,899,499,611</u>	<u>611,508,486,689</u>

(\*) Cash equivalents included term deposits with an original maturity of 3 months or less, in USD with an interest rate of 0% (2017: 0%) and in VND with an interest rate of 4.1% per annum (2017: 3.5% per annum).

## 5 INVESTMENTS

	2018 VND	2017 VND
(a) <b>Short-term investments</b>		
Investments held to maturity	<u>-</u>	<u>17,000,000,000</u>
(b) <b>Long-term investments</b>		
Investments held to maturity (*)	<u>40,000,000,000</u>	<u>-</u>

(\*) 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 5.4% to 5.9% per annum.

## 6 OTHER RECEIVABLES

	2018 VND	2017 VND
(a) <b>Other short-term receivables</b>		
Interest receivables	<u>16,063,014</u>	<u>1,575,097,222</u>
(b) <b>Other long-term receivables</b>		
Interest receivables	<u>1,641,236,530</u>	<u>57,866,667</u>

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 7 INSURANCE COMPULSORY DEPOSITS

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

## 8 FIXED ASSETS

## (a) Tangible fixed assets

	Furniture and fittings VND	Motor vehicles VND	Office equipment VND	Total VND
<b>Historical cost</b>				
As at 1 January 2018	1,548,727,273	1,269,316,364	63,636,364	2,881,680,001
New purchases	92,000,000	-	66,660,000	158,660,000
As at 31 December 2018	1,640,727,273	1,269,316,364	130,296,364	3,040,340,001
<b>Accumulated depreciation</b>				
As at 1 January 2018	(955,048,481)	(511,252,423)	(23,333,331)	(1,489,634,235)
Charge for the year	(317,412,122)	(211,552,728)	(18,543,942)	(547,508,792)
As at 31 December 2018	(1,272,460,603)	(722,805,151)	(41,877,273)	(2,037,143,027)
<b>Net book value</b>				
As at 1 January 2018	593,678,792	758,063,941	40,303,033	1,392,045,766
As at 31 December 2018	368,266,670	546,511,213	88,419,091	1,003,196,974

## (b) Intangible fixed assets

	Software VND
<b>Historical cost</b>	
As at 1 January 2018	183,000,000
As at 31 December 2018	183,000,000
<b>Accumulated amortisation</b>	
As at 1 January 2018	(82,350,000)
Charge for the year	(36,600,000)
As at 31 December 2018	(118,950,000)
<b>Net book value</b>	
As at 1 January 2018	100,650,000
As at 31 December 2018	64,050,000



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 9 OTHER LONG-TERM ASSETS

	2018 VND	2017 VND
Office rental deposit	501,878,400	501,878,400
Housing rental deposits	505,936,900	505,036,900
	<u>1,007,815,300</u>	<u>1,006,915,300</u>

## 10 TAX AND OTHER PAYABLES TO THE STATE BUDGET

	As at 31.12.2017 VND	Payable during the year VND	Payment during the year VND	As at 31.12.2018 VND
Value added tax	146,702,660	3,676,508,862	(3,534,282,283)	288,929,239
Corporate income tax	-	766,785,433	-	766,785,433
Foreign contractors' withholding tax	-	266,785	-	266,785
Personal income tax	28,898,788	427,156,398	(421,668,173)	34,387,013
	<u>175,601,448</u>	<u>4,870,717,478</u>	<u>(3,955,950,456)</u>	<u>1,090,368,470</u>

## 11 OTHER SHORT-TERM PAYABLES

	2018 VND	2017 VND
Claim payables awaiting for resolution (*)	3,481,000,000	-
Other payables	205,809,976	489,008,891
	<u>3,686,809,976</u>	<u>489,008,891</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.

SEOUL GUARANTEE INSURANCE COMPANY - HANOI BRANCH OFFICE

Form B 09 – DNPNT

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

12 TECHNICAL RESERVES

a) Claim reserves and unearned premium reserves

	2018			2017		
	Direct premium VND	Premiums ceded VND	Net amount VND	Direct premium VND	Premiums ceded VND	Net amount VND
1. Claim reserves	5,262,587,219	(8,003,547)	5,254,583,672	1,982,902,159	-	1,982,902,159
In which:						
- <i>Outstanding</i>	3,901,328,741	-	3,901,328,741	1,225,600,000	-	1,225,600,000
- <i>IBNR</i>	1,361,258,478	(8,003,547)	1,353,254,931	757,302,159	-	757,302,159
2. Unearned premium reserves	32,420,820,990	(233,208,688)	32,187,612,302	14,755,313,799	-	14,755,313,799
	37,683,408,209	(241,212,235)	37,442,195,974	16,738,215,958	-	16,738,215,958

SEOUL GUARANTEE INSURANCE COMPANY - HANOI BRANCH OFFICE

Form B 09 – DNPNT

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

12 TECHNICAL RESERVES (CONTINUED)

a) Claim reserves and unearned premium reserves (continued)

Movement of technical reserves during the year were as follows:

	2018			2017		
	Direct premium VND	Premiums ceded VND	Net amount VND	Direct premium VND	Premiums ceded VND	Net amount VND
1. Claim reserves						
At 1 January	1,982,902,159	-	1,982,902,159	795,669,771	-	795,669,771
Movement during the year	3,279,685,060	(8,003,547)	3,271,681,513	1,187,232,388	-	1,187,232,388
At 31 December	5,262,587,219	(8,003,547)	5,254,583,672	1,982,902,159	-	1,982,902,159
2. Unearned premium reserves						
At 1 January	14,755,313,799	-	14,755,313,799	13,853,747,805	-	13,853,747,805
Movement during the year	17,665,507,191	(233,208,688)	17,432,298,503	901,565,994	-	901,565,994
At 31 December	32,420,820,990	(233,208,688)	32,187,612,302	14,755,313,799	-	14,755,313,799



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 12 TECHNICAL RESERVES (CONTINUED)

## (b) Catastrophe reserves

	2018 VND	2017 VND
At 1 January	2,281,873,611	1,524,571,452
Movement during the year	1,353,254,931	757,302,159
At 31 December	<u>3,635,128,542</u>	<u>2,281,873,611</u>

## 13 DEFERRED INCOME TAX

## (a) Deferred tax liabilities

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 offset amounts were as follows:

	2018 VND	2017 VND
<b>Deferred tax liabilities:</b>		
Deferred tax liabilities to be recovered after more than 12 months	<u>8,294,141,796</u>	<u>5,795,797,446</u>

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

	2018 VND	2017 VND
Beginning of the year	5,795,797,446	5,846,581,095
Charged/(credited) to the income statement (Note 22)	2,498,344,350	(50,783,649)
End of year	<u>8,294,141,796</u>	<u>5,795,797,446</u>

## Details of deferred tax liabilities

	2018 VND	2017 VND
Taxable temporary differences	<u>8,294,141,796</u>	<u>5,795,797,446</u>

The Company uses tax rate of 20% in year 2018 (2017: 20%) for determining deferred tax liabilities.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**14 CHARTER CAPITAL**

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

**15 MOVEMENTS IN OWNER'S EQUITY**

	Owner's capital VND	Compulsory reserve fund VND	Undistributed earnings VND	Total VND
At 1 January 2017	600,000,000,000	1,136,870,341	6,428,231,916	607,565,102,257
Profit for the year	-	-	11,736,259,594	11,736,259,594
Appropriation to reserve	-	586,812,980	(586,812,980)	-
At 31 December 2017	600,000,000,000	1,723,683,321	17,577,678,530	619,301,361,851
Profit for the year	-	-	16,126,130,228	16,126,130,228
Appropriation to reserve	-	806,306,511	(806,306,511)	-
At 31 December 2018	600,000,000,000	2,529,989,832	32,897,502,247	635,427,492,079

**16 OFF BALANCE SHEET ITEMS**

**(a) Foreign currencies**

	2018	2017
United States Dollars ("USD")	26,042,167.48	26,024,776.86

**(b) Operating lease assets**

The future minimum lease payments under non-cancellable operating leases are VND 3,418,549,189 and VND 6,423,499,415 as of 31 December 2018 and 31 December 2017, respectively (Note 26).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 17 INSURANCE PREMIUM INCOME

	2018 VND	2017 VND
Direct Written Premium	45,375,282,600	25,243,405,300
- <i>Advance payment bond</i>	5,035,641,900	4,041,742,300
- <i>Bid bond</i>	4,273,500	11,362,500
- <i>Maintenance bond</i>	12,485,898,000	10,657,236,600
- <i>Performance bond</i>	13,449,114,100	8,454,758,100
- <i>Personal loan bond</i>	14,400,355,100	2,078,305,800
Increases in unearned premium reserves for direct insurance	(17,665,507,191)	(901,565,994)
	<u>27,709,775,409</u>	<u>24,341,839,306</u>

## 18 CLAIM EXPENSES

	2018 VND	2017 VND
Claim expenses	7,612,229,763	436,244,816
- <i>Advance payment bond</i>	4,956,930,223	-
- <i>Maintenance bond</i>	-	197,000,000
- <i>Performance bond</i>	1,589,000,000	-
- <i>Personal loan bond</i>	1,066,299,540	239,244,816
Claim deduction	(1,770,397,211)	(300,000,000)
	<u>5,841,832,552</u>	<u>136,244,816</u>

## 19 OTHER INSURANCE EXPENSES

	2018 VND	2017 VND
Sales promotion expenses	701,780,795	582,434,900
Contribution to beneficiaries protection fund	50,486,810	75,067,067
Other insurance expenses	127,679,868	46,979,545
	<u>879,947,473</u>	<u>704,481,512</u>



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 20 FINANCIAL INCOME

	2018 VND	2017 VND
Interest income from deposits	2,778,367,809	1,819,510,934
Realised foreign exchange gains	3,414,465	163,833
Unrealised foreign exchange gains	12,491,721,750	572,986
	<u>15,273,504,024</u>	<u>1,820,247,753</u>

## 21 GENERAL AND ADMINISTRATIVE EXPENSES

	2018 VND	2017 VND
Staff costs	4,368,191,330	3,654,793,600
Office equipment expenses	225,205,746	187,091,877
Depreciation expenses	584,108,792	570,625,452
Rental fee	4,956,598,158	4,907,138,520
Outside services	1,450,465,687	1,205,005,499
Other expenses	713,142,570	900,017,114
	<u>12,297,712,283</u>	<u>11,424,672,062</u>

## 22 BUSINESS INCOME TAX

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

	2018 VND	2017 VND
Net accounting profit before tax	19,391,260,011	11,685,475,945
Tax calculated at a rate of 20%	3,878,252,002	2,337,095,189
Effect of:		
- Expenses not deductible for tax purposes	29,542,371	14,901,000
- Utilisation of previous unrecognised tax losses	(642,664,590)	(2,351,996,189)
- Others	-	(50,783,649)
Business income tax charge (*)	<u>3,265,129,783</u>	<u>(50,783,649)</u>
Charged/(credited) to income statement:		
- Business income tax – current	766,785,433	-
- Deferred tax expense/(benefit) (Note 13)	2,498,344,350	(50,783,649)
	<u>3,265,129,783</u>	<u>(50,783,649)</u>

(\*) The business income tax 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 2018

## 23 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.

	2018 VND	2017 VND
Current accounts at bank and cash equivalents	633,896,329,331	611,506,557,333
Short-term financial investments	-	17,000,000,000
Long-term financial investments	40,000,000,000	-
Insurance compulsory deposits	12,000,000,000	12,000,000,000
Other receivables	1,657,299,544	1,632,963,889
	<u>687,553,628,875</u>	<u>642,139,521,222</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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (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 Company'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
<b>As at 31 December 2018</b>		
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>
<b>As at 31 December 2017</b>		
Other short-term payables	107,441,221	107,441,221
Claim reserves	1,982,902,159	1,982,902,159
	<u>2,090,343,380</u>	<u>2,090,343,380</u>

## (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:

	2018 VND	2017 VND
Current accounts at bank in USD	1,178,587,315	760,394,738
Term deposits at bank in USD	600,916,324,822	588,440,553,373
	<u>602,094,912,137</u>	<u>589,200,948,111</u>



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Market risk (continued)

## 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/(loss) before tax (due to changes in the fair value of monetary assets and liabilities).

	Change in USD rate %	Effect on profit/(loss) before tax VND
For the year ended 31 December 2018	+ 1	4,816,759,297
	- 1	(4,816,759,297)
For the year ended 31 December 2017	+ 1	4,713,607,585
	- 1	(4,713,607,585)

## (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.

	2018 VND	2017 VND
<b>Fixed rate instruments</b>		
Cash equivalents	633,896,329,331	611,506,557,333
Short-term financial investments	-	17,000,000,000
Statutory deposits	12,000,000,000	12,000,000,000
Long-term financial investments	40,000,000,000	-

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 24 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.

	<b>The Branch solvency margin</b>	<b>Minimum solvency margin</b>	Unit: VND' million <b>Solvency margin percentage</b>
As at 31 December 2018	632,791	11,277	5,611.30%
As at 31 December 2017	616,443	6,311	9,768.00%

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 25 RELATED PARTY DISCLOSURES

	2018 VND	2017 VND
Compensation of key management		
Gross salaries and other benefits	<u>1,355,082,000</u>	<u>1,310,496,000</u>

## 26 COMMITMENTS UNDER OPERATING LEASES

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

	2018 VND	2017 VND
Within one year	3,418,549,189	4,105,971,345
Between one and two years	-	2,317,528,070
Total minimum payments	<u>3,418,549,189</u>	<u>6,423,499,415</u>

The financial statements were approved by the Board of Management on 21 March 2019.



Ha Thi Minh Thu  
Preparer/ Chief Accountant



Jeong Beom Soon  
Director