

SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE

FINANCIAL STATEMENTS
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SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE

CORPORATE INFORMATION

Establishment and operation licence

73GP/KDBH dated 26 August 2014.

The first amended Licence for establishment and operation No. 73/GPDC1/KDBH was issued on 25 June 2015. The Licence for establishment and operation and its subsequent amendments were issued by the Ministry of Finance for a period of 50 years from the initial Licence 73GP/KDBH dated 26 August 2014.

Board of Management

Mr. Park You Hong
Mr. Hwang Soon Young

Director
Deputy Director

Legal Representative

Mr. Park You Hong

Director

Registered office

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

Auditor

Branch of PwC (Vietnam) Limited in Hanoi

SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH OFFICE

STATEMENT OF THE LEGAL REPRESENTATIVE

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 2021, 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 35 which give a true and fair view of the financial position of the Branch as at 31 December 2021 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.



Hanoi, SR Vietnam
15 March 2022

**INDEPENDENT AUDITOR'S REPORT
TO THE OWNER 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 2021 and approved by the Legal Representative on 15 March 2022. The financial statements comprise the balance sheet as at 31 December 2021, 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 35.

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 2021, 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



Nguyen Phi Lan
Audit Practising Licence No.
0573-2018-006-1
Authorised signatory



Nguyen Van Nam
Audit Practising Licence No.
5082-2019-006-1

Report reference number: HAN 2935
Hanoi, 15 March 2022

SEOUL GUARANTEE INSURANCE COMPANY – HANOI BRANCH

FINANCIAL INDICATORS OF THE BUSINESS PERFORMANCE

		2021	2020 (As previously reported)	2020 (As restated)
1.	Asset and equity structure			
1.1	Asset structure			
	- Current assets / Total assets (%)	96.72	85.95	86.04
	- Non-current assets / Total assets (%)	3.28	34.05	33.96
1.2	Equity structure			
	- Total liabilities / Total resources (%)	6.81	7.15	6.84
	- Owner's equity / Total resources (%)	93.19	92.85	93.16
2.	Liquidity			
2.1	Liquidity ratio (times)	14.69	13.99	14.62
2.2	Current ratio (times)	15.14	10.25	10.58
2.3	Quick ratio (times)	14.49	10.13	10.42
3.	Profitability			
3.1	Profit margins			
	- Net profit before tax / (Net Premium + Commission from Ceded Premium) (%)	49.27	78.20	81.14
	- Net profit after tax / (Net Premium + Commission from Ceded Premium) (%)	43.35	62.29	72.71
3.2	Return on assets			
	- Net profit before tax / Total assets (%)	2.18	3.32	3.44
	- Net profit after tax / Total assets (%)	1.92	2.64	3.08
3.3	Return on equity			
	- Net profit after tax / Owner's equity (%)	2.06	2.85	3.30

The notes on pages 12 to 35 are an integral part of these financial statements.


BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2021 VND	2020 VND (As restated – Note 4)
100	CURRENT ASSETS		718,076,719,486	480,360,937,973
110	Cash and cash equivalents	5	436,497,666,614	430,172,935,724
111	Cash		16,357,025,146	16,915,289,480
112	Cash equivalents		420,140,641,468	413,257,646,244
120	Short-term investments		250,360,000,000	43,000,000,000
121	Investments held to maturity	6(a)	250,360,000,000	43,000,000,000
130	Short-term receivables		31,113,338,720	6,957,725,827
131	Short-term accounts receivable	7	41,673,900,277	38,663,603,327
131.1	Insurance receivables		41,673,900,277	38,663,603,327
135	Other short-term receivables	8(a)	28,941,843,945	5,057,271,233
139	Provision for doubtful debts	7	(39,502,405,502)	(36,763,148,733)
150	Other current assets		105,714,152	56,995,345
151	Short-term prepaid expenses		105,714,152	56,995,345
190	Reinsurance assets		-	173,281,077
191	Reinsurance assets from unearned premium		-	167,100,642
192	Reinsurance assets from claims reserves		-	6,180,435
200	LONG-TERM ASSETS		24,361,933,911	247,039,343,402
210	Long-term receivables		12,900,931,507	25,126,825,863
218	Other long-term receivables		12,900,931,507	25,126,825,863
218.1	Insurance compulsory deposit	9	12,000,000,000	12,000,000,000
218.2	Other long-term receivables	8(b)	900,931,507	13,126,825,863
220	Fixed assets		202,325,843	336,479,505
221	Tangible fixed assets	10(a)	202,325,843	336,479,505
222	Historical cost		3,234,608,183	3,182,790,001
223	Accumulated depreciation		(3,032,282,340)	(2,846,310,496)
227	Intangible fixed assets	10(b)	-	-
228	Historical cost		204,440,000	204,440,000
229	Accumulated amortisation		(204,440,000)	(204,440,000)
250	Long-term investments		10,000,000,000	220,360,000,000
255	Investments held to maturity	6(b)	10,000,000,000	220,360,000,000
260	Other long-term assets		1,258,676,561	1,216,038,034
261	Long-term prepaid expenses		348,220,861	400,992,834
268	Other long-term assets	11	910,455,700	815,045,200
270	TOTAL ASSETS		742,438,653,397	727,400,281,375

The notes on pages 12 to 35 are an integral part of these financial statements.

BALANCE SHEET
(CONTINUED)

Code	RESOURCES	Note	As at 31 December	
			2021 VND	2020 VND (As restated – Note 4)
300	LIABILITIES		50,535,505,325	49,757,928,142
310	Short-term liabilities		47,413,870,091	45,414,739,281
314	Tax and other payables to the State	12	3,250,417,876	5,079,451,266
316	Short term accruals		598,752,283	509,729,698
318	Unearned commission		-	56,814,219
319	Other short-term payables		80,628,066	183,122,819
329	Technical reserves		43,484,072,066	39,585,621,279
329.1	Unearned premium reserve for direct insurance	13(a)	27,355,929,019	31,845,900,553
329.2	Gross claims reserves	13(a)	9,835,039,441	2,299,676,606
329.3	Catastrophe reserves	13(b)	6,293,103,606	5,440,044,120
330	Long-term liabilities		3,121,635,234	4,343,188,861
335	Deferred income tax liabilities	14	3,121,635,234	4,343,188,861
400	OWNER'S EQUITY		691,903,148,072	677,642,353,233
410	Capital and reserves		691,903,148,072	677,642,353,233
411	Owner's capital	15, 16	600,000,000,000	600,000,000,000
419	Compulsory reserve fund	16	5,314,032,711	4,800,992,969
421	Undistributed earnings	16	86,589,115,361	73,041,360,264
421a	- Undistributed post-tax profits of the previous years		73,041,360,264	51,767,377,555
421b	- Post-tax profit of current year		13,547,755,097	21,273,982,709
440	TOTAL RESOURCES		742,438,653,397	727,400,281,375



 Nguyen Thi Van
 Preparer



 Ha Thi Minh Thu
 Chief Accountant




 Park Youn Hong
 Legal Representative
 15 March 2022

INCOME STATEMENT

PART I – COMPREHENSIVE INCOME STATEMENT

Code		Note	Year ended 31 December	
			2021 VND	2020 VND (As restated – Note 4)
10	Net income from insurance business		32,793,987,822	30,659,468,102
23	Financial income		17,897,909,373	19,007,549,824
18	Total insurance expenses		(9,079,518,537)	(2,469,986,553)
40	Other (expense)/income		(984,020,916)	7,097,919
24	Financial expenses		(6,148,028,860)	(3,518,327,449)
26	General and administrative expenses	21	(18,271,098,615)	(18,895,286,726)
50	Net accounting profit before tax		16,209,230,267	24,990,515,117
51	Business income tax ("BIT") – current	22	(3,169,989,055)	(5,792,039,094)
52	BIT– deferred		1,221,553,627	3,195,189,987
60	Net accounting profit after tax		14,260,794,839	22,393,666,010




 Nguyen Thi Van
 Preparer



 Ha Thi Minh Thu
 Chief Accountant





 Phan You Hong
 Legal Representative
 15 March 2022

The notes on pages 12 to 35 are an integral part of these financial statements.

INCOME STATEMENT (CONTINUED)

PART II – OPERATIONAL INCOME STATEMENT


Code		Note	Year ended 31 December	
			2021 VND	2020 VND (As restated – Note 4)
01	Insurance premium income	18	32,863,483,334	30,751,150,396
	In which:			
01.1	- Direct written premiums		28,373,511,800	31,236,246,700
01.3	- Decrease/(increase) in direct and assumed unearned premium reserves		4,489,971,534	(485,096,304)
02	Reinsurance premiums ceded		(105,296,232)	(138,912,566)
	In which:			
02.1	- Reinsurance premiums ceded		61,804,410	(206,014,490)
02.2	- (Increase)/decrease in ceded premium reserves		(167,100,642)	67,101,924
03	Net insurance premium income		32,758,187,102	30,612,237,830
04	Commission income and other insurance income		35,800,720	47,230,272
	In which:			
04.1	- Commission from reinsurance premiums ceded		35,800,720	47,230,272
10	Net income from insurance business		32,793,987,822	30,659,468,102
13	Increase in direct and assumed claims reserves	13(a)	(7,535,362,835)	(828,410,796)
14	Increase in ceded claims reserves	13(a)	(6,180,435)	(1,823,112)
15	Total claim expenses		(7,541,543,270)	(830,233,910)
16	Increase in catastrophe reserves	13(b)	(853,059,486)	(930,906,966)
17	Other insurance expenses		(684,915,781)	(708,845,677)
17.2	Other insurance expenses		(684,915,781)	(708,845,677)
18	Total insurance expenses		(9,079,518,537)	(2,469,986,553)
19	Gross insurance profit		23,714,469,285	28,189,481,549

The notes on pages 12 to 35 are an integral part of these financial statements

INCOME STATEMENT (CONTINUED)

PART II – OPERATIONAL INCOME STATEMENT (CONTINUED)

Code		Note	Year ended 31 December	
			2021 VND	2020 VND (As restated - Note 4)
23	Financial income	19	17,897,909,373	19,007,549,824
24	Financial expenses	20	(6,148,028,860)	(3,518,327,449)
25	Net profit from financial activities		11,749,880,513	15,489,222,375
26	General and administrative expenses	21	(18,271,098,615)	(18,695,286,726)
30	Net operating profit		17,193,251,183	24,983,417,198
31	Other income		18,766,585	7,104,220
32	Other expenses		(1,002,787,501)	(6,301)
40	Other (expenses)/income		(984,020,916)	7,097,919
50	Net accounting profit before tax		16,209,230,267	24,990,515,117
51	Business income tax ("BIT") – current	22	(3,169,989,055)	(5,792,039,094)
52	BIT – deferred	22	1,221,553,627	3,195,189,987
60	Net accounting profit after tax		14,260,794,839	22,393,666,010



 Nguyen Thi Van
 Preparer




 Ha Thi Minh Thu
 Chief Accountant



The notes on pages 12 to 35 are an integral part of these financial statements.

CASH FLOW STATEMENT
(Indirect method)

		Year ended 31 December	
Code	Note	2021 VND	2020 (As restated – Note 4) VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01	Net accounting profit before tax	16,209,230,267	24,990,515,117
	Adjustments for:		
02	Depreciation and amortisation	185,971,844	307,037,293
03	Provisions	6,810,988,633	5,986,588,197
04	Unrealised foreign exchange losses	6,138,956,424	1,989,087,333
05	Profit from investing activities	(17,897,909,373)	(16,758,298,630)
08	Operating gain before changes in working capital	11,447,237,795	16,514,929,310
09	Increase in receivables	(3,105,707,450)	(4,592,684,988)
11	Decrease in payables	(2,708,303)	(33,360,051)
12	Decrease/(increase) in prepaid expenses	4,053,166	(269,184,826)
15	BIT paid	(5,066,602,729)	(3,710,912,119)
20	Net cash inflows from operating activities	3,276,274,479	7,908,787,326
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets	(51,818,182)	(112,450,000)
23	Payment for bank deposits	(40,000,000,000)	(233,360,000,000)
24	Collection of bank deposits	43,000,000,000	25,000,000,000
27	Interest received	6,239,231,017	4,031,881,584
30	Net cash inflows/(outflows) from investing activities	9,187,412,835	(204,440,568,416)
CASH FLOWS FROM FINANCING ACTIVITIES			
40	Net cashflows from financing activities	-	-
50	Net increase/(decrease) in cash and cash equivalents	12,463,687,314	(196,531,781,090)
60	Cash and cash equivalents at beginning of year	5 430,172,935,724	628,693,804,147
61	Effect of foreign exchange differences	(6,138,956,424)	(1,989,087,333)
70	Cash and cash equivalents at end of year	5 436,497,666,614	430,172,935,724


 Nguyen Thi Van
 Preparer


 Ha Thi Minh Thu
 Chief Accountant



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

The owner of the Company is Seoul Guarantee Insurance Company, which is incorporated in South Korea. Details of capital contributions are presented in Note 15.

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 2021, the Branch had 14 employees (as at 31 December 2020: 13 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 Significant changes in the Company's accounting policy applied

In order to reflect the nature of guarantee insurance business, the Legal Representative of the Branch has decided to change the accounting policy on indemnity receivable recognition commencing from 1 January 2021.

- In previous years, indemnity receivables are not recognised as the Branch recognises the indemnity to the profit and loss on a cash basis when received from the customers.
- Commencing 1 January 2021, indemnity receivables are recognised in the balance sheet at cost. Provision for indemnity receivables is assessed for estimated loss that may arise (Note 2.8).

Comparative figures have been restated due to changes in the Branch's accounting policy. Details are presented in Note 4.

2.3 Fiscal year

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.4 Currency**

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

2.5 Exchange rates

Transactions arising in foreign currencies are translated at exchange rates prevailing at the transaction dates. Foreign exchange differences arising from these transactions are recognised as income or expense 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 with which the Branch regularly transacts. 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 recognized as income or expense in the income statement.

2.6 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.

2.7 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.

2.8 Indemnity receivables

Indemnity receivables presents claim receivable amount from customer in accordance with insurance policies and are stated at cost.

Provision for indemnity receivables is assessed based on the estimated loss that may arise. The details were as follows:

For the corporate customers:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Indemnity receivables (continued)

For individual customers:

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

Indemnity 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.

2.9 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 which is incurred subsequently and 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 in the year.

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.

2.10 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.

2.11 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 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 level of 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.

2.13 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:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Technical reserves (continued)

(b) Claims reserves

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

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

(c) Catastrophe reserves

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

2.14 Compulsory reserves fund

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

2.15 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.

2.16 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 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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue recognition (continued)

(a) Premium income (continued)

3. The insurance contract has been entered into by the Branch and the insured; if there is an agreement between the Branch and the insured on premium payment period, it must be specified in the insurance contract, in particular:

- For one-time payment of premium: the premium payment period may not exceed 30 days from the inception date of the insurance period. The Branch will recognise premium revenue for the insurance contract although the premium has not been paid by the insured.
- In case of instalment payment: the premium payment period of the first payment term may not exceed 30 days from the beginning date of the insurance contract. The Branch may only recognise premium revenue in accordance with the instalment payment period. Premium paid in advance of the due date is recorded as "Advance premium" on the balance sheet as at the end of the financial statements period.

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

(b) Interest income

Interest income is recognised on an earned basis.

2.17 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.

2.18 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.

2.19 Claims to be recovered from reinsurers

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

2.20 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.20 Commission income and expenses (continued)**

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".

2.21 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.

2.22 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.

2.23 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.

2.24 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.

2.25 Current and deferred income tax

Income tax includes all income tax which is based on taxable profits. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profits at the current year tax rates. Current and deferred income tax are 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.26 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.

2.27 Critical 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.

The area involving significant estimates and assumptions are as follows:

- Provision for indemnity receivables (Notes 2.8 and 7);
- Technical reserves (Notes 2.13 and 13); and
- Business Income Tax (Note 22).

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 assessed by the Legal Representative 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 is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Management to other senior management. A policy framework has been developed and implemented which sets out the risk profiles for the Branch's risk management, control and business conduct standards for the Branch's operations. Each policy has specific director in charge with overseeing compliance with the policy throughout the Branch.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021****3 RISK MANAGEMENT FRAMEWORK (CONTINUED)****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.

4 RETROSPECTIVE ADJUSTMENTS

Subsequent to the issuance of the Branch's financial statements for the year ended 31 December 2020, the Legal Representative of the Branch has decided to make retrospective adjustments to the financial statements for the year ended 31 December 2020 as follows.

The retrospective adjustments represent:

- i) A change in accounting policy on recognition of indemnity receivable and the related provisions (Notes 2.2, Note 2.8 and Note 7);
- ii) A correction of business income tax number in relation to business income tax incentive in accordance with Decree 114/2020/ND-CP dated 25 September 2020 ("Decree 114"). In 2021, the Legal Representative has re-assessed the Branch's conditions to be entitled to business income tax incentive in 2020 and concluded that the Branch has met these conditions. Therefore, the business income tax number for the year 2020 were restated to reflect the tax incentive (Note 22).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4 RETROSPECTIVE ADJUSTMENTS (CONTINUED)

Balance sheet (impacted items only)

		As at 31 December 2020		
Code		As previously reported VND	Adjustment VND	As restated VND
131	Short-term trade accounts receivable	-	38,663,603,327	38,663,603,327
131.1	Insurance receivables	-	38,663,603,327	38,663,603,327
139	Provision for doubtful debts	-	(36,763,148,733)	(36,763,148,733)
270	Total assets	725,499,826,781	1,900,454,594	727,400,281,375
314	Taxes and other payables to the State	6,363,716,386	(1,284,265,120)	5,079,451,266
335	Deferred tax liabilities	5,161,135,291	(817,946,430)	4,343,188,861
419	Compulsory reserve	4,440,599,583	160,393,386	4,600,992,969
421a	Undistributed post-tax profits of the previous years	50,972,579,129	794,798,426	51,767,377,555
412b	Post-tax profit of current year	18,226,508,377	3,047,474,332	21,273,982,709
440	Total resources	725,499,826,781	1,900,454,594	727,400,281,375

Part I – Comprehensive income statement (impacted items only)

		As at 31 December 2020		
Code		As previously reported VND	Adjustment VND	As restated VND
18	Total insurance expenses	(7,184,396,055)	4,714,409,502	(2,469,986,553)
26	General and administrative expenses	(14,887,833,785)	(3,807,452,941)	(18,695,286,726)
50	Net profit before tax	24,083,558,556	906,956,561	24,990,515,117
51	BIT – current	(7,815,890,575)	2,023,851,481	(5,792,039,094)
52	BIT- deferred	2,918,130,311	277,059,676	3,195,189,987
60	Net accounting profit after tax	19,185,798,292	3,207,867,718	22,393,666,010

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4 RETROSPECTIVE ADJUSTMENTS (CONTINUED)

Part II – Operational income statement (impacted items only)

		As at 31 December 2020		
Code		As previously reported VND	Adjustment VND	As restated VND
11	Claim expenses	(4,714,409,502)	4,714,409,502	-
11.1	Gross claim expenses	(7,537,591,308)	7,537,591,308	-
11.2	Deductions	2,823,181,806	(2,823,181,806)	-
26	General and administrative expenses	(14,887,833,785)	(3,807,452,941)	(18,695,286,726)
50	Net accounting profit before tax	24,083,558,556	906,956,561	24,990,515,117
51	BIT – current	(7,815,890,575)	2,023,851,481	(5,792,039,094)
52	BIT – deferred	2,918,130,311	277,059,676	3,195,189,987
60	Net accounting profit after tax	19,185,798,292	3,207,867,718	22,393,666,010

Cashflow statement (impacted item only)

		For the year ended 31 December 2020		
Code		As previously reported VND	Adjustment VND	As restated VND
01	Net accounting profit before tax	24,083,558,556	906,956,561	24,990,515,117
03	Changes in technical reserves and provisions	2,179,135,256	3,807,452,941	5,986,588,197
08	Operating gain before changes in working capital	11,800,519,808	4,714,409,502	16,514,929,310
09	Decrease/(increase) in receivables	121,724,514	(4,714,409,502)	(4,592,684,988)

5 CASH AND CASH EQUIVALENTS

	2021 VND	2020 VND
Cash on hand	2,281,959	186,650
Cash at bank	16,354,743,187	16,915,102,830
Cash equivalents (*)	420,140,641,468	413,257,646,244
	<u>436,497,666,614</u>	<u>430,172,935,724</u>

(*) Cash equivalents includes term deposits at banks with an original maturity term of 3 months or less.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

6 INVESTMENTS HELD TO MATURITY

	2021 VND	2020 VND
(a) Short-term Investments held to maturity (*)	250,360,000,000	43,000,000,000
(b) Long-term Investments held to maturity (**)	10,000,000,000	220,360,000,000

(*) 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 2.1% to 7.15% per annum (2020: 2.3% to 5.9% per annum).

(**) Long-term investments held to maturity represent term deposits at bank in VND with a remaining maturity over 12 months and interest rate at 4.9% per annum (2020: 5.5% to 6.5% per annum).

7 SHORT-TERM ACCOUNTS RECEIVABLE

	2021 VND	2020 VND (As restated – Note 4)
Insurance receivables		
Indemnity receivables	41,673,900,277	38,663,603,327
Provision for indemnity receivables	(39,502,405,502)	(36,763,148,733)
	<u>2,171,494,775</u>	<u>1,900,454,594</u>

Movement of provision for indemnity receivables during the year are as follows:

	2021 VND	2020 VND
Beginning of year	36,763,148,733	32,955,695,792
Increase (Note 21)	2,739,256,769	3,807,452,941
End of year	<u>39,502,405,502</u>	<u>36,763,148,733</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

8 OTHER RECEIVABLES

	2021 VND	2020 VND
(a) Short-term Interest receivables	28,941,843,945	5,057,271,233
(b) Long-term Interest receivables	900,931,507	13,126,825,863

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

9 INSURANCE COMPULSORY DEPOSIT

The insurance compulsory deposit is in VND at Shinhan Bank Vietnam Limited earning interest rate from 4.3% to 5.2% per annum (2020: 5.2% to 5.4%).

10 FIXED ASSETS

(a) Tangible fixed assets

	Furniture and fittings VND	Motor vehicles VND	Office equipment VND	Total VND
Historical cost				
As at 1 January 2021	1,719,177,273	1,269,316,364	194,296,364	3,182,790,001
New purchases	-	-	51,818,182	51,818,182
As at 31 December 2021	1,719,177,273	1,269,316,364	246,114,546	3,234,608,183
Accumulated depreciation				
As at 1 January 2021	(1,599,647,082)	(1,145,910,607)	(100,752,807)	(2,846,310,496)
Charge for the year	(34,090,000)	(123,405,757)	(28,476,087)	(185,971,844)
As at 31 December 2021	(1,633,737,082)	(1,269,316,364)	(129,228,894)	(3,032,282,340)
Net book value				
As at 1 January 2021	119,530,191	123,405,757	93,543,557	336,479,505
As at 31 December 2021	85,440,191	-	116,885,652	202,325,843

The historical cost of depreciated tangible fixed assets that were fully depreciated but still in use as at 31 December 2021 was VND 2,881,680,001 (as at 31 December 2020: VND 1,548,727,273).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

10 FIXED ASSETS (CONTINUED)

(b) Intangible fixed assets

	Software VND
Historical cost	
As at 1 January 2021	204,440,000
As at 31 December 2021	204,440,000
Accumulated amortisation	
As at 1 January 2021	(204,440,000)
Charge for the year	-
As at 31 December 2021	(204,440,000)
Net book value	
As at 1 January 2021	-
As at 31 December 2021	-

The historical cost of depreciated tangible fixed assets that were fully depreciated but still in use as at 31 December 2021 was VND 204,440,000 (as at 31 December 2020: 204,440,000 VND).

11 OTHER LONG-TERM ASSETS

	2021 VND	2020 VND
Office rental deposit	513,378,400	501,878,400
Housing rental deposits	393,529,700	309,619,200
Office card deposit	3,547,600	3,547,600
	<u>910,455,700</u>	<u>815,045,200</u>

12 TAX AND OTHER PAYABLES TO THE STATE

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

	As at 1.1.2021 (As restated – Note 4) VND	Payable during the year VND	Payment during the year VND	As at 31.12.2021 VND
VAT	40,942,510	1,897,523,951	(1,836,389,720)	102,076,741
BIT	5,008,088,169	3,169,989,055	(5,066,602,729)	3,111,474,495
Foreign contractors' withholding tax	206,014	-	(206,014)	-
Personal income tax	30,214,573	467,471,101	(460,819,234)	36,866,440
	<u>5,079,451,266</u>	<u>5,534,984,107</u>	<u>(7,364,017,697)</u>	<u>3,250,417,676</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13 TECHNICAL RESERVES

(a) Claim reserves and unearned premium reserves

	2021			2020		
	Direct premium VND	Premiums Ceded (*) VND	Net amount VND	Direct premium VND	Premiums ceded VND	Net amount VND
1. Claim reserves	9,835,039,441	-	9,835,039,441	2,299,676,606	(6,180,435)	2,293,496,171
In which:						
- <i>Outstanding claim reserves</i>	8,983,834,087	-	8,983,834,087	1,362,589,205	-	1,362,589,205
- <i>IBNR</i>	851,205,354	-	851,205,354	937,087,401	(6,180,435)	930,906,966
2. Unearned premium reserves	27,355,929,019	-	27,355,929,019	31,845,900,553	(167,100,642)	31,678,799,911
	37,190,968,460	-	37,190,968,460	34,145,577,159	(173,281,077)	33,972,296,082

(*) The Branch has no premiums ceded during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13 TECHNICAL RESERVES (CONTINUED)

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

Movement of technical reserves during the year were as follows:

	2021			2020		
	Direct premium VND	Premiums ceded VND	Net amount VND	Direct premium VND	Premiums ceded VND	Net amount VND
1. Claim reserves						
Beginning of year	2,299,676,606	(6,180,435)	2,293,496,171	1,471,265,808	(8,003,547)	1,463,262,261
Movement during the year	7,535,362,835	6,180,435	7,541,543,270	828,410,798	1,823,112	830,233,910
End of year	9,835,039,441	-	9,835,039,441	2,299,676,606	(6,180,435)	2,293,496,171
2. Unearned premium reserves						
Beginning of year	31,845,900,553	(167,100,642)	31,678,799,911	31,360,804,249	(99,998,718)	31,260,805,531
Movement during the year	(4,489,971,534)	167,100,642	(4,322,870,892)	485,096,304	(67,101,924)	417,994,380
End of year	27,355,929,019	-	27,355,929,019	31,845,900,553	(167,100,642)	31,678,799,911
(b) Catastrophe reserves						
Beginning of year						
Movement during the year						
End of year						

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14 DEFERRED INCOME TAX

	2021 VND	2020 VND (As restated – Note 4)
Deferred income tax liabilities	3,121,635,234	4,343,188,861

The movements in deferred income tax during the year were as follows:

	2021 VND	2020 VND
Beginning of year	4,343,188,861	7,538,378,848
Income statement credit (Note 22)	(1,221,553,627)	(3,195,189,987)
End of year	3,121,635,234	4,343,188,861

15 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.

16 MOVEMENTS IN OWNER'S EQUITY

	Owner's capital VND	Compulsory reserve fund VND	Undistributed earnings VND	Total VND
At 1 January 2020	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 (As previously reported)	600,000,000,000	4,440,599,583	69,199,087,506	673,639,687,089
Prior year adjustments (Note 4)	-	160,393,386	3,842,272,758	4,002,666,144
At 31 December 2020 (As restated)	600,000,000,000	4,600,992,969	73,041,360,264	677,642,353,233
Net profit for the year	-	-	14,260,794,839	14,260,794,839
Appropriation to reserve	-	713,039,742	(713,039,742)	-
At 31 December 2021	600,000,000,000	5,314,032,711	86,589,115,361	691,903,148,072

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

17 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 2021 were USD 18,078,536.43 (as at 31 December 2020: USD 18,047,607.59).

(b) Operating lease assets

The future minimum lease payments under non-cancellable operating leases are VND 5,230,116,310 and VND 5,939,686,001 as of 31 December 2021 and 31 December 2020, respectively (Note 26).

18 INSURANCE PREMIUM INCOME

	2021 VND	2020 VND
Direct written premium	30,667,835,900	32,419,208,200
- Advance payment bonds	9,644,019,500	6,637,067,900
- Bid bonds	7,420,000	6,000,000
- Maintenance bonds	6,765,721,200	7,199,825,900
- Performance bonds	11,625,895,600	10,853,477,100
- Personal loan bonds	2,624,779,600	7,722,837,300
Premium deductions	(2,294,324,100)	(1,182,961,500)
	<u>28,373,511,800</u>	<u>31,236,246,700</u>
Decrease/(increase) in unearned premium reserves for direct insurance (Note 13)	4,489,971,534	(485,096,304)
	<u>32,863,483,334</u>	<u>30,751,150,396</u>

19 FINANCIAL INCOME

	2021 VND	2020 VND
Interest income from deposits	17,897,909,373	16,758,298,630
Realised foreign exchange gains	-	720,011,078
Unrealised foreign exchange gains	-	1,529,240,116
	<u>17,897,909,373</u>	<u>19,007,549,824</u>

20 FINANCIAL EXPENSES

	2021 VND	2020 VND
Unrealised foreign exchange losses	6,138,956,424	3,518,327,449
Realised foreign exchange losses	9,072,436	-
	<u>6,148,028,860</u>	<u>3,518,327,449</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

21 GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020 (As restated – Note 4)
	VND	VND
Staff costs	6,544,307,700	5,664,750,996
Rental fees	6,237,884,380	5,922,036,500
Provision for indemnity receivables (Note 7)	2,739,256,769	3,807,452,941
Outside services	1,448,270,839	1,747,170,628
Office equipment expenses	607,979,670	319,985,127
Depreciation expenses	185,971,844	307,037,293
Other expenses	507,427,413	926,853,241
	<u>18,271,098,615</u>	<u>18,695,286,726</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:

	2021	2020 (As restated – Note 4)
	VND	VND
Net accounting profit before tax	16,209,230,267	24,990,515,117
Tax calculated at a rate of 20%	3,241,846,052	4,998,103,023
Effect of:		
- Expenses not deductible for tax purposes	65,156,114	81,048,553
- Tax deduction (*)	(1,358,566,738)	(2,482,302,469)
BIT charge (**)	<u>1,948,435,428</u>	<u>2,596,849,107</u>
Charged to the income statement:		
- BIT – current	3,169,989,055	5,792,039,094
- BIT – deferred (Note 14)	(1,221,553,627)	(3,195,189,987)
	<u>1,948,435,428</u>	<u>2,596,849,107</u>

(*) The Branch is entitled to 30% reduction of the Company's corporate income tax expense for the year 2021 and 2020 in accordance with Decree 92/2021/ND-CP dated 27 October 2021 and Decree 114/2020/ND-CP dated 25 September 2020 respectively relating to reduction of corporate income tax for fiscal year, applicable for enterprises whose revenues do not exceed VND 200 billion. The Branch's Legal Representative assessed that the Branch has met the conditions to apply this Decree for the financial year ended 31 December 2021 and 31 December 2020.

(**) 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 2021

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.

	2021 VND	2020 (As restated – Note 4) VND
Current accounts at banks and cash equivalents	436,497,666,614	430,172,749,074
Short-term financial investments	250,360,000,000	43,000,000,000
Insurance receivables	41,673,900,277	38,663,603,327
Long-term financial investments	10,000,000,000	220,360,000,000
Insurance compulsory deposits	12,000,000,000	12,000,000,000
Other receivables	29,842,775,452	18,184,097,096
	<u>780,374,342,343</u>	<u>762,380,449,497</u>

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

The Legal Representative 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.

Insurance receivables and Other receivables are assessed for their recoverability and provisions are made where appropriate in accordance with the Branch's policies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Branch will encounter difficulty in meeting obligations associated with financial liabilities. The table below categorises the 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:

	Book value VND	Within 1 year VND
As at 31 December 2021		
Tax and other payables to the State	3,250,417,676	3,250,417,676
Short term accruals	598,752,283	598,752,283
Other short-term payables	80,628,066	80,628,066
Claim reserves	9,835,039,441	9,835,039,441
	<u>13,764,837,466</u>	<u>13,764,837,466</u>
As at 31 December 2020 (As restated)		
Tax and other payables to the State	5,079,451,266	5,079,451,266
Short term accruals	509,729,698	509,729,698
Other short-term payables	183,122,819	183,122,819
Claim reserves	2,299,676,606	2,299,676,606
	<u>8,071,980,389</u>	<u>8,071,980,389</u>

(c) Market risk

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

(i) Currency risk

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

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

	2021 VND	2020 VND
Current accounts at bank in USD	1,976,637,943	1,295,903,834
Term deposits at bank in USD	407,140,641,468	413,257,646,244
	<u>409,117,279,411</u>	<u>414,553,550,078</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

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

	Change in USD rate %	Effect on profit before tax VND
For the year ended 31 December 2021	+ 1 - 1	4,091,172,794 (4,091,172,794)
For the year ended 31 December 2020	+ 1 - 1	3,316,428,401 (3,316,428,401)

(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.

	2021 VND	2020 (As restated – Note 4) VND
Fixed rate instruments		
Current accounts at bank and cash equivalents	438,497,666,614	430,172,749,074
Short-term financial investments	250,360,000,000	43,000,000,000
Insurance compulsory deposits	12,000,000,000	12,000,000,000
Long-term financial investments	10,000,000,000	220,360,000,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 solvency margin	Minimum solvency margin	Unit: VND* million Solvency margin percentage
As at 31 December 2021	686,460	7,109	9,656.44%
As at 31 December 2020 (As previously reported)	668,448	7,758	8,616.70%
As at 31 December 2020 (As restated)	651,357	7,283	8,943.53%

25 RELATED PARTY DISCLOSURES

	2021 VND	2020 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) Remuneration of key management</i>		
Gross salaries and other benefits	1,324,296,000	1,389,389,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

26 COMMITMENTS UNDER OPERATING LEASES


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

	2021 VND	2020 VND
Within one year	5,230,116,310	5,225,797,041
Between one and two years	-	713,888,960
Total minimum payments	<u>5,230,116,310</u>	<u>5,939,686,001</u>

27 OTHERS

The spread of Covid-19 from the beginning of 2020 and its recurring impact during 2021 was a difficult and challenging situation for the Branch's business. The Branch's Legal Representative assessed the overall impact to the Branch'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 Branch in the near future, the Legal representative of the Branch 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 15 March 2022.



 Nguyen Thi Van
Preparer



 Ha Thi Minh Thu
Chief Accountant



 Park You Hong
Legal Representative