

SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020



SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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

## SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE

### CORPORATE INFORMATION

#### Establishment and operation licence

73GP/KDBH dated 26 August 2014.

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

*As at the date of the financial statements*

#### Board of Management

|                      |  |
|----------------------|--|
| Mr. Park You Hong    | Director<br>(appointed on 13 March 2020)       |
| Mr. Jeong Beom Soon  | Director<br>(resigned on 13 March 2020)        |
| Mr. Hwang Soon Young | Deputy Director<br>(appointed on 15 July 2020) |
| Mr. Jung Youn Ho     | Deputy Director<br>(resigned on 15 July 2020)  |

#### Legal Representative

|                     |  |
|---------------------|--|
| Mr. Park You Hong   | Director<br>(appointed on 13 March 2020) |
| Mr. Jeong Beom Soon | Director<br>(resigned on 13 March 2020)  |

#### Registered office

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

#### Auditor

Branch of PwC (Vietnam) Limited in Hanoi

## SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE

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

The legal representative of Seoul Guarantee Insurance Company – Hanoi Branch Office ("the Branch") is responsible for preparing the financial statements which give a true and fair view of the financial position of the Branch as at 31 December 2020, the results of its operations and its cash flows for the year then ended. In preparing these financial statements, the Legal representative is required to:

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

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

### APPROVAL OF THE FINANCIAL STATEMENTS

I hereby approve the accompanying financial statements as set out on pages 6 to 32 which give a true and fair view of the financial position of the Branch as at 31 December 2020 and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and regulations on preparation and presentation of financial statements applicable to insurance companies operating in Vietnam.



Park You Hong  
Legal Representative/Director

Hanoi, SR Vietnam  
16 March 2021

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE**

We have audited the accompanying financial statements of Seoul Guarantee Insurance Company – Hanoi Branch Office ("the Branch") which were prepared on 31 December 2020 and approved by the Legal representative on 16 March 2021. The financial statements comprise the balance sheet as at 31 December 2020, the income statement and the cash flow statement for the year then ended and explanatory notes to the financial statements including significant accounting policies, as set out on pages 6 to 32.

#### **Responsibility of the Legal representative**

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

#### **Auditor's Responsibility**

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

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

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



### Auditor's opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2020, its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and regulations on preparation and presentation of financial statements applicable to insurance companies operating in Vietnam.

### Other matters

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

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



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



Bui Phuong Hanh  
Audit Practising Licence No.  
3823-2021-006-1

Report reference number: HAN 2634  
Hanoi, 16 March 2021

SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE

FINANCIAL INDICATORS OF THE BUSINESS

|           |   | 2020  | 2019  |
|-----------|---|-------|-------|
| <b>1.</b> | <b>Asset and equity structure</b>   |       |       |
| 1.1       | Asset structure   |       |       |
|           | - Current assets / Total assets (%)   | 65.95 | 93.38 |
|           | - Non-current assets / Total assets (%)                                     | 34.05 | 6.62  |
| 1.2       | Equity structure  |       |       |
|           | - Total liabilities / Total resources (%)                                   | 7.15  | 6.89  |
|           | - Owner's equity / Total resources (%)                                      | 92.85 | 93.11 |
| <b>2.</b> | <b>Liquidity</b>  |       |       |
| 2.1       | Liquidity ratio (times)   | 13.99 | 14.50 |
| 2.2       | Current ratio (times)   | 10.25 | 16.25 |
| 2.3       | Quick ratio (times)   | 10.13 | 16.19 |
| <b>3.</b> | <b>Profitability</b>  |       |       |
| 3.1       | Profit margins  |       |       |
|           | - Net profit before tax / (Net Premium + Commission from Ceded Premium) (%) | 78.20 | 81.89 |
|           | - Net profit after tax / (Net Premium + Commission from Ceded Premium) (%)  | 62.29 | 65.42 |
| 3.2       | Return on assets  |       |       |
|           | - Net profit before tax / Total assets (%)                                  | 3.32  | 3.40  |
|           | - Net profit after tax / Total assets (%)                                   | 2.64  | 2.72  |
| 3.3       | Return on equity  |       |       |
|           | - Net profit after tax / Owner's equity (%)                                 | 2.85  | 2.92  |

The notes on pages 12 to 32 are an integral part of these financial statements.

## BALANCE SHEET

| Code  | ASSETS                                   | Note  | As at 31 December      |                        |
|-------|--|-------|------------------------|------------------------|
|       |  |       | 2020<br>VND            | 2019<br>VND            |
| 100   | <b>CURRENT ASSETS</b>                    |       | <b>478,460,483,379</b> | <b>656,400,991,952</b> |
| 110   | Cash and cash equivalents                | 4     | 430,172,935,724        | 628,693,804,147        |
| 111   | Cash                                     |       | 16,915,289,480         | 15,817,126,945         |
| 112   | Cash equivalents                         |       | 413,257,646,244        | 612,876,677,202        |
| 120   | Short-term investments                   |       | 43,000,000,000         | 25,000,000,000         |
| 121   | Investments held to maturity             | 5(a)  | 43,000,000,000         | 25,000,000,000         |
| 130   | Short-term receivables                   |       | 5,057,271,233          | 2,552,758,904          |
| 135   | Other short-term receivables             | 6(a)  | 5,057,271,233          | 2,552,758,904          |
| 150   | Other current assets                     |       | 56,995,345             | 46,426,636             |
| 151   | Short-term prepaid expenses              |       | 56,995,345             | 46,426,636             |
| 190   | Reinsurance assets                       |       | 173,281,077            | 108,002,265            |
| 191   | Reinsurance assets from unearned premium | 11(a) | 167,100,642            | 99,998,718             |
| 192   | Reinsurance assets from claims reserves  | 11(a) | 6,180,435              | 8,003,547              |
| 200   | <b>LONG-TERM ASSETS</b>                  |       | <b>247,039,343,402</b> | <b>46,515,134,375</b>  |
| 210   | Long-term receivables                    |       | 25,126,825,863         | 14,913,135,160         |
| 218   | Other long-term receivables              |       | 25,126,825,863         | 14,913,135,160         |
| 218.1 | Insurance compulsory deposit             | 7     | 12,000,000,000         | 12,000,000,000         |
| 218.2 | Other long-term receivables              | 6(b)  | 13,126,825,863         | 2,913,135,160          |
| 220   | Fixed assets                             |       | 336,479,505            | 531,066,798            |
| 221   | Tangible fixed assets                    | 8(a)  | 336,479,505            | 492,896,797            |
| 222   | Historical cost                          |       | 3,182,790,001          | 3,070,340,001          |
| 223   | Accumulated depreciation                 |       | (2,846,310,496)        | (2,577,443,204)        |
| 227   | Intangible fixed assets                  | 8(b)  | -                      | 38,170,001             |
| 228   | Historical cost                          |       | 204,440,000            | 204,440,000            |
| 229   | Accumulated amortisation                 |       | (204,440,000)          | (166,269,999)          |
| 250   | Long-term investments                    |       | 220,360,000,000        | 30,000,000,000         |
| 255   | Investments held to maturity             | 5(b)  | 220,360,000,000        | 30,000,000,000         |
| 260   | Other long-term assets                   |       | 1,216,038,034          | 1,070,932,417          |
| 261   | Long-term prepaid expenses               |       | 400,992,834            | 142,376,717            |
| 268   | Other long-term assets                   | 9     | 815,045,200            | 928,555,700            |
| 270   | <b>TOTAL ASSETS</b>                      |       | <b>725,499,826,781</b> | <b>702,916,126,327</b> |

The notes on pages 12 to 32 are an integral part of these financial statements.



BALANCE SHEET  
(CONTINUED)

| Code       | RESOURCES  | Note  | As at 31 December      |                        |
|------------|--|-------|------------------------|------------------------|
|            |  |       | 2020<br>VND            | 2019<br>VND            |
| <b>300</b> | <b>LIABILITIES</b>                                     |       | <b>51,860,139,692</b>  | <b>48,462,237,530</b>  |
| <b>310</b> | <b>Short-term liabilities</b>                          |       | <b>46,699,004,401</b>  | <b>40,382,971,928</b>  |
| 314        | Tax and other payables to the State                    | 10    | 8,363,716,386          | 2,482,136,980          |
| 315        | Payable to employees                                   |       | -                      | 3,795,253              |
| 316        | Short term accruals                                    |       | 509,729,698            | -                      |
| 318        | Unearned commission                                    |       | 56,814,219             | 33,999,564             |
| 319        | Other short-term payables                              |       | 183,122,819            | 521,832,920            |
| 329        | Technical reserves                                     |       | 39,585,821,279         | 37,341,207,211         |
| 329.1      | Unearned premium reserve for direct insurance          | 11(a) | 31,845,900,553         | 31,360,804,249         |
| 329.2      | Gross claims reserves                                  | 11(a) | 2,299,676,606          | 1,471,265,808          |
| 329.3      | Catastrophe reserves                                   | 11(b) | 5,440,044,120          | 4,509,137,154          |
| <b>330</b> | <b>Long-term liabilities</b>                           |       | <b>5,161,135,291</b>   | <b>8,079,265,602</b>   |
| 335        | Deferred income tax liabilities                        | 12    | 5,161,135,291          | 8,079,265,602          |
| <b>400</b> | <b>OWNER'S EQUITY</b>                                  |       | <b>673,639,687,089</b> | <b>654,453,888,797</b> |
| <b>410</b> | <b>Capital and reserves</b>                            |       | <b>673,639,687,089</b> | <b>654,453,888,797</b> |
| 411        | Owner's capital  | 13,14 | 600,000,000,000        | 600,000,000,000        |
| 419        | Compulsory reserve fund                                | 14    | 4,440,599,583          | 3,481,309,668          |
| 421        | Undistributed earnings                                 | 14    | 69,199,087,506         | 50,972,579,129         |
| 421a       | - Undistributed post-tax profits of the previous years |       | 50,972,579,129         | 32,837,241,122         |
| 421b       | - Post-tax profit of current year                      |       | 18,226,508,377         | 18,135,338,007         |
| <b>440</b> | <b>TOTAL RESOURCES</b>                                 |       | <b>725,499,826,781</b> | <b>702,916,126,327</b> |

  
 Nguyen Thi Van  
 Preparer

  
 Ha Thi Minh Thu  
 Chief Accountant

  
 Park You Hong  
 Legal Representative/Director  
 16 March 2021

## INCOME STATEMENT

## PART I – COMPREHENSIVE INCOME STATEMENT

| Code      |   | Year ended 31 December |                       |
|-----------|---|------------------------|-----------------------|
|           |   | 2020<br>VND            | 2019<br>VND           |
| 10        | Net income from insurance business      | 30,659,468,102         | 30,105,718,561        |
| 23        | Financial income                        | 19,007,549,824         | 4,333,684,007         |
| 18        | Total insurance (expenses)/income       | (7,184,396,055)        | 3,810,887,271         |
| 40        | Other income                            | 7,097,919              | 84,607,385            |
| 24        | Financial expenses                      | (3,518,327,449)        | (1,040,835,678)       |
| 26        | General and administrative expenses     | (14,887,833,785)       | (13,398,925,217)      |
| <b>50</b> | <b>Net accounting profit before tax</b> | <b>24,083,558,556</b>  | <b>23,895,116,329</b> |
| 51        | Business income tax ("BIT") – current   | (7,815,890,575)        | (5,004,304,851)       |
| 52        | BIT– deferred                           | 2,918,130,311          | 199,018,003           |
| <b>60</b> | <b>Net accounting profit after tax</b>  | <b>19,185,798,292</b>  | <b>19,089,829,481</b> |



Nguyen Thi Van  
Preparer



Ha Thi Minh Thu  
Chief Accountant



Park You-Hong  
Legal Representative/Director  
16 March 2021

## INCOME STATEMENT (CONTINUED)

## PART II – OPERATIONAL INCOME STATEMENT

| Code |   | Note  | Year ended 31 December |                 |
|------|---|-------|------------------------|-----------------|
|      |   |       | 2020<br>VND            | 2019<br>VND     |
| 01   | Insurance premium income  | 16    | 30,751,150,396         | 30,193,637,141  |
|      | In which:   |       |                        |                 |
| 01.1 | - Direct written premiums   |       | 31,236,246,700         | 29,133,620,400  |
| 01.3 | - (Increase)/decrease in direct and assumed unearned premium reserves |       | (485,096,304)          | 1,060,016,741   |
| 02   | Reinsurance premiums ceded  |       | (138,912,566)          | (133,209,970)   |
|      | In which:   |       |                        |                 |
| 02.1 | - Reinsurance premiums ceded  |       | (206,014,490)          | -               |
| 02.2 | - Increase/(decrease) in ceded premium reserves                       |       | 67,101,924             | (133,209,970)   |
| 03   | Net insurance premium income  |       | 30,612,237,830         | 30,060,427,171  |
| 04   | Commission income and other insurance income                          |       | 47,230,272             | 45,291,390      |
|      | In which:   |       |                        |                 |
| 04.1 | - Commission from reinsurance premiums ceded                          |       | 47,230,272             | 45,291,390      |
| 10   | Net income from insurance business                                    |       | 30,659,468,102         | 30,105,718,561  |
| 11   | Claim expenses  | 17    | (4,714,409,502)        | 1,767,095,304   |
|      | In which:   |       |                        |                 |
| 11.1 | - Gross claim expenses  |       | (7,537,591,308)        | (5,184,058,211) |
| 11.2 | - Deductions  |       | 2,823,181,806          | 6,951,153,515   |
| 13   | (Increase)/decrease in direct and assumed claims reserves             | 11(a) | (828,410,798)          | 3,791,321,411   |
| 14   | Increase in ceded claims reserves                                     | 11(a) | (1,823,112)            | -               |
| 15   | Total claim expenses  |       | (5,544,643,412)        | 5,558,416,715   |
| 16   | Increase in catastrophe reserves                                      | 11(b) | (930,906,966)          | (874,008,612)   |
| 17   | Other insurance expenses  |       | (708,845,677)          | (873,520,832)   |
| 17.2 | Other insurance expenses  | 18    | (708,845,677)          | (873,520,832)   |
| 18   | Total insurance(expenses)/income                                      |       | (7,184,396,055)        | 3,810,887,271   |
| 19   | Gross insurance profit  |       | 23,475,072,047         | 33,916,605,832  |

The notes on pages 12 to 32 are an integral part of these financial statements

## INCOME STATEMENT (CONTINUED)

## PART II – OPERATIONAL INCOME STATEMENT (CONTINUED)

| Code |                                       | Note | Year ended 31 December |                  |
|------|---------------------------------------|------|------------------------|------------------|
|      |                                       |      | 2020<br>VND            | 2019<br>VND      |
| 23   | Financial income                      | 19   | 19,007,549,824         | 4,333,664,007    |
| 24   | Financial expenses                    | 20   | (3,518,327,449)        | (1,040,835,678)  |
| 25   | Net profit from financial activities  |      | 15,489,222,375         | 3,292,828,329    |
| 26   | General and administrative expenses   | 21   | (14,887,833,785)       | (13,398,925,217) |
| 30   | Net operating profit                  |      | 24,076,460,637         | 23,810,508,944   |
| 31   | Other income                          |      | 7,104,220              | 92,163,138       |
| 32   | Other expenses                        |      | (6,301)                | (7,555,753)      |
| 40   | Other income                          |      | 7,097,919              | 84,607,385       |
| 50   | Net accounting profit before tax      |      | 24,083,558,556         | 23,895,116,329   |
| 51   | Business income tax ("BIT") – current | 22   | (7,815,890,575)        | (5,004,304,851)  |
| 52   | BIT – deferred                        | 22   | 2,918,130,311          | 199,018,003      |
| 60   | Net accounting profit after tax       |      | 19,185,798,292         | 19,089,829,481   |



Nguyen Thi Van  
Preparer



Ha Thi Minh Thu  
Chief Accountant



Park You-Hong  
Legal Representative/Director  
16 March 2021

The notes on pages 12 to 32 are an integral part of these financial statements.



CASH FLOW STATEMENT  
(Indirect method)

| Code                                 | Note   | Year ended 31 December |                  |
|--------------------------------------|--|------------------------|------------------|
|                                      |  | 2020<br>VND            | 2019<br>VND      |
| CASH FLOWS FROM OPERATING ACTIVITIES |  |                        |                  |
| 01                                   | Net accounting profit before tax                       | 24,083,558,556         | 23,895,116,329   |
|                                      | Adjustments for:                                       |                        |                  |
| 02                                   | Depreciation and amortisation                          | 307,037,293            | 587,620,176      |
| 03                                   | Changes in technical reserves                          | 2,179,135,256          | (3,844,119,570)  |
| 04                                   | Net loss from foreign currency translation at year end | 19,20                  | 1,989,087,333    |
| 05                                   | Profit from investing activities                       | (16,758,298,630)       | (4,333,459,948)  |
| 08                                   | Operating gain before changes in working capital       | 11,800,519,808         | 17,345,538,394   |
| 09                                   | Decrease in receivables                                | 121,724,514            | 169,966,466      |
| 11                                   | Decrease in payables                                   | (33,360,051)           | (3,501,812,198)  |
| 12                                   | Increase in prepaid expenses                           | (269,184,826)          | (68,716,696)     |
| 15                                   | BIT paid   | (3,710,912,119)        | (3,583,715,451)  |
| 20                                   | Net cash inflows from operating activities             | 7,908,787,326          | 10,361,260,515   |
| CASH FLOWS FROM INVESTING ACTIVITIES |  |                        |                  |
| 21                                   | Purchases of fixed assets                              | (112,450,000)          | (51,440,000)     |
| 23                                   | Short-term deposit at banks                            | (208,360,000,000)      | (15,000,000,000) |
| 27                                   | Interest received                                      | 4,031,881,584          | 524,865,428      |
| 30                                   | Net cash outflows from investing activities            | (204,440,568,416)      | (14,526,574,572) |
| 50                                   | Net decrease in cash and cash equivalents              | (196,531,781,090)      | (4,165,314,057)  |
| 60                                   | Cash and cash equivalents at beginning of year         | 4                      | 628,693,804,147  |
| 61                                   | Effect of foreign exchange differences                 | (1,989,087,333)        | (1,040,381,407)  |
| 70                                   | Cash and cash equivalents at end of year               | 4                      | 430,172,935,724  |
|                                      |  |                        | 628,693,804,147  |

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

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

  
 \_\_\_\_\_  
 Park You Hong  
 Legal Representative/Director  
 16 March 2021

The notes on pages 12 to 32 are an integral part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****1 GENERAL INFORMATION**

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

The owner of the Company is Seoul Guarantee Insurance Company, which is incorporated in South Korea. Details of capital contributions are presented in Note 13.

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

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

As at 31 December 2020, the Branch had 13 employees (as at 31 December 2019: 10 employees).

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

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

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

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

**2.2 Fiscal year**

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

**2.3 Currency**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.4 Exchange rates**

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

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

**2.5 Cash and cash equivalents**

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

**2.6 Investments held-to-maturity**

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

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

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

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

**2.7 Receivables**

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

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

**2.8 Fixed assets***Tangible and intangible fixed assets*

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**2.8 Fixed assets (continued)**

*Depreciation and amortisation*

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

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

*Disposals*

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

**2.9 Prepaid expenses**

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

**2.10 Payables**

Classifications of payables are based on their nature as follows:

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

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

**2.11 Provisions**

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.12 Technical reserves**

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

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

**(a) Unearned premium reserves ("UPR")**

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

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

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

**(b) Claims reserves**

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

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

**(c) Catastrophe reserves**

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**2.13 Compulsory reserves fund**

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

**2.14 Insurance compulsory deposits**

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

**2.15 Revenue recognition**

**(a) Premium income**

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

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

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

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

**(b) Interest income**

Interest income is recognised on an earned basis.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.16 Premiums ceded**

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

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

**2.17 Claim and loss adjusting expenses**

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

**2.18 Claims to be recovered from reinsurers**

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

**2.19 Commission income and expenses**

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

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

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

**2.20 Unearned commission income**

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

**2.21 Financial expenses**

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

**2.22 Others insurance expenses**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.23 General and administration expenses**

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

**2.24 Current and deferred income tax**

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

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

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

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

**2.25 Related parties**

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

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

**2.26 Accounting estimates**

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.26 Accounting estimates (continued)**

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

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

**3 RISK MANAGEMENT FRAMEWORK****3.1 Governance framework**

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

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

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

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

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

**3.3 Underwriting strategy**

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

**3.4 Reinsurance strategy**

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**4 CASH AND CASH EQUIVALENTS**

|                      | 2020<br>VND            | 2019<br>VND            |
|----------------------|------------------------|------------------------|
| Cash on hand         | 186,650                | 5,389,022              |
| Cash at bank         | 16,915,102,830         | 15,811,737,923         |
| Cash equivalents (*) | 413,257,646,244        | 612,876,677,202        |
|                      | <u>430,172,935,724</u> | <u>628,693,804,147</u> |

(\*) Cash equivalents included term deposits with an original maturity of 3 months or less, in USD with an interest rate of 0% (2019: 0%).

**5 INVESTMENTS HELD TO MATURITY**

|   | 2020<br>VND            | 2019<br>VND           |
|---|------------------------|-----------------------|
| (a) <b>Short-term</b><br>Investments held to maturity (*) | <u>43,000,000,000</u>  | <u>25,000,000,000</u> |
| (b) <b>Long-term</b><br>Investments held to maturity (**) | <u>220,360,000,000</u> | <u>30,000,000,000</u> |

(\*) Short-term investments held to maturity represent term deposits at bank in VND with a remaining maturity of 12 months or less and interest rates ranging from 2.3% to 5.9% per annum (2019: 3.5% to 3.8% per annum).

(\*\*) Long-term investments held to maturity represent term deposits at bank in VND with a remaining maturity over 12 months and interest rates ranging from 5.5% to 6.5% per annum (2019: 5.8% to 5.9% per annum).

**6 OTHER RECEIVABLES**

|   | 2020<br>VND           | 2019<br>VND          |
|---|-----------------------|----------------------|
| (a) <b>Short-term</b><br>Interest receivables | <u>5,057,271,233</u>  | <u>2,552,758,904</u> |
| (b) <b>Long-term</b><br>Interest receivables  | <u>13,126,825,863</u> | <u>2,913,135,160</u> |

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

**7 INSURANCE COMPULSORY DEPOSIT**

The insurance compulsory deposit is in VND at Shinhan Bank Vietnam Limited earning interest rate from 5.2% to 5.4% per annum.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 8 FIXED ASSETS

## (a) Tangible fixed assets

|                                 | Furniture<br>and fittings<br>VND | Motor<br>vehicles<br>VND | Office<br>equipment<br>VND | Total<br>VND    |
|---------------------------------|----------------------------------|--------------------------|----------------------------|-----------------|
| <b>Historical cost</b>          |                                  |                          |                            |                 |
| As at 1 January 2020            | 1,640,727,273                    | 1,269,316,364            | 160,296,364                | 3,070,340,001   |
| New purchases                   | 78,450,000                       | -                        | 34,000,000                 | 112,450,000     |
| As at 31 December 2020          | 1,719,177,273                    | 1,269,316,364            | 194,296,364                | 3,182,790,001   |
| <b>Accumulated depreciation</b> |                                  |                          |                            |                 |
| As at 1 January 2020            | (1,574,793,941)                  | (934,357,879)            | (68,291,384)               | (2,577,443,204) |
| Charge for the year             | (24,853,141)                     | (211,552,728)            | (32,461,423)               | (268,867,292)   |
| As at 31 December 2020          | (1,599,647,082)                  | (1,145,910,607)          | (100,752,807)              | (2,846,310,496) |
| <b>Net book value</b>           |                                  |                          |                            |                 |
| As at 1 January 2020            | 65,933,332                       | 334,958,485              | 92,004,980                 | 492,896,797     |
| As at 31 December 2020          | 119,530,191                      | 123,405,757              | 93,543,557                 | 336,479,505     |

The historical cost of fully depreciated tangible fixed assets but still in use as at 31 December 2020 was VND 1,548,727,273 (as at 31 December 2019: VND 1,548,727,273).

## (b) Intangible fixed assets

|                                 | Software<br>VND |
|---------------------------------|-----------------|
| <b>Historical cost</b>          |                 |
| As at 1 January 2020            | 204,440,000     |
| As at 31 December 2020          | 204,440,000     |
| <b>Accumulated amortisation</b> |                 |
| As at 1 January 2020            | (166,269,999)   |
| Charge for the year             | (38,170,001)    |
| As at 31 December 2020          | (204,440,000)   |
| <b>Net book value</b>           |                 |
| As at 1 January 2020            | 38,170,001      |
| As at 31 December 2020          | -               |

The historical cost of fully depreciated intangible fixed assets but still in use as at 31 December 2020 was VND 204,440,000 (as at 31 December 2019: VND 0).



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 9 OTHER LONG-TERM ASSETS

|                         | 2020<br>VND        | 2019<br>VND        |
|-------------------------|--------------------|--------------------|
| Office rental deposit   | 501,878,400        | 501,878,400        |
| Housing rental deposits | 309,619,200        | 424,029,640        |
| Office card deposit     | 3,547,600          | 2,647,660          |
|                         | <u>815,045,200</u> | <u>928,555,700</u> |

## 10 TAX AND OTHER PAYABLES TO THE STATE

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

|                                      | As at 1.1.2020<br>VND | Payable during<br>the year<br>VND | Payment during<br>the year<br>VND | As at<br>31.12.2020<br>VND |
|--------------------------------------|-----------------------|-----------------------------------|-----------------------------------|----------------------------|
| VAT                                  | 259,555,028           | 2,182,319,389                     | (2,400,931,907)                   | 40,942,510                 |
| BIT                                  | 2,167,374,833         | 7,815,890,575                     | (3,710,912,119)                   | 6,292,353,289              |
| Foreign contractors' withholding tax | -                     | 206,014                           | -                                 | 206,014                    |
| Personal income tax                  | 35,207,119            | 466,031,319                       | (471,023,865)                     | 30,214,573                 |
|                                      | <u>2,482,136,980</u>  | <u>10,464,447,297</u>             | <u>(6,582,867,891)</u>            | <u>6,363,716,386</u>       |

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

11 TECHNICAL RESERVES

(a) Claim reserves and unearned premium reserves

|                                     | 2020                     |                          |                       | 2019                     |                          |                       |
|-------------------------------------|--------------------------|--------------------------|-----------------------|--------------------------|--------------------------|-----------------------|
|                                     | Direct<br>premium<br>VND | Premiums<br>ceded<br>VND | Net<br>amount<br>VND  | Direct<br>premium<br>VND | Premiums<br>ceded<br>VND | Net<br>amount<br>VND  |
| 1. Claim reserves                   | 2,299,676,606            | (6,180,435)              | 2,293,496,171         | 1,471,265,808            | (8,003,547)              | 1,463,262,261         |
| In which:                           |                          |                          |                       |                          |                          |                       |
| - <i>Outstanding claim reserves</i> | 1,362,589,205            | -                        | 1,362,589,205         | 597,257,196              | -                        | 597,257,196           |
| - <i>IBNR</i>                       | 937,087,401              | (6,180,435)              | 930,906,966           | 874,008,612              | (8,003,547)              | 866,005,065           |
| 2. Unearned premium reserves        | 31,845,900,553           | (167,100,642)            | 31,678,799,911        | 31,360,804,249           | (99,998,718)             | 31,260,805,531        |
|                                     | <u>34,145,577,159</u>    | <u>(173,281,077)</u>     | <u>33,972,296,082</u> | <u>32,832,070,057</u>    | <u>(108,002,265)</u>     | <u>32,724,067,792</u> |

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

11 TECHNICAL RESERVES (CONTINUED)

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

Movement of technical reserves during the year were as follows:

|                              | 2020                     |                          |                      | 2019                     |                          |                      |
|------------------------------|--------------------------|--------------------------|----------------------|--------------------------|--------------------------|----------------------|
|                              | Direct<br>premium<br>VND | Premiums<br>ceded<br>VND | Net<br>amount<br>VND | Direct<br>premium<br>VND | Premiums<br>ceded<br>VND | Net<br>amount<br>VND |
| 1. Claim reserves            |                          |                          |                      |                          |                          |                      |
| At 1 January                 | 1,471,265,808            | (8,003,547)              | 1,463,262,261        | 5,262,587,219            | (8,003,547)              | 5,254,583,672        |
| Movement during the year     | 828,410,798              | 1,823,112                | 830,233,910          | (3,791,321,411)          | -                        | (3,791,321,411)      |
| At 31 December               | 2,299,676,606            | (6,180,435)              | 2,293,496,171        | 1,471,265,808            | (8,003,547)              | 1,463,262,261        |
| 2. Unearned premium reserves |                          |                          |                      |                          |                          |                      |
| At 1 January                 | 31,360,804,249           | (99,998,718)             | 31,260,805,531       | 32,420,820,990           | (233,208,688)            | 32,187,612,302       |
| Movement during the year     | 485,096,304              | (67,101,924)             | 417,994,380          | (1,060,016,741)          | 133,209,970              | (926,806,771)        |
| At 31 December               | 31,845,900,553           | (167,100,642)            | 31,678,799,911       | 31,360,804,249           | (99,998,718)             | 31,260,805,531       |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**11 TECHNICAL RESERVES (CONTINUED)**

**(b) Catastrophe reserves**

|                          | 2020<br>VND          | 2019<br>VND          |
|--------------------------|----------------------|----------------------|
| At 1 January             | 4,509,137,154        | 3,635,128,542        |
| Movement during the year | 930,906,966          | 874,008,612          |
| At 31 December           | <u>5,440,044,120</u> | <u>4,509,137,154</u> |

**12 DEFERRED INCOME TAX**

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

|  | 2020<br>VND          | 2019<br>VND          |
|--|----------------------|----------------------|
| <b>Deferred tax liabilities:</b>                                   |                      |                      |
| Deferred tax liabilities to be recovered after more than 12 months | <u>5,161,135,291</u> | <u>8,079,265,602</u> |

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

|  | 2020<br>VND          | 2019<br>VND          |
|--|----------------------|----------------------|
| Beginning of the year                    | 8,079,265,602        | 8,278,283,605        |
| Credit to the income statement (Note 22) | (2,918,130,311)      | (199,018,003)        |
| End of year                              | <u>5,161,135,291</u> | <u>8,079,265,602</u> |

**Details of deferred tax liabilities**

|                               | 2020<br>VND           | 2019<br>VND           |
|-------------------------------|-----------------------|-----------------------|
| Taxable temporary differences | <u>25,805,676,453</u> | <u>40,396,328,010</u> |

The Branch uses tax rate of 20% in year 2020 (2019: 20%) for determining deferred tax liabilities.

**13 CHARTER CAPITAL**

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 14 MOVEMENTS IN OWNER'S EQUITY

|                          | Owner's capital<br>VND | Compulsory<br>reserve fund<br>VND | Undistributed<br>earnings<br>VND | Total<br>VND    |
|--------------------------|------------------------|-----------------------------------|----------------------------------|-----------------|
| At 1 January 2019        | 600,000,000,000        | 2,526,818,194                     | 32,837,241,122                   | 635,364,059,316 |
| Net profit for the year  | -                      | -                                 | 19,089,829,481                   | 19,089,829,481  |
| Appropriation to reserve | -                      | 954,491,474                       | (954,491,474)                    | -               |
| At 31 December 2019      | 600,000,000,000        | 3,481,309,668                     | 50,972,579,129                   | 654,453,888,797 |
| Net profit for the year  | -                      | -                                 | 19,185,798,292                   | 19,185,798,292  |
| Appropriation to reserve | -                      | 959,289,915                       | (959,289,915)                    | -               |
| At 31 December 2020      | 600,000,000,000        | 4,440,599,583                     | 69,199,087,506                   | 673,639,687,089 |

## 15 OFF BALANCE SHEET ITEMS

## (a) Foreign currencies

Included in foreign currencies are cash and cash equivalents with balances held in foreign currencies as at 31 December 2020 were USD 18,047,607.59 (as at 31 December 2019: USD 26,032,917.86).

## (b) Operating lease assets

The future minimum lease payments under non-cancellable operating leases are VND 5,939,686,001 and VND 6,189,736,500 as of 31 December 2020 and 31 December 2019, respectively (Note 26).



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 16 INSURANCE PREMIUM INCOME

|  | 2020<br>VND           | 2019<br>VND           |
|--|-----------------------|-----------------------|
| Direct written premium   | 32,419,208,200        | 29,800,440,600        |
| - <i>Advance payment bonds</i>   | 6,637,067,900         | 5,354,119,500         |
| - <i>Bid bonds</i>   | 6,000,000             | 2,000,000             |
| - <i>Maintenance bonds</i>   | 7,199,825,900         | 7,696,397,500         |
| - <i>Performance bonds</i>   | 10,853,477,100        | 7,188,251,300         |
| - <i>Personal loan bonds</i>   | 7,722,837,300         | 9,559,672,300         |
| Premium deductions   | (1,182,961,500)       | (666,820,200)         |
|  | <u>31,236,246,700</u> | <u>29,133,620,400</u> |
| (Increase)/decrease in unearned premium<br>reserves for direct insurance | (485,096,304)         | 1,060,016,741         |
|  | <u>30,751,150,396</u> | <u>30,193,637,141</u> |

## 17 CLAIM EXPENSES

|                              | 2020<br>VND          | 2019<br>VND            |
|------------------------------|----------------------|------------------------|
| Claim expenses               | 7,537,591,308        | 5,184,058,211          |
| - <i>Maintenance bonds</i>   | 2,351,495,026        | 1,672,000,000          |
| - <i>Personal loan bonds</i> | 5,186,096,282        | 3,512,058,211          |
| Claim deductions             | (2,823,181,806)      | (6,951,153,515)        |
|                              | <u>4,714,409,502</u> | <u>(1,767,095,304)</u> |

## 18 OTHER INSURANCE EXPENSES

|   | 2020<br>VND        | 2019<br>VND        |
|---|--------------------|--------------------|
| Sales promotion expenses                      | 689,878,542        | 805,858,084        |
| Contribution to beneficiaries protection fund | 18,967,135         | 67,662,748         |
|   | <u>708,845,677</u> | <u>873,520,832</u> |

## 19 FINANCIAL INCOME

|                                   | 2020<br>VND           | 2019<br>VND          |
|-----------------------------------|-----------------------|----------------------|
| Interest income from deposits     | 16,758,298,630        | 4,333,459,948        |
| Realised foreign exchange gains   | 720,011,078           | 204,059              |
| Unrealised foreign exchange gains | 1,529,240,116         | -                    |
|                                   | <u>19,007,549,824</u> | <u>4,333,664,007</u> |

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 20 FINANCIAL EXPENSES

|                                    | 2020<br>VND          | 2019<br>VND          |
|------------------------------------|----------------------|----------------------|
| Unrealised foreign exchange losses | 3,518,327,449        | 1,040,381,407        |
| Realised foreign exchange losses   | -                    | 454,271              |
|                                    | <u>3,518,327,449</u> | <u>1,040,835,678</u> |

## 21 GENERAL AND ADMINISTRATIVE EXPENSES

|                           | 2020<br>VND           | 2019<br>VND           |
|---------------------------|-----------------------|-----------------------|
| Staff costs               | 5,664,750,996         | 5,082,679,270         |
| Office equipment expenses | 319,985,127           | 332,328,736           |
| Depreciation expenses     | 307,037,293           | 587,620,176           |
| Rental fees               | 5,922,036,500         | 5,187,822,780         |
| Outside services          | 1,747,170,628         | 1,180,001,317         |
| Other expenses            | 926,853,241           | 1,028,472,938         |
|                           | <u>14,887,833,785</u> | <u>13,398,925,217</u> |

## 22 BIT

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

|  | 2020<br>VND          | 2019<br>VND          |
|--|----------------------|----------------------|
| Net accounting profit before tax           | 24,083,558,556       | 23,895,116,329       |
| Tax calculated at a rate of 20%            | 4,816,711,711        | 4,779,023,266        |
| Effect of:                                 |                      |                      |
| - Expenses not deductible for tax purposes | 81,048,553           | 26,263,582           |
| BIT charge (*)                             | <u>4,897,760,264</u> | <u>4,805,286,848</u> |
| Charged to the income statement:           |                      |                      |
| - BIT – current                            | 7,815,890,575        | 5,004,304,851        |
| - BIT – deferred (Note 12)                 | (2,918,130,311)      | (199,018,003)        |
|  | <u>4,897,760,264</u> | <u>4,805,286,848</u> |

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**23 FINANCIAL RISK MANAGEMENT**

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

**(a) Credit risk**

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

|  | <b>2020<br/>VND</b>    | <b>2019<br/>VND</b>    |
|--|------------------------|------------------------|
| Current accounts at banks and cash equivalents | 430,172,749,074        | 628,688,415,125        |
| Short-term financial investments               | 43,000,000,000         | 25,000,000,000         |
| Long-term financial investments                | 220,360,000,000        | 30,000,000,000         |
| Insurance compulsory deposits                  | 12,000,000,000         | 12,000,000,000         |
| Other receivables                              | 18,184,097,096         | 5,465,894,064          |
|  | <u>723,716,846,170</u> | <u>701,154,309,189</u> |

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

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

**(b) Liquidity risk**

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

|                               | <b>Book value<br/>VND</b> | <b>Within 1 year<br/>VND</b> |
|-------------------------------|---------------------------|------------------------------|
| <b>As at 31 December 2020</b> |                           |                              |
| Other short-term payables     | 643,863,637               | 643,863,637                  |
| Claim reserves                | 2,299,676,606             | 2,299,676,606                |
|                               | <u>2,943,540,243</u>      | <u>2,943,540,243</u>         |
| <b>As at 31 December 2019</b> |                           |                              |
| Other short-term payables     | 95,181,030                | 95,181,030                   |
| Claim reserves                | 1,471,265,808             | 1,471,265,808                |
|                               | <u>1,566,446,838</u>      | <u>1,566,446,838</u>         |



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Market risk

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

## (i) Currency risk

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

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

|                                 | 2020<br>VND            | 2019<br>VND            |
|---------------------------------|------------------------|------------------------|
| Current accounts at bank in USD | 1,295,903,834          | 963,067,007            |
| Term deposits at bank in USD    | 413,257,646,244        | 599,876,677,202        |
|                                 | <u>414,553,550,078</u> | <u>600,839,744,209</u> |

## Foreign currency sensitivity

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

|                                     | Change in<br>USD rate<br>% | Effect on<br>profit before tax<br>VND |
|-------------------------------------|----------------------------|---------------------------------------|
| For the year ended 31 December 2020 | + 1                        | 3,316,428,401                         |
|                                     | - 1                        | (3,316,428,401)                       |
| For the year ended 31 December 2019 | + 1                        | 4,806,717,954                         |
|                                     | - 1                        | (4,806,717,954)                       |

## (ii) Interest rate risk

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

|   | 2020<br>VND            | 2019<br>VND           |
|---|------------------------|-----------------------|
| <b>Fixed rate instruments</b>                 |                        |                       |
| Current accounts at bank and cash equivalents | 430,172,749,074        | 628,688,415,125       |
| Short-term financial investments              | 43,000,000,000         | 25,000,000,000        |
| Statutory deposits                            | 12,000,000,000         | 12,000,000,000        |
| Long-term financial investments               | <u>220,360,000,000</u> | <u>30,000,000,000</u> |

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 24 INSURANCE RISKS

## Statutory capital management

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

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

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

|                        | The Branch<br>solvency margin | Minimum<br>solvency margin | Unit: VND' million<br>Solvency margin<br>percentage |
|------------------------|-------------------------------|----------------------------|---|
| As at 31 December 2020 | 668,448                       | 7,758                      | 8,616.70%   |
| As at 31 December 2019 | 651,373                       | 7,283                      | 8,943.30%   |

## 25 RELATED PARTY DISCLOSURES

|  | 2020<br>VND   | 2019<br>VND   |
|--|---------------|---------------|
| <i>i) Reinsurance to Parent Company</i>    |               |               |
| Seoul Guarantee Insurance Company - HO     | 206,014,440   | -             |
| <i>ii) Commission from Parent Company</i>  |               |               |
| Seoul Guarantee Insurance Company - HO     | 70,044,927    | -             |
| <i>iii) Compensation of key management</i> |               |               |
| Gross salaries and other benefits          | 1,389,389,000 | 1,386,934,000 |

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**26 COMMITMENTS UNDER OPERATING LEASES**

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

|                           | 2020<br>VND          | 2019<br>VND          |
|---------------------------|----------------------|----------------------|
| Within one year           | 5,225,797,041        | 3,739,877,000        |
| Between one and two years | 713,888,960          | 2,449,859,500        |
| Total minimum payments    | <u>5,939,686,001</u> | <u>6,189,736,500</u> |

**27 OTHERS**

The spread of Covid-19 from the beginning of 2020 was a difficult and challenging situation for the Company's business. The Company's Legal representative assessed the overall impact to the Company's business, including the possibility of recovering the carrying amount of assets, recognizing the value of assets and liabilities and considered that Covid-19 impact is not material to the business of the Company in the near future, the Legal representative of the Company will continue to monitor the situation and take appropriate, timely actions to minimize future impacts.

The financial statements were approved by the Legal representative on 16 March 2021.



Nguyen Thi Van  
Preparer



Ha Thi Minh Thu  
Chief Accountant



Park You Hong  
Legal Representative/Director