



**Seoul Guarantee Insurance Company**  
**Hanoi Branch Office**

Financial Statements  
for the year ended 31 December 2017



**Seoul Guarantee Insurance Company – Hanoi Branch Office**  
**Branch Information**

**Insurance Business**  
**License No.**

73GP/KDBH

26 August 2014

The Insurance Business Licence has been amended once by the revised Insurance Business Licence No. 73/GPDC1/KDBH dated 25 June 2015. The Insurance Business Licence was issued by the Ministry of Finance and is valid for 50 years.

**Board of Management**

Mr. Jeong Beom Soon  
Mr. Kwon Soon Yong

Director  
Deputy Director  
*(until 9 February 2018)*  
Deputy Director  
*(from 10 February 2018)*

Mr. Jung Youn Ho

**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**

KPMG Limited  
Vietnam

## Seoul Guarantee Insurance Company - Hanoi Branch Office Statement of the Board of Management

The Branch's Board of Management of Seoul Guarantee Insurance Company – Hanoi Branch Office ("the Branch") presents this statement and the accompanying financial statements of the Branch for the year ended 31 December 2017.

The Branch's Board of Management is responsible for the preparation and fair presentation of the financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises, Circular No. 232/2012/TT-BTC dated 28 December 2012 issued by the Ministry of Finance on the promulgation of accounting systems of non-life insurance enterprises, reinsurance enterprises and branches of foreign non-life insurance enterprises and the relevant statutory requirements applicable to financial reporting. In the opinion of the Branch's Board of Management:

- (a) the financial statements set out on pages 5 to 31 give a true and fair view of the financial position of the Branch as at 31 December 2017, and of the results of operations and the cash flows of the Branch for the year then ended, in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises, Circular No. 232/2012/TT-BTC dated 28 December 2012 issued by the Ministry of Finance on the promulgation of accounting systems of non-life insurance enterprises, reinsurance enterprises and branches of foreign non-life insurance enterprises and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the Branch will not be able to pay its debts as and when they fall due.

The Branch's Board of Management has, on the date of this statement, authorised these accompanying financial statements for issue.

On behalf of the Board of Management,



Hanoi, 28 February 2018



KPMG Limited  
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E6 Pham Hung Road, Me Tri Ward  
South Tu Liem District, Hanoi, Vietnam  
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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Investor**

#### **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 comprise the balance sheet as at 31 December 2017, the statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Branch's Board of Management on 28 February 2018, as set out on pages 5 to 31.

### **Management's Responsibility**

The Branch's Board of Management is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises, Circular No. 232/2012/TT-BTC dated 28 December 2012 issued by the Ministry of Finance on the promulgation of accounting systems of non-life insurance enterprises, reinsurance enterprises and branches of foreign non-life insurance enterprises and the relevant statutory requirements applicable to financial reporting, and for such internal control as Branch's 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.

### **Auditor's 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 of 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 judgement, 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 auditor considers 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 the Branch's 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 give a true and fair view, in all material respects, of the financial position of Seoul Guarantee Insurance Company - Hanoi Branch Office as at 31 December 2017, and of its results of operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises, Circular No. 232/2012/TT-BTC dated 28 December 2012 issued by the Ministry of Finance on the promulgation of accounting systems of non-life insurance enterprises, reinsurance enterprises and branches of foreign non-life insurance enterprises and the relevant statutory requirements applicable to financial reporting.

**KPMG Limited**  
Vietnam  
Audit report No. 17-02-368



Tran Dinh Vinh  
Practicing Auditor Registration  
Certificate No. 0339-2018-007-1  
Deputy General Director

Tran Anh Quan  
Practicing Auditor Registration  
Certificate No. 0306-2018-007-1

Hanoi, 28 February 2018

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	Code	Note	31/12/2017 VND	31/12/2016 VND (Restated)
<b>ASSETS</b>				
<b>A</b>	<b>CURRENT ASSETS</b> (100=110+120+130+150)	<b>100</b>	<b>630,086,496,124</b>	<b>614,205,665,825</b>
<b>I</b>	<b>Cash and cash equivalents</b>	<b>110</b>	<b>5</b>	<b>611,508,486,689</b>
1	Cash	111	10,067,933,316	6,193,860,684
2	Cash equivalents	112	601,440,553,373	601,700,465,278
<b>II</b>	<b>Short-term financial investments</b>	<b>120</b>	<b>6</b>	<b>17,000,000,000</b>
1	Short-term investments	121	17,000,000,000	6,000,000,000
<b>III</b>	<b>Accounts receivable – short-term</b>	<b>130</b>		<b>1,575,097,222</b>
4	Other accounts receivable	135	7	1,575,097,222
<b>V</b>	<b>Other current assets</b>	<b>150</b>		<b>2,912,213</b>
2	Deductible value added tax	152	2,912,213	8,309,307
<b>B</b>	<b>LONG-TERM ASSETS</b> (200 = 210 + 220 + 260)	<b>200</b>	<b>14,695,363,081</b>	<b>16,292,843,720</b>
<b>I</b>	<b>Long-term receivables</b>	<b>210</b>		<b>12,057,866,667</b>
4	Other long-term receivables	218	12,057,866,667	13,244,422,222
4.1	Statutory deposits	218.1	8	12,000,000,000
4.2	Other long-term receivables	218.2	57,866,667	1,244,422,222
<b>II</b>	<b>Fixed assets</b>	<b>220</b>		<b>1,492,695,766</b>
1	Tangible fixed assets	221	9	1,392,045,766
	- Cost	222	2,881,680,001	2,881,680,001
	- Accumulated depreciation	223	(1,489,634,235)	(955,608,783)
3	Intangible fixed assets	227	10	100,650,000
	- Cost	228	183,000,000	183,000,000
	- Accumulated depreciation	229	(82,350,000)	(45,750,000)
<b>V</b>	<b>Other long-term assets</b>	<b>260</b>		<b>1,144,800,648</b>
1	Long-term prepayments	261	137,885,348	40,188,380
3	Other long-term assets	268	11	1,006,915,300
	<b>TOTAL ASSETS</b> (270 = 100 + 200)	<b>270</b>	<b>644,781,859,205</b>	<b>630,498,509,545</b>

The accompanying notes are an integral part of these financial statements

	Code	Note	31/12/2017 VND	31/12/2016 VND (Restated)	
<b>RESOURCES</b>					
<b>A</b>	<b>LIABILITIES (300 = 310 + 330)</b>		<b>300</b>	<b>25,480,497,354</b>	<b>22,933,407,288</b>
<b>I</b>	<b>CURRENT LIABILITIES</b>		<b>310</b>	<b>19,684,699,908</b>	<b>17,086,826,193</b>
4	Taxes and others payable to State Treasury	314 12	175,601,448	218,528,114	
8	Other short-term payables	319	489,008,891	694,309,051	
13	Technical reserves	329 13	19,020,089,569	16,173,989,028	
13.1	Unearned premium reserve for direct insurance	329.1	14,755,313,799	13,853,747,805	
13.2	Claims reserve for direct insurance	329.2	1,982,902,159	795,669,771	
13.3	Catastrophe reserve	329.3	2,281,873,611	1,524,571,452	
<b>II</b>	<b>LONG-TERM LIABILITIES</b>		<b>330</b>	<b>5,795,797,446</b>	<b>5,846,581,095</b>
5	Deferred tax liabilities	335 14	5,795,797,446	5,846,581,095	
<b>B</b>	<b>EQUITY</b>		<b>400</b>	<b>619,301,361,851</b>	<b>607,565,102,257</b>
	<b>Owner's equity</b>		<b>410</b>	<b>619,301,361,851</b>	<b>607,565,102,257</b>
1	Contributed capital	411 16	600,000,000,000	600,000,000,000	
9	Statutory reserve	419	1,723,683,321	1,136,870,341	
11	Retained profits	421	17,577,678,530	6,428,231,916	
	<b>TOTAL RESOURCES</b>		<b>440</b>	<b>644,781,859,205</b>	<b>630,498,509,545</b>
	<b>(440 = 300 + 400)</b>				

**OFF BALANCE SHEET ITEMS**

	31/12/2017 VND	31/12/2016 VND
4 Insurance policies signed but for which no obligations have arisen	14,755,313,799	13,853,747,805
5 Foreign currencies: United States Dollar (USD)	589,200,948,111	589,111,555,304

28 February 2018

Prepared by

  
Ha Thi Minh Thu  
Chief Accountant

Approved by

  
Jeong Beom Soon  
Director

The accompanying notes are an integral part of these financial statements

Part I – Summary statement of income

	Code	2017 VND	2016 VND (Restated)
1 Net premium from insurance business	10	24,341,839,306	24,615,395,485
3 Financial income	12	1,820,247,753	8,138,482,444
5 Total expenses for insurance business	20	2,785,260,875	30,577,760,967
7 Financial expenses	22	266,678,177	20,352,630
8 General and administration expenses	23	11,424,672,062	11,481,487,790
<b>10 Gross profit/(loss) before tax (50=10+12-20-22-23)</b>	<b>50</b>	<b>11,685,475,945</b>	<b>(9,325,723,458)</b>
12 Income tax (benefit)/expense – deferred	52	(50,783,649)	5,846,581,095
<b>13 Net profit/(loss) after tax (60=50-52)</b>	<b>60</b>	<b>11,736,259,594</b>	<b>(15,172,304,553)</b>



Seoul Guarantee Insurance Company - Hanoi Branch Office Form B02 – DNPNT  
Statement of income for the year ended 31 December 2017 (continued)

Part II – Statement of income by activities

	Code	Note	2017 VND	2016 VND (Restated)
<b>1 Insurance premium (01 = 01.1 - 01.3)</b>	<b>01</b>	<b>17</b>	<b>24,341,839,306</b>	<b>24,615,395,485</b>
Premium from direct insurance	01.1		25,243,405,300	26,522,325,700
Increase in unearned premium reserve for direct insurance	01.3	13	901,565,994	1,906,930,215
<b>5 Net revenue from insurance business (10 = 01)</b>	<b>10</b>		<b>24,341,839,306</b>	<b>24,615,395,485</b>
6 Claims expenses (11 = 11.1 - 11.2)	11	18	136,244,816	28,982,799,261
Total claims expense	11.1		436,244,816	29,279,799,261
Deductions	11.2		300,000,000	297,000,000
8 Increase in claims reserve for direct insurance	13	13	1,187,232,388	147,716,640
10 Total claims expense (15 = 11 + 13)	15		1,323,477,204	29,130,515,901
11 Increase in catastrophe reserve	16	13	757,302,159	795,669,771
12 Other expenses for insurance business	17		704,481,512	651,575,295
<b>13 Total expenses for insurance business (18 = 15 + 16 + 17)</b>	<b>18</b>		<b>2,785,260,875</b>	<b>30,577,760,967</b>
<b>14 Gross profit/(loss) from insurance business (19 = 10 - 18)</b>	<b>19</b>		<b>21,556,578,431</b>	<b>(5,962,365,482)</b>
18 Financial income	23	19	1,820,247,753	8,138,482,444
19 Financial expenses	24		266,678,177	20,352,630
<b>20 Gross profit from financial business (25 = 23 - 24)</b>	<b>25</b>		<b>1,553,569,576</b>	<b>8,118,129,814</b>
21 General and administration expenses	26	20	11,424,672,062	11,481,487,790
<b>22 Net operating profit/(loss) (30 = 19 + 25 - 26)</b>	<b>30</b>		<b>11,685,475,945</b>	<b>(9,325,723,458)</b>
<b>25 Other profit</b>	<b>40</b>		-	-
<b>26 Gross profit/(loss) before tax (50 = 30 + 40)</b>	<b>50</b>		<b>11,685,475,945</b>	<b>(9,325,723,458)</b>
28 Income tax (benefit)/expenses - deferred	52	21	(50,783,649)	5,846,581,095
<b>29 Net profit/(loss) after tax (60 = 50 - 52)</b>	<b>60</b>		<b>11,736,259,594</b>	<b>(15,172,304,553)</b>

28 February 2018

Prepared by

  
Ha Thi Minh Thu  
Chief Accountant

Approved by

  
Leong Beom Soon  
Director



The accompanying notes are an integral part of these financial statements

Seoul Guarantee Insurance Company - Hanoi Branch Office  
Statement of cash flows for the year ended 31 December 2017  
(Indirect method - continued)

Form B03 – DNPNT

	Code	2017 VND	2016 VND (Restated)
<b>I - CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit/(loss) before tax</b>	<b>01</b>	<b>11,685,475,945</b>	<b>(9,325,723,458)</b>
<i>Adjustments for</i>			
Depreciation	02	570,625,452	568,504,240
Allowances and provisions	03	2,846,100,541	2,850,316,626
Unrealised foreign exchange gains	04	(572,986)	(6,114,105,961)
Interest income from deposits	05	(1,819,510,934)	(1,851,795,060)
<b>Operating profit/(loss) before changes in working capital</b>	<b>08</b>	<b>13,282,118,018</b>	<b>(13,872,803,613)</b>
Change in receivables	09	(56,606,306)	29,957,310
Change in payables and other liabilities	11	(248,226,826)	320,831,256
Change in prepayments	12	(97,696,968)	47,836,820
<b>Net cash flows from operating activities</b>	<b>20</b>	<b>12,879,587,918</b>	<b>(13,474,178,227)</b>
<b>II - CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for purchases of fixed assets	21	-	(63,636,364)
Payments for short-term investments	23	(11,000,000,000)	(6,000,000,000)
Receipts of interest from deposits	27	1,733,999,823	304,342,282
<b>Net cash flows from investing activities</b>	<b>30</b>	<b>(9,266,000,177)</b>	<b>(5,759,294,082)</b>
<b>Net cash flows during the year (50 = 20 + 30)</b>	<b>50</b>	<b>3,613,587,741</b>	<b>(19,233,472,309)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>607,894,325,962</b>	<b>621,013,692,310</b>
<b>Effect of exchange rate fluctuations on cash</b>	<b>61</b>	<b>572,986</b>	<b>6,114,105,961</b>
<b>Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61) (Note 5)</b>	<b>70</b>	<b>611,508,486,689</b>	<b>607,894,325,962</b>

28 February 2018

Prepared by

  
Ha Thi Minh Thu  
Chief Accountant

Approved by

  
Leong Broom Soon  
Director

The accompanying notes are an integral part of these financial statements

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

## **1. Reporting entity**

### **(a) Ownership structure**

Seoul Guarantee Insurance Company - Hanoi Branch Office (“the Branch”) is a foreign company’s branch established in Vietnam in accordance with Insurance Business License No. 73GP/KDBH dated 26 August 2014 issued by the Ministry of Finance and amended for the first time in accordance with Amended License No. 73/GPDC1/KDBH dated 25 June 2015 issued by the Ministry of Finance.

### **(b) Principal activities**

The Branch’s main activities are to provide non-life insurance services, including direct insurance, reinsurance, financial investments and other business operations that are in line with prevailing laws and regulations.

### **(c) Normal operating cycle**

The normal operating cycle of the Branch is generally within 12 months.

### **(d) The Branch’s structure**

As at 31 December 2017, the Branch has 8 employees (31/12/2016: 8 employees).

The Branch’s Head Office is located at Unit 901, 9<sup>th</sup> Floor, East Tower, Hanoi Lotte Center, 54 Lieu Giai Street, Ba Dinh District, Hanoi.

## **2. Basis of preparation**

### **(a) Statement of compliance**

The financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises, Circular No. 232/2012/TT-BTC dated 28 December 2012 issued by the Ministry of Finance on the promulgation of accounting systems of non-life insurance enterprises, reinsurance enterprises and branches of foreign non-life insurance enterprises and the relevant statutory requirements applicable to financial reporting.

These standards and statutory requirements may differ in some material respects from generally accepted accounting principles and standards in other countries. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than Vietnam. Furthermore, their utilization is not designed for those who are not informed about Vietnam’s accounting principles, procedures and practices applicable to non-life insurance enterprises, reinsurance enterprises and branches of foreign non-life insurance enterprises.

### **(b) Basis of measurement**

The financial statements, except for the statement of cash flows, are prepared on the accrual basis using the historical cost concept. The statement of cash flows is prepared using the indirect method.

**(c) Accounting period**

The accounting period of the Branch is from 1 January to 31 December.

**(d) Accounting currency**

The Branch's accounting currency is Vietnam Dong ("VND"), which is also the currency used for financial statement presentation purpose.

**3. Changes in accounting policies**

Effective from 1 July 2017, the Company has prospectively adopted the applicable requirements of Circular No. 50/2017/TT-BTC dated 15 May 2017 (Circular 50") issued by the Ministry of Finance providing implementation guidance for Decree No. 73/2016/ND-CP dated 1 July 2016 ("Decree 73") on the promulgation of implementation guidance for Laws on insurance business. The changes to the Company's accounting policies and the effects on the financial statements, if any, are disclosed in Notes 4(j) and 4(o) to the financial statements.

**4. Summary of significant accounting policies**

The following significant accounting policies have been adopted by the Branch in the preparation of these financial statements.

**(a) Foreign currency transactions**

Transactions in currencies other than VND during the year have been translated into VND at actual rates of exchange ruling at the transaction dates.

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the account transfer buying rate/account transfer selling rate at the end of the annual accounting period quoted by the commercial bank where the Branch most frequently conducts transactions.

All foreign exchange differences are recorded in the statement of income.

**(b) Cash and cash equivalents**

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**(c) Investments**

Short-term investments include term deposits at bank with original term ranging from three (03) months to one (01) year. These investments are stated at costs less allowance for doubtful debts.

**(d) Accounts receivable**

Trade and other receivables are stated at cost less allowance for doubtful debts.

**(e) Tangible fixed assets**

**(i) Cost**

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after the tangible fixed assets have been put into operation, such as repairs, maintenance and overhaul costs, is normally charged to statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of tangible fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

**(ii) Depreciation**

Depreciation is computed on a straight-line basis over the estimated depreciation periods of tangible fixed assets. The estimated useful lives are as follows:

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

**(f) Intangible fixed assets**

**Software**

Cost of acquiring new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software cost is amortised on a straight-line basis over 5 years.

**(g) Long-term prepaid expenses**

**Tools and instruments**

Tools and instruments include assets held for use by the Branch in the normal course of business whose costs of individual items are less than VND30 million and therefore not qualified for recognition as fixed assets under Circular 45/2013/TT-BTC. Cost of tools and instruments are amortised on a straight-line basis over a period ranging from 2 to 3 years.

**(h) Trade and other payables**

Trade and other payables are stated at their cost.

(i) **Provisions**

A provision except for the technical reserves mentioned in Note 4(j), is recognised if, as a result of a past event, the Branch has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(j) **Technical reserves**

*Before 1 July 2017*

Technical reserves are established in accordance with provisions and instructions of Circular No. 125/2012/TT-BTC issued by the Ministry of Finance on 30 July 2012 guiding accounting policy applicable to insurers, reinsurers, insurance brokers and foreign non-life insurance business branches (“Circular 125”) and Official Letter No. 14000/BTC-QLBH dated 2 October 2014 of the Ministry of Finance (“Official Letter 14000”).

*From 1 July 2017*

Technical reserves are established in accordance with provisions and instructions of Circular 50 and Official Letter 14000.

The prospective adoption of Circular 50 for the year ended 31 December 2017 did not have material impacts on these financial statements of the Branch for the year ended 31 December 2017.

Technical reserves of the Branch include:

(i) **Unearned premium reserve**

Unearned premium reserves 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.

Method of establishing the reserve is in accordance with a coefficient of the term of insurance contracts. Unearned premium reserve are on a daily basis by using the following comprehensive formula:

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

(ii) **Claims reserve**

Claims reserve includes reserve for notified but not approved (“NBNA”) claims and for incurred but not reported (“IBNR”) claims.

NBNA claims reserve are the amounts provided to cover the estimated ultimate cost of claims that have occurred and reported until the reporting date, less amounts already paid in respect of those claims. Claim reserve is made up for each claim dossier.

IBNR claims reserve are claims which have occurred during the current or previous accounting periods, but not yet been reported to the insurers or reinsurers as of the end of the accounting period. This IBNR reserve is calculated at 3% against the retained premium during the period under the Branch's responsibility in accordance with Official Letter 14000.

**(iii) Catastrophe reserve**

The Branch has provided catastrophe reserve in accordance with Official Letter 14000 at the rate of 3% of the retained premium of all insurance business during the accounting period.

**(k) Statutory reserve**

In accordance with Decree 73 issued by the Government on the promulgation of implementation guidance for the law on insurance business and the law on amendments and supplements to a number of articles of the law on insurance business, after payment of statutory income tax and appropriation to statutory reserves, insurers, insurance brokers and foreign insurance business branches may distribute retained profits in accordance with the laws. The statutory reserve is annually appropriated from profit after tax at the rate of 5% until this reserve reaches 10% of the charter capital of the insurance enterprise or granted capital of foreign insurance business branches.

**(l) Contributed capital**

Contributed capital is recognized on the contribution date at the actual amount contributed less any directly attributable transaction costs.

**(m) Statutory 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.

**(n) Taxation**

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the annual accounting period.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the end of the annual accounting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(o) Recognition of revenue**

**(i) Revenue from direct insurance business**

***Before 1 July 2017***

Premium from direct insurance is recognized in accordance with instructions of Circular 125 and Circular No. 194/2014/TT-BTC dated 17 December 2014 issued by the Ministry of Finance on amendments and supplements to a number of article of Circular 125 (“Circular 194”).

***From 1 July 2017***

Premium from direct insurance is recognized in accordance with instructions of Circular 50.

The prospective adoption of Circular 50 for the year ended 31 December 2017 did not have material impacts on these financial statements of the Branch for the year ended 31 December 2017.

In accordance with Circular 50, premium from direct insurance business is recognised when insurance obligations arise with the insured, specifically as follows:

- the insurance contract has been entered into by the insurers and the insured and the premium has been paid;
- there are evidences that the insurance contract have been entered into and the insured has paid the premium; and
- the insurance contract has been entered into by the insurers and the insured; if there is agreement between the insurer and the insured for delayed payment of insurance premium the insurer still has to recognise revenue for the delayed payment although the premium has not been paid by the insured.

If the Branch and its customers mutually agree a term of payment of insurance premium on an installment basis, only the insurance premium which is due in accordance with the installment contract shall be taken to revenue for the period. Prepaid premium before due date is recorded as “Premium received in advance” in the balance sheet as at the end of the annual accounting period.

**(ii) Interest**

Revenue is recognised on an accrual basis (taking into account the yield on the asset) unless recovery of interest is in doubt.



**(p) Claim expenses**

Claim expenses are recognised in the statement of income when the insured events occur. The charge for claims/loss adjustment expenses incurred for an accounting period is based on the estimated ultimate cost of settling the claims and related loss adjustment expenses.

The Branch usually reviews estimates of claim costs and differences between estimates and payments for claims are recognised in the statement of income of the period in which the estimates are changed or payments are made.

The charge for claim costs incurred for an accounting period therefore comprises amounts paid in respect of claims occurring during that period, provisions for such claims that are NBNA or incurred but not reported (IBNR) at the end of the accounting period, and current period adjustments to the provisions brought forward for claims occurring in previous accounting periods.

Estimated recoveries on claims, such as salvage or subrogation, shall be evaluated in terms of their estimated realisable value and deducted from the liability for outstanding claims.

**(q) Acquisition costs**

All acquisition costs are recognized in the statement of income when incurred.

**(r) Classification of financial statements**

Solely for the purpose of providing disclosures about the significance of financial instruments to the Branch's financial position and results of operations and the nature and extent of risk arising from financial instruments, the Branch classifies its financial instruments as follows:

**(i) Financial assets**

*Financial assets at fair value through profit or loss*

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

- It is considered by the Branch as held for trading. A financial asset is considered as held for trading if:
  - it is acquired principally for the purpose of selling it in the near term;
  - there is evidence of a recent pattern of short-term profit-taking; or
  - a derivative (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument).
- Upon initial recognition, it is designated by the Branch as at fair value through profit or loss.

*Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Branch has the positive intention and ability to hold to maturity, other than:

- those that the Branch upon initial recognition designates as at fair value through profit or loss;
- those that the Branch designates as available-for-sale; and
- those that meet the definition of loans and receivables.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those:

- that the Branch intends to sell immediately or in the near term, which are classified as held for trading, and those that the Branch on initial recognition designates as at fair value through profit or loss;
- that the Branch upon initial recognition designates as available-for-sale; or
- for which the Branch may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or that are not classified as:

- financial assets at fair value through profit or loss;
- held-to-maturity investments; or
- loans and receivables.

**(ii) *Financial liabilities***

*Financial liabilities at fair value through profit or loss*

A financial liability at fair value through profit or loss is a financial liability that meets either of the following conditions:

- It is considered by the Branch as held for trading. A financial liability is considered as held for trading if:
  - it is incurred principally for the purpose of repurchasing it in the near term;
  - there is evidence of a recent pattern of short-term profit-taking; or
  - a derivative (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument).
- Upon initial recognition, it is designated by the Branch as at fair value through profit or loss.

*Financial liabilities carried at amortised cost*

Financial liabilities which are not classified as financial liabilities at fair value through profit or loss are classified as financial liabilities carried at amortised cost.

The above described classification of financial instruments is solely for presentation and disclosure purpose and is not intended to be a description of how the instruments are measured. Accounting policies for measurement of financial instruments are disclosed in other relevant notes.

**(s) Operating lease payments**

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of income as an integral part of the total lease expense.

**(t) Related parties**

Parties are considered to be related to the Branch if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Branch and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Related companies refer to the investor and its ultimate parent company and its subsidiaries and associates.

**(u) Nil balances**

Items or balances required by Circular 232 that are not shown in these financial statements indicate nil balances.

## 5. Cash and cash equivalents

	31/12/2017 VND	31/12/2016 VND
Cash on hand	1,929,356	9,470,715
Cash in banks	10,066,003,960	6,184,389,969
Cash equivalents (*)	601,440,553,373	601,700,465,278
	611,508,486,689	607,894,325,962

- (\*) Cash equivalents included term deposits at bank in USD with original terms of no more than 3 months and an interest rate of 0% and in VND with an interest rate of 3.5% per annum (31/12/2016: term deposits at bank in USD with original terms of no more than 3 months and an interest rate of 0% and in VND with an interest rate of 3.7% per annum).

## 6. Short-term investments

These are term deposits at bank in VND with original terms of 12 months and earn interest at the rate of 5% per annum.

## 7. Other receivables

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

## 8. Statutory deposits

The statutory deposit is in VND at Shinhan Bank Vietnam Limited earning interest at the rate of 5.8% per annum for the period from 2014 to 2018. The Branch is not allowed to withdraw this deposit until cessation of business operation or is only allowed to withdraw it upon approval from the Ministry of Finance. However, the Branch still earns interest on the deposit and is allowed to withdraw interest at any time.

**9. Tangible fixed assets**

<b>For year ended 31/12/2017</b>	<b>Furniture and fittings VND</b>	<b>Motor vehicles VND</b>	<b>Office equipment VND</b>	<b>Total VND</b>
<b>Cost</b>				
Opening balance	1,548,727,273	1,269,316,364	63,636,364	2,881,680,001
Additions	-	-	-	-
Closing balance	1,548,727,273	1,269,316,364	63,636,364	2,881,680,001
<b>Accumulated depreciation</b>				
Opening balance	645,303,027	299,699,697	10,606,059	955,608,783
Charge for the year	309,745,454	211,552,726	12,727,272	534,025,452
Closing balance	955,048,481	511,252,423	23,333,331	1,489,634,235
<b>Net book value</b>				
Opening balance	903,424,246	969,616,667	53,030,305	1,926,071,218
Closing balance	593,678,792	758,063,941	40,303,033	1,392,045,766
<b>For year ended 31/12/2016</b>				
<b>Cost</b>				
Opening balance	1,548,727,273	1,269,316,364	-	2,818,043,637
Additions	-	-	63,636,364	63,636,364
Closing balance	1,548,727,273	1,269,316,364	63,636,364	2,881,680,001
<b>Accumulated depreciation</b>				
Opening balance	335,557,573	88,146,970	-	423,704,543
Charge for the period	309,745,454	211,552,727	10,606,059	531,904,240
Closing balance	645,303,027	299,699,697	10,606,059	955,608,783
<b>Net book value</b>				
Opening balance	1,213,169,700	1,181,169,394	-	2,394,339,094
Closing balance	903,424,246	969,616,667	53,030,305	1,926,071,218

**10. Intangible fixed assets**

	Software	
	2017 VND	2016 VND
<b>Cost</b>		
Opening balance	183,000,000	183,000,000
Additions	-	-
Closing balance	183,000,000	183,000,000
<b>Accumulated amortization</b>		
Opening balance	45,750,000	9,150,000
Charge for the year	36,600,000	36,600,000
Closing balance	82,350,000	45,750,000
<b>Net book value</b>		
Opening balance	137,250,000	173,850,000
Closing balance	100,650,000	137,250,000

## 11. Other long-term assets

These are security deposits for building and office rental at the end of the annual accounting period.

## 12. Taxes and others payable to State Treasury

	Opening balance VND (Restated)	Incurred VND	Paid VND	Closing balance VND
Value added tax	190,382,650	2,460,778,680	(2,504,458,670)	146,702,660
Personal income tax	28,145,464	372,793,849	(372,040,525)	28,898,788
	218,528,114	2,833,572,529	(2,876,499,195)	175,601,448

## 13. Technical reserves

For year ended 31 December 2017:

	Opening balance VND (Restated)	Increases in the year VND	Closing balance VND
Unearned premiums reserve (Note 17)	13,853,747,805	901,565,994	14,755,313,799
Claims reserve for direct insurance	795,669,771	1,187,232,388	1,982,902,159
Catastrophe reserve	1,524,571,452	757,302,159	2,281,873,611
	16,173,989,028	2,846,100,541	19,020,089,569

For year ended 31 December 2016:

	Opening balance VND	Increases in the year VND (Restated)	Closing balance VND (Restated)
Unearned premiums reserve (Note 17)	11,946,817,590	1,906,930,215	13,853,747,805
Claims reserve for direct insurance	647,953,131	147,716,640	795,669,771
Catastrophe reserve	728,901,681	795,669,771	1,524,571,452
	13,323,672,402	2,850,316,626	16,173,989,028

#### 14. Deferred tax assets and liabilities

##### (a) Recognised deferred tax liabilities

	Tax rate	31/12/2017 VND	31/12/2016 VND
<b>Deferred tax liabilities:</b>			
Unrealised foreign exchange gains	20%	5,795,797,446	5,846,581,095

##### (b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	31/12/2017		31/12/2016	
	Temporary difference VND	Tax value VND	Temporary difference VND	Tax value VND
Tax losses	3,213,322,950	642,664,590	14,973,303,895	2,994,660,779

The tax losses expire in the following years:

Year of expiry	Status of tax review	Tax losses available 31/12/2017 VND	Tax losses available 31/12/2016 VND
2019	Outstanding	-	351,134,365
2021	Outstanding	3,213,322,950	14,622,169,530
		3,213,322,950	14,973,303,895

Deferred tax assets have not been recognised in respect of tax losses because it is not probable that future taxable profit will be available against which the Branch can utilise the benefits therefrom.



**Seoul Guarantee Insurance Company - Hanoi Branch Office**  
**Notes to the financial statements for the year ended 31 December 2017 (continued)**

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**15. Changes in owner's equity**

	Contributed capital VND	Statutory reserves VND	Retained profits VND	Total VND
Balance as at 1 January 2016	600,000,000,000	1,136,870,341	21,600,536,469	622,737,406,810
Net loss for the year (Restated)	-	-	(15,172,304,553)	(15,172,304,553)
Balance as at 1 January 2017 (Restated)	600,000,000,000	1,136,870,341	6,428,231,916	607,565,102,257
Net profit for the year	-	-	11,736,259,594	11,736,259,594
Appropriation to reserve	-	586,812,980	(586,812,980)	-
Balance as at 31 December 2017	600,000,000,000	1,723,683,321	17,577,678,530	619,301,361,851

## 16. Contributed capital

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

## 17. Net premiums from insurance business

	2017 VND	2016 VND (Restated)
Direct insurance	25,243,405,300	26,522,325,700
<i>Bid bond</i>	11,362,500	70,033,000
<i>Performance bond</i>	8,454,758,100	13,299,146,900
<i>Advance payment bond</i>	4,041,742,300	4,429,038,800
<i>Maintenance bond</i>	10,657,236,600	8,070,067,300
<i>Personal loan bond</i>	2,078,305,800	651,175,800
<i>Mortgage guarantee bond</i>	-	2,863,900
Increases in unearned premium reserves for direct insurance (Note 13)	(901,565,994)	(1,906,930,215)
	24,341,839,306	24,615,395,485

## 18. Claims expense

	2017 VND	2016 VND (Restated)
Total claims expense	436,244,816	29,279,799,261
<i>Performance bond</i>	-	21,156,967,500
<i>Advance payment bond</i>	-	6,630,382,500
<i>Maintenance bond</i>	197,000,000	1,298,600,000
<i>Personal loan bond</i>	239,244,816	193,849,261
Deductions (recoveries on subrogation)	(300,000,000)	(297,000,000)
	136,244,816	28,982,799,261

## 19. Financial income

	2017 VND	2016 VND (Restated)
Interest income from deposits	1,819,510,934	1,851,795,060
Realised foreign exchange gains	163,833	172,581,423
Unrealised foreign exchange gains	572,986	6,114,105,961
	1,820,247,753	8,138,482,444

## 20. General and administration expenses

	2017 VND	2016 VND
Staff costs	3,654,793,600	3,369,450,710
Office equipment expenses	187,091,877	146,511,428
Fixed assets depreciation expenses	570,625,452	568,504,240
Outside services	6,194,087,201	6,024,916,271
Other expenses	818,073,932	1,372,105,141
	11,424,672,062	11,481,487,790

## 21. Income tax

### (a) Recognised in the statement of income

	2017 VND	2016 VND
<b>Deferred tax (benefit)/expense</b>		
Origination of temporary differences	(50,783,649)	5,846,581,095

### (b) Reconciliation of effective tax rate

	2017 VND	2016 VND (Restated)
Profit/(loss) before tax	11,685,475,945	(9,325,723,458)
Tax expense at the Branch's tax rate (20%)	2,337,095,189	(1,865,144,692)
Non-taxable expense	14,901,000	163,531,978
Tax loss utilised	(2,351,996,189)	-
Movement of temporary differences	(50,783,649)	4,623,759,903
Deferred tax assets previously not recognised	-	2,924,433,906
Deferred tax (benefit)/expense	(50,783,649)	5,846,581,095

### (c) Applicable tax rate

The Company's income tax rate is 20% (2016: 20%). The income tax computation is subject to the review and approval of the tax authorities.

## 22. Financial instruments

### (a) Financial risk management

The Branch has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Branch's exposure to each of the above risks, the Branch's objectives, policies and processes for measuring and managing risk.

The Branch's management oversees compliance with the Branch's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Branch.

### (b) 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, and arises principally from the Branch's cash at bank, with the exposure to credit risk at the reporting date as follows:

	31/12/2017 VND	31/12/2016 VND
Current accounts at bank and cash equivalents	611,506,557,333	607,884,855,247
Short-term financial investments	17,000,000,000	6,000,000,000
Statutory deposits	12,000,000,000	12,000,000,000
Other receivables	1,632,963,889	1,547,452,778
	642,139,521,222	627,432,308,025

The current accounts at bank and statutory deposits of the Branch are held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Branch.

### (c) Liquidity risk

Liquidity risk is the risk that the Branch will not be able to meet its financial obligations as they fall due. The Branch's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Branch's reputation.

The financial liabilities with fixed or determinable payments have the following contractual maturities:

As at 31 December 2017	Carrying value	Contractual cash flows	Within 1 year
	VND	VND	VND
Other short-term payables	107,441,221	107,441,221	107,441,221

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As at 31 December 2016	Carrying value	Contractual cash flows	Within 1 year
	VND	VND	VND
Other short-term payables	81,588,606	81,588,606	81,588,606

(d) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Branch's results of operations or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) **Currency risk**

The Branch had the following financial assets exposed to currency risk:

	31/12/2017 VND	31/12/2016 VND
Current accounts at bank in USD	760,394,738	411,090,026
Term deposits at bank in USD	588,440,553,373	588,700,465,278
	589,200,948,111	589,111,555,304

The followings are the significant exchange rates applied by the Branch:

	Exchange rate as at 31/12/2017	Exchange rate as at 31/12/2016
USD/VND	22,640	22,650

Below is an analysis of the possible impact on the net profit of the Branch, after taking into account the current level of exchange rates and the historical volatility as well as market expectations. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Effect to net profit/(loss)	
	31/12/2017 VND	31/12/2016 VND
USD (1% strengthening)	4,713,607,585	4,712,892,442

The opposite movement of USD would have the equal but opposite effect to the net (loss)/profit of the Branch.

(ii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument of the Branch will fluctuate because of changes in market interest rates.

At the reporting date the interest rate profile of the Branch's interest-bearing financial instruments was:

	Carrying amount	
	31/12/2017 VND	31/12/2016 VND
<i>Fixed rate instruments</i>		
Deposits at bank	611,506,557,333	607,884,855,247
Short-term financial investments	17,000,000,000	6,000,000,000
Statutory deposits	12,000,000,000	12,000,000,000

## 23. Insurance risks

### Statutory capital management

The first and foremost objective of the Branch in capital management is to always maintain a sufficient source of capital to support its business development and ensure compliance with the requirements on legal capital. The Branch has realized the impacts on profits attributable to shareholders corresponding to their ratio of capital contribution and has always sought to maintain a prudent balance.

Legal capital requirements arise from the Branch's business activities and require the Branch to have a sufficient capital to service its debts and meet relevant regulations on liquidity margin in Vietnam. The regulations on liquidity margin applicable to the Branch are stipulated in the Circular 50.

The following table provides the minimum liquidity margin and the Branch's liquidity margin. Policy makers focus on protecting rights of insurance buyers and monitor to ensure the strong performance of insurance companies for the benefit of insurance buyers. Policy makers also pay attention to ensuring that insurance companies sustain their appropriate liquidity positions to response to unexpected insurance liabilities due to economic recession or natural disasters.

	The Branch's liquidity margin VND million	Minimum liquidity margin VND million	Liquidity margin rate %
As at 31 December 2017	616,443	6,311	9,768.00%
As at 31 December 2016	604,659	6,683	9,046.90%

## 24. Lease

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

	31/12/2017 VND	31/12/2016 VND
Within one year	4,105,971,345	4,712,892,442
From one to two years	2,317,528,070	-

## 25. Significant transactions with related parties

	Transaction value	
	2017 VND	2016 VND
<b>Members of Board of Management</b>		
Salary and compensation	1,310,496,000	1,284,672,000

## 26. Corresponding figures

Unless otherwise stated, corresponding figures as at 1 January 2017 were derived from the balances and amounts reported in the Branch financial statements as at and for the year ended 31 December 2016.

According to Inspection Minutes of Insurance Supervision Association dated 30 October 2017 about thematical supervision at the Branch, corresponding figures as at 31 December 2016 and for the year ended 31 December 2016 have been restated. A comparison of the amounts previously reported and as restated/reclassified is as follows:

### (a) Balance sheet

	31/12/2016 VND (as restated)	Restatement VND	31/12/2016 VND (as previously reported)
Taxes and others payable to State Treasury	218,528,114	(21,198,900)	239,727,014
Other short-term payables	694,309,051	233,187,900	461,121,151
Unearned premium reserve for direct insurance	13,853,747,805	(211,989,000)	14,065,736,805
Claims reserve for direct insurance	795,669,771	(6,359,670)	802,029,441
Catastrophe reserve	1,524,571,452	(6,359,670)	1,530,931,122
Retained profits	6,428,231,916	12,719,340	6,415,512,576

(b) Statement of income

	2016 VND (as restated)	Restatement VND	2016 VND (as previously reported)
Premium from direct insurance	26,522,325,700	(211,989,000)	26,734,314,700
Increase in unearned premium reserve for direct insurance	1,906,930,215	211,989,000	2,118,919,215
Total claims expense	29,279,799,261	(45,587,500)	29,234,211,761
Increase in claims reserve for direct insurance	147,716,640	6,359,670	154,076,310
Increase in catastrophe reserve	795,669,771	6,359,670	802,029,441
Financial income	8,138,482,444	45,587,500	8,092,894,944
Gross loss before tax	(9,325,723,458)	12,719,340	(9,338,442,798)
Gross loss after tax	(15,172,304,553)	12,719,340	(15,185,023,893)

(c) Statement of cash flow

	2016 VND (as restated)	Restatement VND	2016 VND (as previously reported)
Loss before tax	(9,325,723,458)	12,719,340	(9,338,442,798)
Allowances and provisions	2,850,316,626	(224,708,340)	3,075,024,966
Change in payables and other liabilities	320,831,256	211,989,000	108,842,256

28 February 2018

Prepared by

  
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Chief Accountant

Approved by

  
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CÔNG TY BẢO HIỂM  
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