

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

## AUDITED FINANCIAL STATEMENTS

For the year ended 31 december 2022



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## 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 2022.

### 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. Park You Hong	Branch Manager
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 2022, 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. 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 Vietnamese 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.

  
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Park You Hong  
Branch Manager

Hanoi, 20 March 2023

No.: 0696 /VNIA-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 20 March 2023 as set out from page 04 to page 33, which comprise the balance sheet as at 31 December 2022, 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 Vietnamese 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.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2022, 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.

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## INDEPENDENT AUDITORS' REPORT (Continue)

### Other Matter

The financial statements of the Branch for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 15 March 2022.



Phạm Tuan Linh  
Deputy General Director  
Audit Practising Registration Certificate  
No. 3001-2019-001-1

DELOITTE VIETNAM AUDIT COMPANY LIMITED

20 March 2023  
Hanoi, S.R. Vietnam

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

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0100112500-C/ĐINH

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 2022*

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>757,303,253,380</b>	<b>718,076,719,486</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>4</b>	<b>453,294,569,602</b>	<b>436,497,666,614</b>
1. Cash	111		6,940,887,624	16,357,025,146
2. Cash equivalents	112		446,353,681,978	420,140,641,468
<b>II. Short-term financial investments</b>	<b>120</b>		<b>288,200,000,000</b>	<b>250,360,000,000</b>
1. Held-to-maturity investments	123	5	288,200,000,000	250,360,000,000
<b>III. Short-term receivables</b>	<b>130</b>		<b>13,918,051,881</b>	<b>31,113,338,720</b>
1. Short-term trade receivables	131	6	44,506,187,400	41,673,900,277
Receivables of insurance contracts	131.1		44,506,187,400	41,673,900,277
2. Other short-term receivables	135	7	12,019,855,342	28,941,843,945
3. Provision for short-term doubtful debts	139	6	(42,607,990,861)	(39,502,405,502)
<b>IV. Other short-term assets</b>	<b>150</b>		<b>62,929,126</b>	<b>105,714,152</b>
1. Short-term prepayments	151		62,929,126	105,714,152
<b>V. Reinsurance assets</b>	<b>190</b>	<b>10</b>	<b>1,827,702,771</b>	-
1. Unearned premium reserve for outward reinsurance	191		1,751,413,257	-
2. Claims reserve for outward reinsurance	192		76,289,514	-
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>24,656,129,352</b>	<b>24,361,933,911</b>
<b>I. Long-term receivables</b>	<b>210</b>		<b>14,372,889,947</b>	<b>12,900,931,507</b>
1. Other long-term receivables	218		14,372,889,947	12,900,931,507
Insurance deposit	218.1		12,000,000,000	12,000,000,000
Other deposits	218.2		898,955,700	-
Other long-term receivables	218.3	7	1,473,934,247	900,931,507
<b>II. Fixed assets</b>	<b>220</b>		<b>176,740,211</b>	<b>202,325,843</b>
1. Tangible fixed assets	221	8	176,740,211	202,325,843
- Cost	222		3,288,608,183	3,234,608,183
- Accumulated depreciation	223		(3,111,867,972)	(3,032,282,340)
2. Intangible assets	227		-	-
- Cost	228		204,440,000	204,440,000
- Accumulated amortisation	229		(204,440,000)	(204,440,000)
<b>III. Long-term financial investments</b>	<b>250</b>		<b>10,000,000,000</b>	<b>10,000,000,000</b>
1. Held-to-maturity investments	255	5	10,000,000,000	10,000,000,000
<b>IV. Other long-term assets</b>	<b>260</b>		<b>106,499,194</b>	<b>1,258,676,561</b>
1. Long-term prepayments	261		106,499,194	348,220,861
2. Other long-term assets	268		-	910,455,700
<b>TOTAL ASSETS (270=100+200)</b>	<b>270</b>		<b>781,959,382,732</b>	<b>742,438,653,397</b>

The accompanying notes are an integral part of these financial statements

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 (Continued)

As at 31 December 2022

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
<b>C. LIABILITIES</b>	<b>300</b>		<b>62,174,444,529</b>	<b>50,535,505,325</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>59,883,840,716</b>	<b>47,413,870,091</b>
1. Taxes and amounts payable to the State budget	314	9	1,849,964,602	3,250,417,676
2. Short-term accrued expenses	316		590,939,219	598,752,283
3. Other current payables	319		168,612,768	80,628,066
4. Unearned commission income	319.1		595,480,507	-
5. Underwriting reserves	329	10	56,678,843,620	43,484,072,066
Unearned premium reserve for direct insurance	329.1		27,352,584,158	27,355,929,019
Claim reserve for direct insurance	329.2		22,025,416,621	9,835,039,441
Catastrophe reserve	329.3		7,300,842,841	6,293,103,606
<b>II. Long-term liabilities</b>	<b>330</b>		<b>2,290,603,813</b>	<b>3,121,635,234</b>
1. Deferred tax liabilities	335	11	2,290,603,813	3,121,635,234
<b>D. EQUITY</b>	<b>400</b>		<b>719,784,938,203</b>	<b>691,903,148,072</b>
<b>I. Owners' equity</b>	<b>410</b>	<b>12</b>	<b>719,784,938,203</b>	<b>691,903,148,072</b>
1. Owners' contributed capital	411		600,000,000,000	600,000,000,000
2. Compulsory reserve fund	419		6,708,122,218	5,314,032,711
3. Retained earnings	421		113,076,815,985	86,589,115,361
- Retained earnings accumulated to the prior year end	421a		86,589,115,361	73,041,360,264
- Retained earnings of the current year	421b		26,487,700,624	13,547,755,097
<b>TOTAL RESOURCES (440=300+400)</b>	<b>440</b>		<b>781,959,382,732</b>	<b>742,438,653,397</b>



Nguyen Thi Van  
Preparer



Ha Thi Minh Thu  
Chief Accountant



Park You Hong  
Branch Manager

Hanoi, 20 March 2023

## INCOME STATEMENT

For the year ended 31 December 2022

Unit: VND

## PART I: GENERAL INCOME STATEMENT

ITEMS	Codes	Current year	Prior year
1. Net revenue from insurance activities	10	35,615,199,911	32,793,987,822
2. Financial income	12	30,215,486,720	17,897,909,373
3. Other income	13	39,644,675	18,766,585
4. Total expenses for insurance activities	20	14,239,556,895	9,079,518,537
5. Financial expenses	22	4,003,097	6,148,028,860
6. General and administration expenses	23	21,599,389,825	18,271,098,615
7. Other expenses	24	34,310,326	1,002,787,501
8. Total accounting profit before tax (50 = 10+12+13-20-22-23-24)	50	29,993,071,163	16,209,230,267
9. Current corporate income tax expense	51	2,942,312,453	3,169,989,055
10. Deferred corporate income tax (income)	52	(831,031,421)	(1,221,553,627)
11. Net profit after corporate income tax (60 = 50-51-52)	60	27,881,790,131	14,260,794,839



**INCOME STATEMENT (Continued)**  
*For the year ended 31 December 2022*

*Unit: VND*

**PART II: INCOME STATEMENT BY ACTIVITY**

ITEMS	Codes	Notes	Current year	Prior year (Restated)
<b>1. Insurance premium (01=01.1-01.3)</b>	<b>01</b>	<b>13</b>	<b>36,137,636,461</b>	<b>32,863,483,334</b>
- Direct insurance premium	01.1		36,134,291,600	28,373,511,800
- (Decrease) in unearned premium reserves for direct insurance and inward reinsurance	01.3		(3,344,861)	(4,489,971,534)
<b>2. Outward reinsurance premium (02=02.1-02.2)</b>	<b>02</b>	<b>14</b>	<b>791,570,530</b>	<b>105,296,232</b>
- Total outward reinsurance premium	02.1		2,542,983,787	(61,804,410)
- Increase/(Decrease) in unearned premium reserves for outward reinsurance	02.2		1,751,413,257	(167,100,642)
<b>3. Net insurance premium (03= 01 - 02)</b>	<b>03</b>		<b>35,346,065,931</b>	<b>32,758,187,102</b>
<b>4. Commission income from outward reinsurance and other income from insurance activities</b>	<b>04</b>		<b>269,133,980</b>	<b>35,800,720</b>
- Commission income from outward reinsurance	04.1		269,133,980	35,800,720
<b>5. Net revenue from insurance activities (10 = 03 + 04)</b>	<b>10</b>		<b>35,615,199,911</b>	<b>32,793,987,822</b>
<b>6. Claim settlement expenses (11= 11.1 - 11.2)</b>	<b>11</b>		<b>-</b>	<b>-</b>
- Total claim settlement expenses	11.1		15,376,042,704	3,699,189,430
- Deductions	11.2		(15,376,042,704)	(3,699,189,430)
+ Indemnity recovered during the year			(12,543,755,581)	(688,892,480)
+ Indemnity receivables			(2,832,287,123)	(3,010,296,950)
<b>7. Claims receipts from ceded policies</b>	<b>12</b>		<b>-</b>	<b>-</b>
<b>8. Increase in claim reserves for direct insurance and inward reinsurance</b>	<b>13</b>		<b>12,190,377,180</b>	<b>7,535,362,835</b>
<b>9. Increase/(decrease) in claim reserve for outward reinsurance</b>	<b>14</b>		<b>76,289,514</b>	<b>(6,180,435)</b>
<b>10. Total insurance claim settlement expenses (15 = 11 - 12 +13 - 14)</b>	<b>15</b>	<b>15</b>	<b>12,114,087,666</b>	<b>7,541,543,270</b>
<b>11. Increase in catastrophe reserve</b>	<b>16</b>		<b>1,007,739,235</b>	<b>853,059,486</b>
<b>12. Other expenses for insurance activities</b>	<b>17</b>		<b>1,117,729,994</b>	<b>684,915,781</b>
- Insurance commission expense	17.1		-	-
- Other expenses for insurance activities	17.2		1,117,729,994	684,915,781
<b>13. Total expenses for insurance activities (18 = 15 + 16 + 17)</b>	<b>18</b>		<b>14,239,556,895</b>	<b>9,079,518,537</b>
<b>14. Gross profit from insurance activities (19 = 10 - 18)</b>	<b>19</b>		<b>21,375,643,016</b>	<b>23,714,469,285</b>

**INCOME STATEMENT (Continued)**  
*For the year ended 31 December 2022*

Unit: VND

**PART II: INCOME STATEMENT BY ACTIVITY (Continued)**

ITEMS	Codes	Notes	Current year	Prior year (Restated)
15. Financial income	23	16	30,215,486,720	17,897,909,373
16. Financial expenses	24	17	4,003,097	6,148,028,860
17. Gross profit from financial activities (25 = 23-24)	25		30,211,483,623	11,749,880,513
18. General and administration expenses	26	18	21,599,389,825	18,271,098,615
19. Net profit from operating activities (30 = 19 + 25 - 26)	30		29,987,736,814	17,193,251,183
20. Other incomes	31		39,644,675	18,766,585
21. Other expenses	32		34,310,326	1,002,787,501
22. Other profit/(loss) (40 = 31 - 32)	40		5,334,349	(984,020,916)
23. Accounting profit before tax (50 = 30 + 40)	50		29,993,071,163	16,209,230,267
24. Current corporate income tax expense	51	19	2,942,312,453	3,169,989,055
25. Deferred corporate income tax (income)	52		(831,031,421)	(1,221,553,627)
26. Net profit after corporate income tax (60 = 50 - 51 - 52)	60		27,881,790,131	14,260,794,839



Nguyen Thi Van  
Preparer



Ha Thi Minh Thu  
Chief Accountant



Park You-Hong  
Branch Manager

Hanoi, 20 March 2023

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**CASH FLOW STATEMENT**  
(Indirect method)  
For the year ended 31 December 2022

Unit: VND

ITEMS	Codes	Current year	Prior year
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	01	29,993,071,163	16,209,230,267
2. Adjustments for:			
Depreciation and amortisation of fixed assets	02	79,585,632	185,971,844
Provisions	03	14,472,654,142	6,810,988,633
Foreign exchange (gain)/loss arising from translating foreign currency items	04	(14,272,214,923)	6,138,956,424
Gains from investing activities	05	(14,260,190,654)	(17,897,909,373)
3. Operating profit before movements in working capital	08	16,012,905,360	11,447,237,795
(Increase) in receivables	09	(4,378,513,180)	(3,105,707,450)
Increase/(decrease) in payables (excluding accrued loan interest and corporate income tax payable)	11	610,780,266	(2,706,303)
Decrease in prepaid expenses	12	284,506,693	4,053,166
Corporate income tax paid	15	(4,277,893,648)	(5,066,602,729)
Net cash generated by operating activities	20	8,251,785,491	3,276,274,479
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets and other long-term assets	21	(54,000,000)	(51,818,182)
2. Cash outflow for lending, buying debt instruments of other entities	23	(87,840,000,000)	(40,000,000,000)
3. Cash recovered from lending, selling debt instruments of other entities	24	50,000,000,000	43,000,000,000
4. Interest earned	27	32,166,902,574	6,239,231,017
Net cash (used in)/generated by investing activities	30	(5,727,097,426)	9,187,412,835
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net cash used in financing activities	40	-	-
Net increase in cash (50=20+30+40)	50	2,524,688,065	12,463,687,314
Cash and cash equivalents at the beginning of the year	60	436,497,666,614	430,172,935,724
Effects of changes in foreign exchange rates	61	14,272,214,923	(6,138,956,424)
Cash and cash equivalents at the end of the year (70=50+60+61)	70	453,294,569,602	436,497,666,614

Nguyen Thi Van  
Preparer

Ha Thi Minh Thu  
Chief Accountant



Park You Hong  
Branch Manager

Hanoi, 20 March 2023

**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/GPDC1/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 12.

The total number of employees of the Branch as at 31 December 2022 was 15 (as at 31 December 2021: 14).

**Business sector**

Business sector of the Branch includes insurance services and financial services.

**Operating industry**

- Direct insurance business;
- Reinsurance business;
- Financial investments and other activities under law and regulations.

**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 2021.

Some figures in the income statement for the year ended 31 December 2021 are reclassified for compatibility with current year's figures.

Details of the restatement of prior year's figures are presented as follows:

Items	Codes	Prior period (Reported)	Adjustments	Prior period (Reclassified)
		VND	VND	VND
<b>Income statement for the year ended 31 December 2021</b>				
Claim settlement expenses (11= 11.1 - 11.2)	11	-	-	-
- Total claim settlement expenses	11.1	-	3,699,189,430	3,699,189,430
- Deductions	11.2	-	(3,699,189,430)	(3,699,189,430)
+ Indemnity recovered during the year		-	(688,892,480)	(688,892,480)
+ Indemnity receivables		-	(3,010,296,950)	(3,010,296,950)

## 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 Vietnamese accounting standards, accounting regime applicable to Vietnamese insurance enterprises as well as branch of foreign non-life insurance enterprises in Vietnam 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. 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 from customer in accordance with insurance policies and are stated at cost.

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 No. 50/2017/TT-BTC issued by the Ministry of Finance dated 15 May 2017 ("Circular 50") 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 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 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 Branch's charter capital.

**Revenue recognition**

***Direct insurance premium***

Direct insurance premium is recognized under Circular No. 50/2017/TT-BTC dated 15 May 2017 issued by the Ministry of Finance effective from 01 July 2017. In particular, direct insurance premiums is recognized when the 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.

4. CASH AND CASH EQUIVALENTS

	Closing balance	Opening balance
	VND	VND
Cash on hand	4,487,444	2,281,959
Bank demand deposits	6,936,400,180	16,354,743,187
Cash equivalents (i)	446,353,681,978	420,140,641,468
	<u>453,294,569,602</u>	<u>436,497,666,614</u>

- (i) Represent deposits at domestic joint stock commercial banks with original term of 3 months or less with interest rate from 0% to 6.0% per annum (as at 31 December 2021: 0% per annum).

SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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5. HELD-TO-MATURITY INVESTMENTS

	Closing balance			Opening balance		
	Cost	Fair value	Provision	Cost	Fair value	Provision
			VND			VND
a. Current investments						
- Term deposits (i)	288,200,000,000	288,200,000,000	-	250,360,000,000	250,360,000,000	-
b. Non-current investments						
- Term deposits (ii)	10,000,000,000	10,000,000,000	-	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 4.0% to 6.0% per annum (as at 31 December 2021: from 2.1% to 7.15% per annum).					
(ii)	Represent deposits at domestic joint stock commercial banks with the remaining term of more than 12 months from the reporting date, with interest rate of 4.9% per annum (as at 31 December 2021: 4.9% per annum).					

6. RECEIVABLES OF INSURANCE CONTRACTS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Indemnity receivables from guaranteed customers	44,506,187,400	41,673,900,277
Provision for indemnity receivables from guaranteed customers	(42,607,990,861)	(39,502,405,502)
	<u>1,898,196,539</u>	<u>2,171,494,775</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	41,673,900,277	38,663,603,327
Indemnity receivables from claim expense during the year (Note 16)	2,832,287,123	3,010,296,950
Closing balance	<u>44,506,187,400</u>	<u>41,673,900,277</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	39,502,405,502	36,763,148,733
Provision for indemnity receivables from guaranteed customers (Note 19)	3,105,585,359	2,739,256,769
Closing balance	<u>42,607,990,861</u>	<u>39,502,405,502</u>

7. OTHER RECEIVABLES

	Closing balance	Opening balance
	VND	VND
<b>a. Current</b>		
Interest receivables	12,019,855,342	28,941,843,945
	<u>12,019,855,342</u>	<u>28,941,843,945</u>
<b>b. Non-current</b>		
Interest receivables	1,473,934,247	900,931,507
	<u>1,473,934,247</u>	<u>900,931,507</u>

8. INCREASES, DECREASES IN TANGIBLE FIXED ASSETS

	Furniture and fittings	Motor vehicles	Office equipment	Total
	VND	VND	VND	VND
<b>COST</b>				
Opening balance	1,719,177,273	1,269,316,364	246,114,546	3,234,608,183
Additions	-	-	54,000,000	54,000,000
Closing balance	<u>1,719,177,273</u>	<u>1,269,316,364</u>	<u>300,114,546</u>	<u>3,288,608,183</u>
<b>ACCUMULATED DEPRECIATION</b>				
Opening balance	1,633,737,082	1,269,316,364	129,228,894	3,032,282,340
Charge for the year	34,089,992	-	45,495,640	79,585,632
Closing balance	<u>1,667,827,074</u>	<u>1,269,316,364</u>	<u>174,724,534</u>	<u>3,111,867,972</u>
<b>NET BOOK VALUE</b>				
Opening balance	<u>85,440,191</u>	<u>-</u>	<u>116,885,652</u>	<u>202,325,843</u>
Closing balance	<u>51,350,199</u>	<u>-</u>	<u>125,390,012</u>	<u>176,740,211</u>

The cost of the Branch's tangible fixed assets includes VND 2,881,680,001 of tangible fixed assets which have been fully depreciated but are still in use as at 31 December 2022 (as at 31 December 2021: VND 2,881,680,001).

9. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET

	Opening balance	Payable during the year	Paid during the year	Closing balance
	VND	VND	VND	VND
Value added tax	102,138,545	2,591,108,585	2,655,913,164	37,333,966
Corporate income tax	3,111,474,495	2,942,312,453	4,277,893,648	1,775,893,300
Personal income tax	36,866,440	609,549,284	609,616,584	36,799,140
Foreign contractor tax	(61,804)	2,542,984	2,542,984	(61,804)
Business license tax	-	3,000,000	3,000,000	-
	<u>3,250,417,676</u>	<u>6,148,513,306</u>	<u>7,548,966,380</u>	<u>1,849,964,602</u>

SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE  
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10. 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
	VND	VND	VND	VND	VND	VND
1. Unearned premium reserve	27,352,584,158	1,751,413,257	25,601,170,901	27,355,929,019	-	27,355,929,019
2. Claim reserve	22,025,416,621	76,289,514	21,949,127,107	9,835,039,441	-	9,835,039,441
Including:						
- Reserve for claims not yet settled (OSLR)	20,941,387,873	-	20,941,387,873	8,983,834,087	-	8,983,834,087
- Reserve for loss incurred but not reported (IBNR)	1,084,028,748	76,289,514	1,007,739,234	851,205,354	-	851,205,354
Total	49,378,000,779	1,827,702,771	47,550,298,008	37,190,968,460	-	37,190,968,460

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
	VND	VND	VND	VND	VND	VND
1. Unearned premium reserve						
Opening balance	27,355,929,019	-	27,355,929,019	31,845,900,553	167,100,642	31,678,799,911
Provided for in the year	(3,344,861)	1,751,413,257	(1,754,758,118)	(4,489,971,534)	(167,100,642)	(4,322,870,892)
Closing balance	27,352,584,158	1,751,413,257	25,601,170,901	27,355,929,019	-	27,355,929,019

	Current year		Prior year	
	Direct insurance reserve VND	Outward reinsurance reserve VND	Net claim reserve VND	Outward reinsurance reserve VND
<b>2. Claim reserve</b>				
Opening balance	9,835,039,441	-	9,835,039,441	6,180,435
Provided for in the year	12,190,377,180	76,289,514	12,114,087,666	(6,180,435)
Closing balance	<b>22,025,416,621</b>	<b>76,289,514</b>	<b>21,949,127,107</b>	<b>9,835,039,441</b>

**Catastrophe reserve:**

	Current year VND	Prior year VND
Opening balance	6,293,103,606	5,440,044,120
Provided for in the year	1,007,739,235	853,059,486
Closing balance	<b>7,300,842,841</b>	<b>6,293,103,606</b>



11. DEFERRED TAX LIABILITIES

Deferred tax liabilities

	Closing balance	Opening balance
	VND	VND
Corporate income tax rates used for determination of value of deferred tax liabilities	20%	20%
Taxable temporary differences	11,453,019,066	15,608,176,170
In which:		
- Difference in provision for indemnity receivables between the Branch's provision policy and Circular 48/2015/TT-BTC	(2,578,634,821)	(4,068,960,080)
- Bonus expense accrued	(203,419,990)	(223,212,000)
- Unrealized foreign exchange gains	14,235,073,877	19,900,348,250
Deferred tax liabilities	<u>2,290,603,813</u>	<u>3,121,635,234</u>

	Năm nay	Năm trước
	VND	VND
Movement in deferred tax liabilities is as follows:		
Opening balance	3,121,635,234	4,343,188,861
Recorded in the income statement	(831,031,421)	(1,221,553,627)
Closing balance	<u>2,290,603,813</u>	<u>3,121,635,234</u>

12. OWNER'S EQUITY

	Owner's contributed capital	Compulsory reserve fund	Retained earnings	Total
	VND	VND	VND	VND
Prior year's opening balance	600,000,000,000	4,600,992,969	73,041,360,264	677,642,353,233
Profit for the year	-	-	14,260,794,839	14,260,794,839
Allocated to compulsory reserve fund	-	713,039,742	(713,039,742)	-
Current year's opening balance	<u>600,000,000,000</u>	<u>5,314,032,711</u>	<u>86,589,115,361</u>	<u>691,903,148,072</u>
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 closing balance	<u>600,000,000,000</u>	<u>6,708,122,218</u>	<u>113,076,815,985</u>	<u>719,784,938,203</u>

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.

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13. INSURANCE PREMIUM

	Current year	Prior year
	VND	VND
Direct insurance premium	36,962,734,000	30,667,835,900
Advance payment bonds	11,200,724,100	9,644,019,500
Bid bonds	12,391,600	7,420,000
Maintenance bonds	7,189,502,900	6,765,721,200
Performance bonds	17,261,818,900	11,625,895,600
Personal loan bonds	1,298,296,500	2,624,779,600
Deductions from direct insurance premium	(828,442,400)	(2,294,324,100)
Decrease in unearned premium reserves for direct insurance	3,344,861	4,489,971,534
	<u>36,137,636,461</u>	<u>32,863,483,334</u>

14. OUTWARD REINSURANCE PREMIUM

	Current year	Prior year
	VND	VND
Total outward reinsurance premium	2,542,983,787	(61,804,410)
Advance payment bonds	1,240,598,611	-
Performance bonds	1,302,385,176	(61,804,410)
(Increase)/decrease in unearned premium reserve for outward reinsurance	(1,751,413,257)	167,100,642
	<u>791,570,530</u>	<u>105,296,232</u>

15. TOTAL CLAIM SETTLEMENT EXPENSES

	Current year	Prior year (Restated)
	VND	VND
Total claim settlement expenses	15,376,042,704	3,699,189,430
Advance payment bonds	-	-
Bid bonds	-	-
Maintenance bonds	11,757,300,000	168,925,000
Performance bonds	1,611,462,321	-
Personal loan bonds	2,007,280,383	3,530,264,430
Deductions from claim settlement expenses	(12,543,755,581)	(688,892,480)
Increase in indemnity receivables (i) (Note 6)	(2,832,287,123)	(3,010,296,950)
Increase in claim reserves for direct insurance	12,190,377,180	7,535,362,835
(Increase)/decrease in claim reserve for outward reinsurance	(76,289,514)	6,180,435
	<u>12,114,087,666</u>	<u>7,541,543,270</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 of Insurance contracts (Note 7).

16. FINANCIAL INCOME

	Current year	Prior year
	VND	VND
Interest from term deposits	15,829,940,980	17,897,909,373
Unrealized foreign exchange gain	14,272,214,923	-
Realized foreign exchange gain	113,330,817	-
	<u>30,215,486,720</u>	<u>17,897,909,373</u>

17. FINANCIAL EXPENSES

	Current year	Prior year
	VND	VND
Unrealized foreign exchange loss	-	6,138,956,424
Realized foreign exchange loss	4,003,097	9,072,436
	<u>4,003,097</u>	<u>6,148,028,860</u>

18. GENERAL AND ADMINISTRATION EXPENSES

	Current year	Prior year
	VND	VND
Labour	7,922,992,793	6,544,307,700
Rental fee	6,920,072,672	6,237,884,380
Provision for indemnity receivables (Note 6)	3,105,585,359	2,739,256,769
Out-sourced services	1,199,139,524	1,448,270,839
Office equipment expenses	593,573,280	607,979,670
Depreciation expenses	79,585,632	185,971,844
Others	1,778,440,565	507,427,413
	<u>21,599,389,825</u>	<u>18,271,098,615</u>

19. CORPORATE INCOME TAX

	Current year VND	Prior year VND
Profit before tax	29,993,071,163	16,209,230,267
Adjustments for taxable profit		
Less: Non-taxable income	(18,507,572,784)	(4,266,546,151)
- Foreign exchange (gain) arising from translating foreign currency balance at the year - end	(14,272,214,923)	-
- Reversal of provision for indemnity receivables	(4,012,145,861)	(4,089,732,151)
- Reversal of bonus expense accrued	(223,212,000)	(176,814,000)
Add back: Non-deductible expenses	3,226,063,890	10,700,094,850
- Provision for indemnity receivables	2,578,634,822	4,012,145,861
- Bonus expense accrued	203,419,990	223,212,000
- Foreign exchange loss arising from translating foreign currency balance at the year - end	-	6,138,956,425
- Other non-deductible expenses	444,009,078	325,780,564
Taxable profit	14,711,562,269	22,642,778,966
Normal tax rate	20%	20%
Corporate income tax expense based on taxable profit in the current year	2,942,312,453	4,528,555,793
Deductions	-	(1,358,566,738)
Current corporate income tax expense (i)	2,942,312,453	3,169,989,055

- (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
<b>1. Structure of assets and resources</b>			
<b>1.1 Structure of assets</b>			
- Short-term assets/Total assets	%	96.85%	96.72%
- Long-term assets/Total assets	%	3.15%	3.28%
<b>1.2 Structure of resources</b>			
- Liabilities/Total resources	%	7.95%	6.81%
- Equity/Total resources	%	92.05%	93.19%
<b>2. Liquidity ratios</b>			
2.1 Current ratio	time	12.58	14.69
2.2 Short-term debt coverage	time	12.65	15.14
2.3 Quick ratio	time	12.38	14.49
Items	Unit	Current year	Prior year
<b>3. Profitability ratios</b>			
<b>3.1 Profit margin</b>			
- Profit before tax/Revenue	%	82.38%	49.27%
- Profit after tax/Revenue	%	76.58%	43.35%
<b>3.2 Profit ratios over total assets</b>			
- Profit before tax/Total assets	%	3.84%	2.18%
- Profit after tax/Total assets	%	3.57%	1.92%
<b>3.3 Profit after tax/Equity</b>	%	3.87%	2.06%

**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.

	Closing balance	Opening balance
	VND	VND
i. The Branch's solvency margin	715,327,683,556	686,459,922,709
ii. Minimum solvency margin	8,397,826,953	7,108,829,053
Solvency margin percentage	8,518.01%	9,656.44%

**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 Legal Representative 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.

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.

### 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 3.

### Categories of financial instruments

	Closing balance		Opening balance	
	Book value	Fair value	Book value	Fair value
	VND	VND	VND	VND
<b>Financial assets</b>				
Cash and cash equivalents	453,294,569,602	453,294,569,602	436,497,666,614	436,497,666,614
Trade and other receivables	13,918,051,881	13,918,051,881	31,113,338,720	31,113,338,720
Financial investments	298,200,000,000	298,200,000,000	260,360,000,000	260,360,000,000
	<u>765,412,621,483</u>	<u>765,412,621,483</u>	<u>727,971,005,334</u>	<u>727,971,005,334</u>
<b>Financial liabilities</b>				
Other payables	168,612,768	168,612,768	80,628,066	80,628,066
Accrued expenses	590,939,219	590,939,219	598,752,283	598,752,283
	<u>759,551,987</u>	<u>759,551,987</u>	<u>679,380,349</u>	<u>679,380,349</u>

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 5.
- 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.

Financial 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	653,231,815	1,976,637,944
Term deposits at bank denominated in USD	421,353,681,978	407,140,641,468
	<u>422,006,913,793</u>	<u>409,117,279,412</u>

#### 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 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	453,294,569,602	436,497,666,614
Short-term financial investments	288,200,000,000	250,360,000,000
Insurance compulsory deposits	12,000,000,000	12,000,000,000
Long-term financial investments	10,000,000,000	10,000,000,000
	<b>763,494,569,602</b>	<b>708,857,666,614</b>

*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.

*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
<b>Closing balance</b>			
Cash and cash equivalents	453,294,569,602	-	453,294,569,602
Trade and other receivables	13,918,051,881	-	13,918,051,881
Short-term financial investments	288,200,000,000	-	288,200,000,000
Long-term financial investments	-	10,000,000,000	10,000,000,000
	<b>755,412,621,483</b>	<b>10,000,000,000</b>	<b>765,412,621,483</b>
Other payables	168,612,768	-	168,612,768
Accrued expenses	590,939,219	-	590,939,219
	<b>759,551,987</b>	<b>-</b>	<b>759,551,987</b>
<b>Net liquidity gap</b>	<b>754,653,069,496</b>	<b>10,000,000,000</b>	<b>764,653,069,496</b>
	Less than 1 year	More than 1 year	Total
	VND	VND	VND
<b>Opening balance</b>			
Cash and cash equivalents	436,497,666,614	-	436,497,666,614
Trade and other receivables	31,113,338,720	-	31,113,338,720
Short-term financial investments	250,360,000,000	-	250,360,000,000
Long-term financial investments	-	10,000,000,000.00	10,000,000,000
	<b>717,971,005,334</b>	<b>10,000,000,000</b>	<b>727,971,005,334</b>
Other payables	80,628,066	-	80,628,066
Accrued expenses	598,752,283	-	598,752,283
	<b>679,380,349</b>	<b>-</b>	<b>679,380,349</b>
<b>Net liquidity gap</b>	<b>717,291,624,985</b>	<b>10,000,000,000</b>	<b>727,291,624,985</b>

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 services, insurance products as well as geographical areas to minimize concentrations of insurance risk. Besides, the Branch has also applied different criteria in risk selection, implemented various measures in risk assessment to build an appropriate premium level. The Branch does not accept insurance risks that highly likely occur or are subject to self-interested profit-maximizing behaviours.

For insurance risks accepted for the year ended 31 December 2022, 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 and increase deductibles;
- 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 and balances for the year:*

Related party	Relationship
Seoul Guarantee Insurance Company	Parent company

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

	Current year VND	Prior year VND
Seoul Guarantee Insurance Company		
Outward reinsurance premium	2,542,983,787	-
Commission income from outward reinsurance	864,614,487	-
	Current year VND	Prior year (Restated) VND
Remuneration for key management personnel		
Salary	1,356,720,000	1,324,296,000
Other benefits	2,287,675,500	2,173,291,725
	<u>3,644,395,500</u>	<u>3,497,587,725</u>

24. OPERATING LEASE COMMITMENTS

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

	Current year VND	Prior year VND
<b>Office rental fee (i)</b>		
Within one year	3,055,430,400	3,055,430,400
<b>Apartment rental fee (ii)</b>		
Within one year	2,552,087,860	2,174,685,910
(i) Total rentals payable by the Branch for renting 230 m <sup>2</sup> of office in Unit 901, 9th Floor, East Tower, Hanoi Lotte Center, 54 Lieu Giai Street, Cong Vi Ward, Ba Dinh District, Hanoi, Vietnam with renting fee of VND 722,500/m <sup>2</sup> /month and service fee of VND 189,440/m <sup>2</sup> /month. The office lease agreement was signed for a period of 1 year from 08 December 2022 to 07 December 2023.		
(ii) Total rentals payable by the Branch for renting apartments for expatriates who are currently working at the Branch under the apartment lease agreement signed for a period of 1 year from 2022.		

  
\_\_\_\_\_  
Nguyen Thi Van  
Preparer

  
\_\_\_\_\_  
Ha Thi Minh Thu  
Chief Accountant

  
\_\_\_\_\_  
Park You Hong  
Branch Manager

Hanoi, 20 March 2023