

Liberty Insurance Limited

Financial statements

For the year ended 31 December 2021



Liberty Insurance Limited

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Liberty Insurance Limited

GENERAL INFORMATION

THE COMPANY

Liberty Insurance Limited Company ("the Company") is a 100% foreign-owned limited liability company with one member incorporated in Vietnam under the Law on Insurance No. 24/2000/QH10, the Law No. 61/2010/QH12 which amended a number of articles of the law on insurance and the Law No. 42/2019/QH14 which amended a number of articles of the law on insurance and law on intellectual property. The Company was incorporated and has been operating pursuant to the License for Establishment and Operation No. 40GP/KDBH issued by the Ministry of Finance ("the MoF") on 15 November 2006 and the latest Amended Business License No. 40/GPDC7/KDBH issued by the MoF on 8 November 2017.

The current principal activities of the Company are:

- to provide general insurance products including health and personal accident insurance; property and casualty insurance; cargo insurance transported by road, sea, river, railway and airway; automobile insurance; fire insurance; general liability insurance; credit and finance risk insurance and business interruption insurance;
- to assume and cede reinsurance of all lines of general insurance; and
- to conduct activities in risk and loss prevention and minimization; loss survey; agent for loss survey services; claim settlement; third party recovery settlement; fund management and capital investment and other business operations that are in line with prevailing laws and regulations.

The Company's head office is located at Vincom Office Building, 45A Ly Tu Trong Street, District 1, Ho Chi Minh City, Vietnam. The Company has two (2) branches in Ha Noi and Hai Phong. Until 31 December 2021, these branches are located at Hanoi Lotte Center Building, 54 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam and at 17 Area B1, Block 7B, Le Hong Phong Street, Dong Khe Ward, Ngo Quyen District, Hai Phong, Vietnam.

MEMBERS' COUNCIL

Members of the Members' Council during the year and at the date of this report are:

<u>Name</u>	<u>Position</u>	<u>Date of appointment/resignation</u>
Ms. Saime Defne Turkes	Chairman	Appointed on 11 August 2020
Ms. Nguyen Thuy Dung	Member	Appointed on 30 September 2016
Mr. Matthew David Nickerson	Member	Appointed on 2 April 2018 Resigned on 13 October 2021
Ms. Lee Kar Lun Karen	Member	Appointed on 23 May 2018
Mr. Kaiwan Gushtasb Moradian	Member	Appointed on 12 October 2021

Liberty Insurance Limited

GENERAL INFORMATION (continued)

MANAGEMENT

Members of the Management during the year and at the date of this report are:

<u>Name</u>	<u>Position</u>	<u>Date of appointment/resignation</u>
Mr. Ariff Chan Kok Cheong	General Director cum Sales Director	Appointed on 30 September 2019
Ms. Nguyen Thuy Dung	Chief Financial Officer cum Chief Accountant	Appointed on 1 June 2014
Ms. Nguyen Ngoc Thuy	Human Resources Director	Appointed on 1 July 2011
Mr. Le Cong Hung	Chief Information Officer	Appointed on 1 April 2018
Ms. Tran Thi To Nga	Analytics and Planning Director	Appointed on 8 August 2016
Mr. Vu Thang	Legal and Compliance Director	Appointed on 10 August 2015

LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report are:

<u>Name</u>	<u>Position</u>	<u>Date of appointment</u>
Mr. Ariff Chan Kok Cheong	General Director Chief Financial Officer cum Chief Accountant	Appointed on 30 September 2019
Ms. Nguyen Thuy Dung	Chief Accountant	Appointed on 31 December 2017

AUDITOR

The auditor of the Company is Ernst & Young Vietnam Limited.

Reference: 60752645/22723358

INDEPENDENT AUDITORS' REPORT

To: The Members' Council of Liberty Insurance Limited

We have audited the accompanying financial statements of Liberty Insurance Limited ("the Company") as prepared on 28 March 2022 and set out on pages 6 to 49, which comprise the balance sheet as at 31 December 2021, the income statement and the cash flow statement for the year then ended and the notes thereto.

Management's responsibility

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System, the accounting guidance applicable to insurance companies and the statutory requirements relevant to preparation and presentation of financial statements, and for such internal control as Management determines is necessary to enable the preparation and presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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.

Opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Company 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, Vietnamese Enterprise Accounting System, the accounting guidance applicable to insurance companies and the statutory requirements relevant to preparation and presentation of financial statements.

Ernst & Young Vietnam Limited



Dang Phuong Ha
Deputy General Director
Audit Practicing Registration
Certificate No. 2400-2018-004-1



Huynh Nhat Hung
Auditor
Audit Practicing Registration
Certificate No. 5040-2019-004-1

Ho Chi Minh City, Vietnam

29 March 2022

Liberty Insurance Limited

BALANCE SHEET
as at 31 December 2021

B01 - DNPNT

VND

Code	ASSETS	Notes	Ending balance	Beginning balance
100	A. CURRENT ASSETS		1,242,044,738,102	1,086,291,683,238
110	I. Cash and cash equivalents	4	173,852,140,241	212,871,269,097
111	1. Cash		173,852,140,241	207,871,269,097
112	2. Cash equivalents		-	5,000,000,000
120	II. Short-term investments	5	971,526,598,612	737,009,471,582
121	1. Held-to-maturity investments		971,526,598,612	737,009,471,582
130	III. Short-term receivables	6	65,019,632,640	100,303,504,455
131	1. Short-term trade receivables		32,995,914,860	57,165,220,473
131.1	1.1 Insurance receivables		32,995,914,860	57,165,220,473
135	2. Other short-term receivables		39,305,305,299	43,372,811,575
139	3. Provision for doubtful debts		(7,281,587,519)	(234,527,593)
150	IV. Other short-term assets		25,818,049,426	29,555,764,832
151	1. Short-term prepaid expenses		25,818,049,426	29,555,764,832
151.1	1.1 Unallocated commission expenses	7	23,742,438,536	28,592,424,237
151.2	1.2 Other short-term prepaid expenses		2,075,610,890	963,340,595
190	V. Reinsurance assets	16	5,828,317,183	6,551,673,272
191	1. Reinsurance assets from unearned premium reserves		4,961,026,719	5,292,266,144
192	2. Reinsurance assets from claim reserves		867,290,464	1,259,407,128
200	B. NON-CURRENT ASSETS		234,694,989,377	394,633,897,802
210	I. Long-term receivables		11,226,268,480	10,135,040,986
218	1. Other long-term receivables		11,226,268,480	10,135,040,986
218.1	1.1 Insurance deposit	8	6,000,000,000	6,000,000,000
218.2	1.2 Other long-term receivables	9	5,226,268,480	4,135,040,986
220	II. Fixed assets		11,332,001,674	17,751,605,314
221	1. Tangible fixed assets	10	5,570,045,690	11,441,072,645
222	Cost		33,606,446,434	32,949,426,473
223	Accumulated depreciation		(28,036,400,744)	(21,508,353,828)
227	2. Intangible assets	11	4,995,875,933	6,206,209,430
228	Cost		44,882,810,816	43,681,747,418
229	Accumulated amortization		(39,886,934,883)	(37,475,537,988)
230	3. Construction in progress		766,080,051	104,323,239
250	III. Long-term investments	5	203,223,557,926	356,602,830,554
258	1. Held-to-maturity investments		203,223,557,926	356,602,830,554
260	IV. Other long-term assets		8,913,161,297	10,144,420,948
261	1. Long-term prepaid expenses		946,345,526	2,085,082,526
262	2. Deferred tax assets	24.2	7,966,815,771	8,059,338,422
270	TOTAL ASSETS		1,476,739,727,479	1,480,925,581,040

Liberty Insurance Limited

BALANCE SHEET (continued)
as at 31 December 2021

B01 - DNPNT

VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
300	A. LIABILITIES		527,559,517,610	643,787,565,453
310	I. Current liabilities		527,019,005,683	643,247,053,526
312	1. Short-term trade payables		23,374,662,401	28,403,873,076
312.1	1.1 Insurance payables	12	23,374,662,401	28,403,873,076
313	2. Short-term unearned revenue		4,710,811,034	6,134,691,129
314	3. Tax and other statutory obligations	13	7,566,824,676	10,784,065,386
315	4. Payable to employees		-	44,462,225
316	5. Short-term accrued expenses	14	30,622,553,338	39,788,650,716
319	6. Other short-term payables		13,951,226,042	11,382,369,338
319.1	7. Unearned commission income	15	1,075,338,587	987,273,719
329	8. Technical reserves	16	445,717,589,605	545,721,667,937
329.1	8.1 Gross unearned premium reserve	16.1	286,297,117,090	378,524,255,864
329.2	8.2 Gross claims reserve	16.1	72,351,826,432	85,878,693,288
329.3	8.3 Catastrophe reserve	16.2	87,068,646,083	81,318,718,785
330	II. Non-current liabilities		540,511,927	540,511,927
336	1. Severance allowance		540,511,927	540,511,927
400	B. OWNER'S EQUITY		949,180,209,869	837,138,015,587
410	I. Owner's equity	17	949,180,209,869	837,138,015,587
411	1. Contributed charter capital		1,204,072,000,000	1,204,072,000,000
419	2. Statutory reserve fund		21,557,936,295	15,763,142,182
421	3. Accumulated losses		(276,449,726,426)	(382,697,126,595)
440	TOTAL LIABILITIES AND OWNER'S EQUITY		1,476,739,727,479	1,480,925,581,040

Ms. Ly Boi Lang
Preparer

Ms. Nguyen Thuy Dung
Chief Financial Officer cum
Chief Accountant

Ms. Anh Chan Kok Cheong
General Director

Ho Chi Minh City, Vietnam

28 March 2022

Liberty Insurance Limited

INCOME STATEMENT
Part 1: COMPREHENSIVE INCOME STATEMENT
for the year ended 31 December 2021

B02 - DNPNT

VND

<i>Code</i>	<i>ITEMS</i>	<i>Current year</i>	<i>Previous year</i>
10	1. Insurance operating income	669,978,860,925	698,120,715,004
12	2. Finance income	53,246,382,697	60,353,788,890
13	3. Other income	7,147,705,369	9,749,437,431
20	4. Insurance operating expenses	(388,044,962,901)	(447,810,635,864)
22	5. Finance expenses	(6,467,052,937)	(5,007,372,201)
23	6. General and administrative expenses	(195,315,008,765)	(160,310,000,236)
24	7. Other expenses	(73,140,640)	(178,413,046)
50	8. Accounting profit before tax	140,472,783,748	154,917,519,978
51	9. Current corporate income tax expense	(28,338,066,815)	(33,056,405,910)
52	10. Deferred tax (expense)/income	(92,522,651)	1,553,817,899
60	11. Net profit for the year after corporate income tax	112,042,194,282	123,414,931,967

Liberty Insurance Limited

INCOME STATEMENT (continued)
Part 2: OPERATIONAL INCOME STATEMENT
for the year ended 31 December 2021

B02 - DNPNT

VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Insurance revenue		689,060,174,629	716,444,804,453
	<i>In which:</i>			
01.1	Gross written premium	18	596,725,486,658	717,221,796,505
01.2	Reinsurance premium assumed	18.1	107,549,197	-
01.3	Decrease/(increase) in gross unearned premium reserve	16.1	92,227,138,774	(776,992,052)
02	2. Reinsurance premium ceded		(22,171,545,717)	(20,162,026,439)
	<i>In which:</i>			
02.1	Reinsurance premium ceded	19	(21,840,306,292)	(23,276,308,688)
02.2	(Decrease)/increase in ceded unearned premium reserve	16.1	(331,239,425)	3,114,282,249
03	3. Net insurance premium		666,888,628,912	696,282,778,014
04	4. Commission on reinsurance ceded and other insurance income		3,090,232,013	1,837,936,990
	<i>In which:</i>			
04.1	Commission on reinsurance ceded		3,090,232,013	1,837,936,990
10	5. Insurance operating income		669,978,860,925	698,120,715,004
11	6. Claim expenses		(246,748,729,811)	(360,885,977,956)
	<i>In which:</i>			
	Total claim expenses	20.1	(246,748,729,811)	(360,885,977,956)
12	7. Recoveries from reinsurance ceded	20.2	318,830,320	66,789,313,902
13	8. Decrease in direct and reinsurance assumed claim reserves	16.1	13,526,866,856	111,623,983,683
14	9. Decrease in reinsurance ceded claim reserves	16.1	(392,116,664)	(101,712,786,523)
15	10. Net claim expenses	20	(233,295,149,299)	(284,185,466,894)
16	11. Increase in catastrophe reserve	16.2	(5,749,927,298)	(6,946,332,344)

Liberty Insurance Limited

INCOME STATEMENT (continued)
Part 2: OPERATIONAL INCOME STATEMENT (continued)
for the year ended 31 December 2021

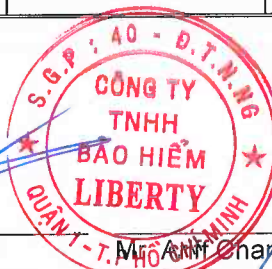
B02 - DNPNT

VND

Code	ITEMS	Notes	Current year	Previous year
17	12. Other operating expenses		(148,999,886,304)	(156,678,836,626)
	<i>In which:</i>			
17.1	Commission expenses		(54,853,290,758)	(55,694,581,235)
17.2	Other underwriting expenses	21	(94,146,595,546)	(100,984,255,391)
18	13. Total insurance operating expenses		(388,044,962,901)	(447,810,635,864)
19	14. Gross insurance operating profit		281,933,898,024	250,310,079,140
23	15. Finance income		53,246,382,697	60,353,788,890
24	16. Finance expenses		(6,467,052,937)	(5,007,372,201)
25	17. Profit from financial activities	22	46,779,329,760	55,346,416,689
26	18. General and administrative expenses	23	(195,315,008,765)	(160,310,000,236)
30	19. Net operating profit		133,398,219,019	145,346,495,593
31	20. Other income		7,147,705,369	9,749,437,431
32	21. Other expenses		(73,140,640)	(178,413,046)
40	22. Other profit		7,074,564,729	9,571,024,385
50	23. Profit before tax		140,472,783,748	154,917,519,978
51	24. Corporate income tax expense	24.1	(28,338,066,815)	(33,056,405,910)
52	25. Deferred tax (expense)/income	24.2	(92,522,651)	1,553,817,899
60	26. Net profit after tax		112,042,194,282	123,414,931,967

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Quynh



Ms. Ly Boi Lang
Preparer

Ms. Nguyen Thuy Dung
Chief Financial Officer cum
Chief Accountant

Ms. Ann Chan Kok Cheong
General Director

Ho Chi Minh City, Vietnam

28 March 2022

Liberty Insurance Limited

CASH FLOW STATEMENT
for the year ended 31 December 2021

B03 - DNPNT

VND

Code	ITEMS	Notes	Current year	Previous year
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	Net profit before tax		140,472,783,748	154,917,519,978
	<i>Adjustments for:</i>			
02	Depreciation and amortization	10,11	8,939,443,811	8,202,066,451
03	Provisions and reserves		(92,217,994,840)	(5,452,617,338)
04	Unrealized foreign exchange loss		2,238,200,898	765,586,380
05	Gain from investing activities		(50,060,247,364)	(56,478,719,899)
08	Operating profit before changes in working capital		9,372,186,253	101,953,835,572
09	Decrease/(increase) in receivables		24,843,443,957	(217,827,656)
11	Decrease in payables		(15,758,585,883)	(17,727,537,611)
12	Decrease/(increase) in prepaid expenses		4,876,452,406	(521,552,082)
15	Corporate income tax paid	13	(30,089,498,621)	(32,610,804,751)
20	Net cash flows from operating activities		(6,756,001,888)	50,876,113,472
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Payments for purchase of fixed assets		(1,233,791,993)	(13,388,595,391)
23	Payments for purchase of investments		(836,905,520,727)	(758,252,972,910)
24	Proceeds from collection of investments		752,648,354,418	728,512,301,102
27	Interest income received		55,466,032,232	62,523,237,936
30	Net cash flow (used in)/from investing activities		(30,024,926,070)	19,393,970,737
50	Net change in cash and cash equivalents		(36,780,927,958)	70,270,084,209
60	Cash and cash equivalents at beginning of year		212,871,269,097	143,366,771,268
61	Impact of exchange rate fluctuation		(2,238,200,898)	(765,586,380)
70	Cash and cash equivalents at end of year	4	173,852,140,241	212,871,269,097

Ms. Ly Boi Lang
Preparer

Ms. Nguyen Thuy Dung
Chief Financial Officer cum
Chief Accountant

Mr. Aniff Chan Kok Cheong
General Director

Ho Chi Minh City, Vietnam

28 March 2022

Liberty Insurance Limited

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2021 and for the year then ended

B09 - DNPNT

1. CORPORATE INFORMATION

Liberty Insurance Limited Company ("the Company") is a 100% foreign-owned limited liability company with one member incorporated in Vietnam under the Law on Insurance No. 24/2000/QH10, the Law No. 61/2010/QH12 which amended a number of articles of the law on insurance and the Law No. 42/2019/QH14 which amended a number of articles of the law on insurance and law on intellectual property. The Company was incorporated and has been operating pursuant to the License for Establishment and Operation No. 40GP/KDBH issued by the MoF on 15 November 2006 and the latest Amended Business License No. 40/GPDC7/KDBH issued by the MoF on 8 November 2017.

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- to provide general insurance products including health and personal accident insurance; property and casualty insurance; cargo insurance transported by road, sea, river, railway and airway; automobile insurance; fire insurance; general liability insurance; credit and finance risk insurance and business interruption insurance;
- to assume and cede reinsurance of all lines of general insurance; and
- to conduct activities in risk and loss prevention and minimization; loss survey; agent for loss survey services; claim settlement; third party recovery settlement; fund management and capital investment and other business operations that are in line with prevailing laws and regulations.

The Company's head office is located at Vincom Office Building, 45A Ly Tu Trong Street, District 1, Ho Chi Minh City, Vietnam. The Company has two (2) branches in Ha Noi and Hai Phong. Until 31 December 2021, these branches are located at Hanoi Lotte Center Building, 54 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam and at 17 Area B1, Block 7B, Le Hong Phong Street, Dong Khe Ward, Ngo Quyen District, Hai Phong, Vietnam

The number of the Company's employees as at 31 December 2021 was 335 (31 December 2020: 326).

2. BASIS OF PREPARATION

2.1 *Accounting standard and system*

The financial statements of the Company ("the Company") expressed in Vietnam dong ("VND"), are prepared in accordance with Circular No. 232/2012/TT-BTC dated 28 December 2012 providing accounting guidance for non-life insurance, reinsurance and branch of foreign non-life insurance companies; Circular No. 200/2014/TT-BTC dated 22 December 2014 ("Circular 200") guiding the accounting regime for enterprises and with Vietnamese Accounting Standards issued by the MoF as per the:

- ▶ Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 1);
- ▶ Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- ▶ Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- ▶ Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- ▶ Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 5).

Accordingly, the accompanying financial statements, including their utilization are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore 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 other than Vietnam.

2. BASIS OF PREPARATION (continued)

2.2 Applied accounting documentation system

The Company's applied accounting documentation system is the Journal Ledger system.

2.3 Fiscal year

The Company's fiscal year applicable for the preparation of its financial statements starts on 1 January and ends on 31 December.

2.4 Accounting currency

The financial statements are prepared in VND which is also the Company's accounting currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Change in accounting policies and disclosures

The accounting policies adopted by the Company in preparation of the financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2020.

3.2 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

3.3 Receivables

Receivables are presented in the financial statements at the carrying amounts due from customers and other debtors, after provision for doubtful debts.

The provision for doubtful debts represents amounts of outstanding receivables at the balance sheet date which are doubtful of being recovered. Increases or decreases to the provision balance are recorded as general and administrative expenses in the income statement.

For overdue receivables, the Company has made provision for these receivables in accordance with Clause 2 of Article 6 of Circular No. 48/2019/TT-BTC dated 8 August 2019 of the Ministry of finance. Details the provision rates for overdue receivables are as follows:

<u>Overdue status</u>	<u>Provision rate</u>
From six (6) months to less than one (1) year	30%
From one (1) to less than two (2) years	50%
From two (2) to less than three (3) years	70%
From three (3) years and above	100%

3.4 Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the balance sheet and amortized over the period for which the amounts are paid or the period in which economic benefits are generated in relation to these expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Fixed assets

Fixed assets are stated at cost less accumulated depreciation/amortization.

The cost of a fixed asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Expenditure for additions, improvements and renewals are capitalized and expenditure for maintenance and repairs are charged to the income statement.

When assets are sold or retired, their cost and accumulated depreciation/amortization are removed from the balance sheet and any gain or loss resulting from their disposal is included in the income statement.

3.6 Depreciation and amortization

Depreciation and amortization of tangible and intangible assets are calculated on a straight-line basis over the estimated useful lives of these assets as follows:

Furniture and fixtures	2 - 5 years
Computer equipment	3 years
Office equipment	3 years
Motor vehicles	3 years
Computer software	3 - 5 years

3.7 Leased assets

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of specific assets and the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Rentals under operating lease contracts are charged to the income statement on a straight-line basis over the term of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 *Investments*

Held-to-maturity investments

Held-to-maturity investments include term deposits and debt securities held for purposes of periodic interest income.

All held-to-maturity investments are initially recognized at cost and are subsequently recognized at cost during the holding period, except for debt securities.

Debt securities are initially recognized at par value as at the purchase date. Accumulated interest before the purchase date (for debt securities with interest payment in arrears) and prepaid interest (for debt securities with interest payment in advance) are recorded in separate accounts. Any discount or premium, which is the difference between original cost and the amount equal to par value plus (+) pre-acquisition interest (if any) or minus (-) prepaid interest waiting for amortization (if any), is recorded in a separate account.

In subsequent periods, debt securities are recognized at par value. Any discount or premium (if any) is amortized to the income statement using straight-line method over the estimated remaining term of the respective securities. Interest is accrued and recognized to the income statement using straight-line method based on nominal rate.

Investment in debt securities is considered for the possibility of decline in value at each reporting date. Provision for a decline in value is recognized in the income statement when its cost is more than the market value.

3.9 *Payables and accruals*

Payables and accruals are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

3.10 *Accrual for severance pay*

The severance pay to employee is accrued at the end of each reporting year for all employees who have been in service for more than 12 months up to the balance sheet date at the rate of one-half of the average monthly salary for each year of service up to 31 December 2008 in accordance with the Labour Code and related implementing guidance.

This accrued severance pay is used to settle the termination allowance to be paid to employee upon termination of their labour contract following Article 48 of the Labour Code.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Technical reserves

The technical reserves include: (i) unearned premium reserve, (ii) claim reserve and (iii) catastrophe reserve. The reserving methodologies are based on Circular No. 50/2017/TT-BTC dated 15 May 2017 issued by the MoF on financial regime applicable to insurers and insurance brokers ("Circular 50") and Official Letter No. 3616/BTC-QLBH dated 29 March 2018 of the MoF ("Official Letter No. 3616"). Details of such reserving methodologies as at 31 December 2019 are as follows:

a. For general insurance policies:

(i) Unearned premium reserve

According to Official Letter No. 3616, the unearned premium reserve ("UPR") is calculated as follows: Reversing method is based on a factor of the term of insurance contracts (the daily method) for types of general insurance and reinsurance businesses, following the formula:

$$\text{Unearned premium reserve} = \frac{\text{Retained premiums} * \text{Remaining day of insurance policy}}{\text{Number of coverage days}}$$

(ii) Claim reserves

Claim reserves include the reserve for outstanding case claims and for claims incurred but not reported.

- ▶ Outstanding case claim reserve is established based on the estimated claim payments for each claim for which the insurer is liable, which is either notified to the insurer or requested for payment but is still unresolved at the end of the financial year; and
- ▶ Reserve for incurred but not reported claims for which the insurer is liable ("IBNR") is established according to Official Letter No. 3616 for applying the rate equal to 3% of retained premium for each insurance product.

(iii) Catastrophe reserve

Catastrophe reserve is accrued annually until such reserve reaches 100% of the retained premiums of the current financial year. According to Official Letter No. 3616, the Company has elected to adopt the policy of providing for the catastrophe reserve at 1% of retained premium for each insurance product.

On 28 December 2005, the MoF issued Decision No. 100/2005/QD-BTC governing the publication of four new accounting standards, one of which is Vietnamese Accounting Standard ("VAS") No. 19 - Insurance Contract. Following the issuance of this Standard, starting from January 2006, the provision of catastrophe reserve is no longer required since it represents "possible claims under contracts that are not in existence at the reporting date". However, since the MoF has not issued detailed guidance for the implementation of VAS 19 and in accordance with the provision set out in Decree No. 73/2016/ND-CP issued by the Government of Vietnam on 1 July 2016 ("Decree 73") regarding financial regulations for insurance enterprises. The Company still make provision for catastrophe reserve for the year then ended. The Company has elected to adopt the policy of providing for the catastrophe reserve at 1% of retained premium.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Technical reserves (continued)

b. For health insurance policies:

(i) Mathematical reserve

According to Official Letter No. 3616, the mathematical reserve applied for policies with term of more than one (1) year is calculated as follows:

- ▶ *For health insurance policies (except for health insurance policies covering death or total permanent disablement only):*

Reversing method is based on a factor of the term of insurance contracts (the daily method). The mathematical reserve is calculated by the formula:

$$\text{Mathematical reserve} = \frac{\text{Insurance premiums} * \text{Remaining day of insurance policy}}{\text{Number of coverage days}}$$

- ▶ *For health insurance policies covering death or total permanent disablement only:*

Reversing method is based on a factor of the term of insurance contracts (the daily method). The mathematical reserve is calculated by the formula:

$$\text{Mathematical reserve} = \frac{\text{Insurance premiums} * \text{Remaining day of insurance policy}}{\text{Number of coverage days}}$$

Mathematical reserve is recorded in unearned premium reserve account on the balance sheet.

(ii) Unearned premium reserve

According to Official Letter No. 3616, the unearned premium reserve ("UPR") applied for policies with term of less than one (1) year and calculated as follows: Reversing method is based on the term of insurance contracts (the daily method). The UPR is calculated by the formula:

$$\text{Unearned premium reserve} = \frac{\text{Insurance premiums} * \text{Remaining day of insurance policy}}{\text{Number of coverage days}}$$

(iii) Claim reserve

Claim reserve includes the reserve for outstanding claims under insurance liabilities and for claims incurred but not reported.

- ▶ Outstanding claim reserve under insurance liabilities is established based on the estimated claim payments for each claim for which the insurer is liable, which is either notified to the insurer or requested for payment but is still unresolved at the end of the financial year; and
- ▶ Reserve for incurred but not reported claims for which the insurer is liable ("IBNR") is established according to Official Letter No. 3616 for applying the rate equal to 3% of retained insurance premium for each insurance product.

(iv) Resilience reserve

According to Official Letter No. 3616, resilience reserve is accrued annually at 1% of retained insurance premium for each insurance product and recognised in catastrophe reserve account on the balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Statutory reserve fund

The statutory reserve fund is established in order to supplement the Company's charter capital and ensure its solvency. Appropriation to the statutory reserve fund is made annually at 5% of after-tax profit until it reaches 10% of charter capital in compliance with Decree 73.

3.13 Foreign currency transactions

Transactions in currencies other than the Company's reporting currency of VND are recorded at the actual transaction exchange rates at transaction dates which are determined as follows:

- ▶ Transactions resulting in receivables are recorded at the buying exchange rates of the commercial banks designated for collection;
- ▶ Transactions resulting in liabilities are recorded at the selling exchange rates of the commercial banks designated for payment;
- ▶ Capital contributions are recorded at the buying exchange rates of the commercial banks designated for capital contribution; and
- ▶ Payments for assets or expenses without liabilities initially being recognised is recorded at the buying exchange rates of the commercial banks that process these payments.

At the end of the period, monetary balances denominated in foreign currencies are translated at the actual exchange rates at the balance sheet dates which are determined as follows:

- ▶ Monetary assets are translated at buying exchange rate of the commercial bank where the Company conduct transactions regularly; and
- ▶ Monetary liabilities are translated at selling exchange rate of the commercial bank where the Company conduct transactions regularly.

All exchange differences incurred during the year and arising from the revaluation of monetary accounts denominated in foreign currency at year-end are taken to the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Gross written premium

Gross written premiums are recognized in accordance with Circular 50.

Specifically, gross written premium is recognized as revenue based on the inception of policies (at the point of time when risk is insured) and when the following conditions are met:

- (1) the insurance contract has been entered into by the insurer and the insured, and the insured has paid full premium; or
- (2) there's evidence about coverage acceptance and the insured has paid full premium; or
- (3) the insurance contract has been entered into by the insurer and the insured and there is agreement between the Company and the insured for term payment of insurance premium, which in such case the insurer still should recognize as revenue the premium payables according to agreement in the insurance contract. The credit term shall not exceed 30 days from policy inception date. For instalment contracts, general insurers are required to record revenue from insurance premium of the first instalment on the insurance contract's effective date and record revenue from premium of the remaining instalments only when the policyholder makes full premium payment under the agreement of the contract. If policyholder cannot make full premium payment, insurance contract shall automatically terminate after contractual premium payment date.

Prepaid premium before due date is recorded as "Short-term deferred revenue" in the balance sheet as at reporting date.

(ii) Interest

Revenue is recognized as the interest accrues unless collectability is in doubt.

3.15 Expense recognition

(i) Claim expenses

Claim expense is recognized at the point of time when the claim documents are completed and approved by authorized personnel. In case there is no conclusion of the final insured amount, but the Company has a certainty that the loss was under the insurance coverage and claimed a part of compensation at the request of customers, this claim payment was also recorded as claim expense.

(ii) Commission expenses

Commission expense is recognized when incurred. Commission expense is calculated at percentage of gross written premium and recognized in the income statement. The percentage of commission over the gross written premium for specific line of insurance is stipulated in Circular 50. At the end of accounting period, commission expenses are amortized and recognized in the income statement in proportion to the earned premium.

(iii) Other general administrative expenses

Other general and administrative expense is recognized on accrual basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Recognition of reinsurance activities

(i) Reinsurance ceded

Reinsurance premium ceded under treaty reinsurance agreements are recognized when gross written premiums within the scope of the treaty agreements are recognized.

Reinsurance premium ceded under facultative reinsurance agreements is recognized when the facultative reinsurance agreement has been entered into by the Company and when gross written premiums within the scope of the facultative agreements are recognized.

Reinsurance recovery is recognized when there is evidence of liability on the part of the reinsurer.

Ceded reinsurance commission is recognized when there is a corresponding reinsurance premium ceded. At the end of accounting period, the part of ceded reinsurance commission which is not included in income of period corresponding with unearned premium of reinsurance ceded must be determined and allocated in the subsequent periods using the approved method from the MoF for unearned premium reserve according to the Official Letter No. 3616.

(ii) Reinsurance assumed

Reinsurance assumed under facultative arrangement:

- ▶ Reinsurance premium assumed is recognized when the facultative reinsurance agreement has been entered into by the Company and a statement of account (for each facultative reinsurance agreement) has been received from the cedants;
- ▶ Claim expenses for reinsurance assumed is recognized when there is evidence of liability of the Company and when a statement of account has been sent to the Company; and
- ▶ Assumed reinsurance commission is recognized when the reinsurance premium is assumed and when a statement of account has been sent to the Company. At the end of accounting period, the part of reinsurance commission which is not included in expenses of period corresponding with unearned premium of reinsurance assumed must be determined and allocated in the subsequent periods using the approved method from the MoF for unearned premium reserve according to the Official Letter No. 3616.

3.17 Taxation

3.17.1 Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that are enacted as at the balance sheet date.

Current income tax is charged or credited to the income statement, except when it relates to items recognized directly to equity, in which case the current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Company to set off current tax assets against current tax liabilities and when the Company intends to settle its current tax assets and liabilities on a net basis.

3.17.2 Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 *Taxation* (continued)

3.17.2 *Deferred tax* (continued)

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised, except where the deferred tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Previously unrecognized deferred tax assets are re-assessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the years when the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted at the balance sheet date.

Deferred tax is charged or credited to the income statement, except when it relates to items recognized directly to equity, in which case the deferred tax is also dealt with in the equity account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on:

- ▶ either the same taxable entity; or
- ▶ when the Company intends either settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.18 *Financial instruments*

Financial instruments – initial recognition and presentation

Financial assets

Financial assets within the scope of Circular No. 210 /2009/TT-BTC dated 6 November 2009 issued by the MoF providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments ("Circular 210") are classified, for disclosures in the notes to the financial statements, as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at cost plus directly attributable transaction costs.

The Company's financial assets include cash, short-term and long-term deposits, trade and other receivables, insurance deposit and other deposits, reinsurance assets and unquoted financial instruments.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 *Financial instruments* (continued)

Financial instruments – initial recognition and presentation (continued)

Financial liabilities

Financial liabilities within the scope of Circular 210 are classified, for disclosures in the notes to the financial statements, as financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at cost net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, claim reserves and accrued expense.

Financial instruments – subsequent measurement

There is currently no guidance in Circular 210 in relation to subsequent re-measurement of financial instruments. Accordingly, the financial instruments are subsequently re-measured at cost.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4. CASH AND CASH EQUIVALENTS

	VND	
	<u>Ending balance</u>	<u>Beginning balance</u>
Cash on hand	40,581,037	72,277,482
<i>In VND</i>	40,581,037	72,277,482
<i>In USD</i>	-	-
Demand deposits at banks	173,811,559,204	207,798,991,615
<i>In VND</i>	15,709,033,765	51,876,811,125
<i>In USD</i>	158,102,525,439	155,922,180,490
Cash equivalents (*)	-	5,000,000,000
	<u>173,852,140,241</u>	<u>212,871,269,097</u>

(*) *Cash equivalents are term deposits in VND having original terms of 3 months or less and annual interest rates are 3.2%.*

5. SHORT-TERM AND LONG-TERM INVESTMENTS

	Ending balance		Beginning balance		VND
	Cost	Carrying value	Cost	Carrying value	
Short-term					
Term deposits (i)	820,905,520,732	820,905,520,732	636,648,354,418	636,648,354,418	
Government bonds (ii)	153,818,500,000	150,621,077,880	103,961,000,000	100,361,117,164	
	974,724,020,732	971,526,598,612	740,609,354,418	737,009,471,582	
Long-term					
Government bonds (iii)	209,051,000,000	203,223,557,926	362,869,500,000	356,602,830,554	
	209,051,000,000	203,223,557,926	362,869,500,000	356,602,830,554	
	1,183,775,020,732	1,174,750,156,538	1,103,478,854,418	1,093,612,302,136	

(i) Term deposits have original terms of more than three (3) months and remaining periods up to one (1) year, and annual interest rates ranging from 3.0% to 4.6%.

(ii) Short term Government bonds have remaining terms of up to one (1) year and annual interest rate ranging from 4.5% to 5.0%.

(iii) Long term Government bonds have remaining terms from more than one (1) year up to five (5) years and annual interest rates ranging from 2.9% to 5.3%.

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6. SHORT-TERM RECEIVABLES

	VND	
	<u>Ending balance</u>	<u>Beginning balance</u>
Insurance receivables	32,995,914,860	57,165,220,473
Premium receivables	32,257,197,702	56,158,491,917
Reinsurance claim recoveries	146,435,462	13,812,863
<i>In which:</i>		
<i>Receivable from Liberty Mutual Insurance Company (Note 27)</i>	<i>146,435,462</i>	<i>13,812,863</i>
Co-insurance recoverable	30,281,696	21,915,693
Other insurance receivables	562,000,000	971,000,000
Other receivables	39,305,305,299	43,372,811,575
Interest receivables	28,772,600,838	31,059,073,799
Other short-term mortgages, deposits	1,890,146,753	844,484,865
Other short-term receivables	8,642,557,708	11,469,252,911
Provision for doubtful debts	(7,281,587,519)	(234,527,593)
	<u>65,019,632,640</u>	<u>100,303,504,455</u>

7. UNALLOCATED COMMISSION EXPENSES

Unallocated commission expenses were the part of commission expenses which were not included in expenses of the year corresponding with direct and reinsurance unearned premium and will be allocated in subsequent years in accordance with Circular 232.

	VND	
	<u>Current year</u>	<u>Previous year</u>
Beginning balance	28,592,424,237	29,023,926,315
Commission paid during the year	48,264,510,213	54,197,785,672
Allocated to expenses during the year	(53,114,495,914)	(54,629,287,750)
Ending balance	<u>23,742,438,536</u>	<u>28,592,424,237</u>

8. INSURANCE DEPOSIT

Statutory deposit represents the compulsory deposit of VND 6,000,000,000 equivalent to 2% of legal capital according to Decree 73. This deposit is with Joint Stock Commercial Bank for Foreign Trade of Vietnam, Ho Chi Minh Branch and earns 4.6% of interest per annum (31 December 2020: VND 6,000,000,000 earned 3.7% of interest per annum).

9. OTHER LONG-TERM RECEIVABLES

	VND	
	<u>Ending balance</u>	<u>Beginning balance</u>
Deposits for offices rental	5,193,978,480	4,089,750,986
Others	32,290,000	45,290,000
	<u>5,226,268,480</u>	<u>4,135,040,986</u>

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10. TANGIBLE FIXED ASSETS

	Furniture and fixtures	Computer equipment	Office equipment	Motor vehicles	VND Total
Cost					
Beginning balance	8,933,189,600	18,630,426,175	5,120,661,425	265,149,273	32,949,426,473
New purchase	657,019,961	-	-	-	657,019,961
Ending balance	9,590,209,561	18,630,426,175	5,120,661,425	265,149,273	33,606,446,434
<i>In which:</i>					
<i>Fully depreciated</i>	8,736,938,660	2,429,586,427	5,120,661,425	265,149,273	16,552,335,785
Accumulated depreciation					
Beginning balance	7,897,448,865	8,225,094,265	5,120,661,425	265,149,273	21,508,353,828
Charge for the year	1,109,210,520	5,418,836,396	-	-	6,528,046,916
Ending balance	9,006,659,385	13,643,930,661	5,120,661,425	265,149,273	28,036,400,744
Net carrying amount					
Beginning balance	1,035,740,735	10,405,331,910	-	-	11,441,072,645
Ending balance	583,550,176	4,986,495,514	-	-	5,570,045,690

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11. INTANGIBLE ASSETS

	VND
	<u>Computer software</u>
Cost	
Beginning balance	43,681,747,418
New purchase	297,920,026
Transferred from CIP	903,143,372
Ending balance	<u>44,882,810,816</u>
<i>In which:</i>	
Fully depreciated	36,870,635,287
Accumulated amortization	
Beginning balance	37,475,537,988
Charge for the year	2,411,396,895
Ending balance	<u>39,886,934,883</u>
Net carrying amount	
Beginning balance	<u>6,206,209,430</u>
Ending balance	<u>4,995,875,933</u>

12. INSURANCE PAYABLES

	VND	
	<u>Ending balance</u>	<u>Beginning balance</u>
Commission payables	9,351,488,357	9,638,555,584
Claim payables	4,533,823,622	9,974,583,818
Refund premium payables	3,349,438,003	2,548,563,351
Reinsurance premium payables	2,567,159,497	3,103,481,948
<i>In which:</i>		
Payable to Liberty Mutual Insurance Company (Note 27)	521,233,940	1,938,318,974
Co-insurance premium payables	605,633,902	5,177,326
Others	2,967,119,020	3,133,511,049
	<u>23,374,662,401</u>	<u>28,403,873,076</u>

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13. TAX AND OTHER STATUTORY OBLIGATIONS

VND

	<i>Beginning balance</i>	<i>Movement during the year</i>		<i>Ending balance</i>
		<i>Payable</i>	<i>Paid</i>	
Value added tax	4,730,275,892	18,078,611,648	(21,178,615,086)	1,630,272,454
Personal income tax	1,058,941,492	19,134,229,886	(18,141,484,164)	2,051,687,214
Corporate income tax	4,531,239,776	28,338,066,815	(30,089,498,621)	2,779,807,970
Foreign withholding tax	285,906,576	3,942,977,705	(3,299,719,354)	929,164,927
Income tax of agents	177,701,650	1,849,391,825	(1,851,201,364)	175,892,111
	10,784,065,386	71,343,277,879	(74,560,518,589)	7,566,824,676

14. SHORT-TERM ACCRUED EXPENSES

VND

	<i>Ending balance</i>	<i>Beginning balance</i>
Performance bonus	15,978,306,407	27,444,699,795
Operating expenses	13,744,246,931	11,793,950,921
Others	900,000,000	550,000,000
	30,622,553,338	39,788,650,716

15. UNEARNED COMMISSION INCOME

Unearned commission income was the part of commission which was not allocated in income of the year corresponding with reinsurance ceded unearned premium and will be allocated in subsequent year in accordance with Circular 232.

VND

	<i>Current year</i>	<i>Previous year</i>
Beginning balance	987,273,719	326,676,196
Increased during the year	2,602,950,101	2,143,903,126
Allocated to income during the year	(2,514,885,233)	(1,483,305,603)
Ending balance	1,075,338,587	987,273,719

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16. TECHNICAL RESERVES

16.1. Claim reserve and unearned premium reserve

	Ending balance			Beginning balance			VND
	Direct insurance premium and assumed reinsurance premium	Ceded reinsurance premium	Net amount	Direct insurance premium and assumed reinsurance premium	Ceded reinsurance premium	Net amount	
Claim reserve	72,351,826,432	867,290,464	71,484,535,968	85,878,693,288	1,259,407,128	84,619,286,160	
- Outstanding case claim reserve	54,446,835,365	212,081,278	54,234,754,087	64,362,039,395	561,117,865	63,800,921,530	
- IBNR claim reserve	17,904,991,067	655,209,186	17,249,781,881	21,516,653,893	698,289,263	20,818,364,630	
Unearned premium reserve	286,297,117,090	4,961,026,719	281,336,090,371	378,524,255,864	5,292,266,144	373,231,989,720	
	358,648,943,522	5,828,317,183	352,820,626,339	464,402,949,152	6,551,673,272	457,851,275,880	

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16. TECHNICAL RESERVES (continued)

16.1. Claim reserve and unearned premium reserve (continued)

In particular:

	Current year			Previous year			VND
	Direct insurance premium and assumed reinsurance premium	Ceded reinsurance premium	Net amount	Direct insurance premium and assumed reinsurance premium	Ceded reinsurance premium	Net amount	
Claim reserve							
Beginning balance	85,878,693,288	1,259,407,128	84,619,286,160	197,502,676,971	102,972,192,753	94,530,484,218	
Movement during the year	(13,526,866,856)	(392,116,664)	(13,134,750,192)	(111,623,983,683)	(101,712,786,523)	(9,911,197,160)	
Ending balance	72,351,826,432	867,290,464	71,484,535,968	85,878,693,288	1,259,406,230	84,619,287,058	
Unearned premium reserve							
Beginning balance	378,524,255,864	5,292,266,144	373,231,989,720	377,747,263,812	2,177,983,877	375,569,279,935	
Movement during the year	(92,227,138,774)	(331,239,425)	(91,895,899,349)	776,992,052	3,114,282,249	(2,337,290,197)	
Ending balance	286,297,117,090	4,961,026,719	281,336,090,371	378,524,255,864	5,292,266,126	373,231,989,738	

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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16. TECHNICAL RESERVES (continued)

16.2. Catastrophe reserve

	VND	
	<u>Current year</u>	<u>Previous year</u>
Beginning balance	81,318,718,785	74,372,386,441
Additional	5,749,927,298	6,946,332,344
Ending balance	<u>87,068,646,083</u>	<u>81,318,718,785</u>

17. OWNER'S EQUITY

17.1 Changes in owner's equity

	VND			
	<u>Contributed charter capital</u>	<u>Statutory reserve fund</u>	<u>Accumulated losses</u>	<u>Total</u>
Previous year				
Beginning balance	1,204,072,000,000	9,592,395,584	(499,941,311,964)	713,723,083,620
Net profit for the year	-	-	123,414,931,967	123,414,931,967
Appropriation to statutory reserve	-	6,170,746,598	(6,170,746,598)	-
Ending balance	<u>1,204,072,000,000</u>	<u>15,763,142,182</u>	<u>(382,697,126,595)</u>	<u>837,138,015,587</u>
Current year				
Beginning balance	1,204,072,000,000	15,763,142,182	(382,697,126,595)	837,138,015,587
Net profit for the year	-	-	112,042,194,282	112,042,194,282
Appropriation to statutory reserve	-	5,794,794,113	(5,794,794,113)	-
Ending balance	<u>1,204,072,000,000</u>	<u>21,557,936,295</u>	<u>(276,449,726,426)</u>	<u>949,180,209,869</u>

17.2 Contributed charter capital

	<u>Contributed capital (VND)</u>	<u>Total contributed charter capital as per License for Establishment and Operation (VND)</u>	<u>Ownership %</u>
Liberty UK and Europe Holdings Limited.	<u>1,204,072,000,000</u>	<u>1,204,072,000,000</u>	<u>100</u>

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18. GROSS WRITTEN PREMIUM

	VND	
	<u>Current year</u>	<u>Previous year</u>
Automobile Insurance	398,463,075,607	511,531,252,582
Health and Personal Accident Insurance	169,674,038,898	177,970,238,484
Fire Insurance	20,065,584,163	19,896,456,282
Liability Insurance	6,052,018,773	5,211,137,521
Cargo Insurance	2,432,450,420	2,449,196,479
Property and Damage Insurance	38,318,797	163,515,157
	<u>596,725,486,658</u>	<u>717,221,796,505</u>

18.1 REINSURANCE PREMIUM ASSUMED

	VND	
	<u>Current year</u>	<u>Previous year</u>
Fire Insurance	107,549,197	-
Others	-	-
	<u>107,549,197</u>	<u>-</u>

19. REINSURANCE PREMIUM CEDED

	VND	
	<u>Current year</u>	<u>Previous year</u>
Automobile Insurance	8,065,257,727	11,767,443,427
Fire Insurance	7,072,877,409	5,812,372,859
Liability Insurance	5,142,315,083	4,167,890,225
Health and Personal Accident Insurance	898,283,422	996,344,104
Cargo Insurance	621,935,911	477,980,706
Property and Damage Insurance	39,636,740	54,277,367
	<u>21,840,306,292</u>	<u>23,276,308,688</u>

20. NET CLAIM EXPENSES

	VND	
	<u>Current year</u>	<u>Previous year</u>
Total claim expenses	246,748,729,811	360,885,977,956
Direct claim expenses (Note 20.1)	246,748,729,811	360,885,977,956
Recoveries from reinsurance ceded (Note 20.2)	(318,830,320)	(66,789,313,902)
Decrease in direct and reinsurance assumed claim reserve (Note 16.1)	(13,526,866,856)	(111,623,983,683)
Decrease in reinsurance ceded claim reserve (Note 16.1)	392,116,664	101,712,786,523
	<u>233,295,149,299</u>	<u>284,185,466,894</u>

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20. NET CLAIM EXPENSES (continued)

20.1 Direct claim expenses

	VND	
	<u>Current year</u>	<u>Previous year</u>
Automobile Insurance	193,386,060,412	224,450,639,526
Health and Personal Accident Insurance	50,519,339,442	72,203,473,684
Fire Insurance	2,503,793,045	64,135,402,117
Cargo Insurance	318,256,912	48,420,911
Liability Insurance	21,280,000	48,041,718
	<u>246,748,729,811</u>	<u>360,885,977,956</u>

20.2 Recoveries from reinsurance ceded

	VND	
	<u>Current year</u>	<u>Previous year</u>
Fire Insurance	201,678,278	65,601,444,814
Cargo Insurance	63,651,382	9,684,182
Health and Personal Accident Insurance	49,244,660	27,730,362
Liability Insurance	4,256,000	-
Automobile Insurance	-	1,150,454,544
	<u>318,830,320</u>	<u>66,789,313,902</u>

21. OTHER UNDERWRITING EXPENSES

	VND	
	<u>Current year</u>	<u>Previous year</u>
Allowances for sales staff	63,577,372,371	65,424,765,884
Promotion expenses	21,895,441,182	24,708,077,665
Compulsory funds	633,869,466	889,582,602
Others	8,039,912,527	9,961,829,240
	<u>94,146,595,546</u>	<u>100,984,255,391</u>

22. PROFIT FROM FINANCIAL ACTIVITIES

	VND	
	<u>Current year</u>	<u>Previous year</u>
Finance income	53,246,382,697	60,353,788,890
Interest income	53,179,559,271	60,237,652,323
Foreign exchange gain	-	20,160,700
Other finance income	66,823,426	95,975,867
Finance expenses	6,467,052,937	5,007,372,201
Amortization of bond premium	3,119,311,907	3,758,932,424
Foreign exchange losses	1,897,115,036	8,631,378
Investment management fee	1,304,316,573	1,061,237,559
Other finance expenses	146,309,421	178,570,840
	<u>46,779,329,760</u>	<u>55,346,416,689</u>

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23. GENERAL AND ADMINISTRATIVE EXPENSES

	VND	
	<u>Current year</u>	<u>Previous year</u>
Salary and allowances	95,371,728,227	87,173,333,362
Expenses for external services	64,307,659,677	57,678,143,823
Depreciation and amortization expenses (Note 10, 11)	8,939,443,811	8,202,066,451
Computer related cost	8,699,949,063	4,760,152,088
Taxes, fees, and charges	2,917,373,037	2,646,765,921
Bad debt provision/(reversal) expense	7,062,727,403	(150,461,409)
Other expenses	8,016,127,547	-
	<u>195,315,008,765</u>	<u>160,310,000,236</u>

24. CORPORATE INCOME TAX

The Company has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profits.

The Company's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

24.1 Current corporate income tax

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted at the balance sheet date.

The reconciliation between accounting profit and taxable profit is presented as follows:

	VND	
	<u>Current year</u>	<u>Previous year</u>
Accounting profit before tax	140,472,783,748	154,917,519,978
At CIT rate of 20% (2020: 20%)	28,094,556,750	30,983,503,996
<i>Adjustments to increase:</i>		
Allowance for doubtful debts	1,391,654,060	(199,444,130)
Unrealized foreign exchange loss	474,858,200	153,117,276
Non-deductible expenses	336,032,715	519,084,010
Gain on foreign currencies which was realized in the year	123,295,130	284,908,035
Adjustment for under accrual of tax from prior year	-	36,672,391
<i>Adjustments to decrease:</i>		
Change in accrued expenses	(2,069,564,463)	1,210,238,533
Change in depreciation expense	(12,765,577)	104,998,190
Adjustment for temporary differences	-	(36,672,391)
Estimated current tax expense	28,338,066,815	33,056,405,910
CIT expense	28,338,066,815	33,056,405,910

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24. CORPORATE INCOME TAX (continued)

24.2 Deferred tax income

The following are the deferred tax assets recognised by the Company, and the movements thereon, during the current and previous years.

	<i>Balance sheet</i>		<i>Income statement</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>	<i>Current year</i>	<i>Previous year</i>
				VND
Deferred tax assets				
Accrued expenses	5,975,403,411	8,044,967,877	(2,069,564,466)	1,210,238,529
Over-depreciation expense	197,502,767	210,268,343	(12,765,576)	104,998,190
Provision for doubtful debts	1,368,051,275	(23,602,785)	1,391,654,060	(199,444,131)
Deferred tax liabilities				
Loss on revaluation of foreign currencies	425,858,318	(172,295,013)	598,153,331	438,025,311
	<u>7,966,815,771</u>	<u>8,059,338,422</u>	<u>(92,522,651)</u>	<u>1,553,817,899</u>
Net deferred tax assets	<u>7,966,815,771</u>	<u>8,059,338,422</u>		
Net deferred tax credit to income statement			<u>(92,522,651)</u>	<u>1,553,817,899</u>

25. OPERATING LEASE COMMITMENTS

The Company leases its office space, house and vehicles for employees under operating lease agreements. Future rental amounts due under the operating lease agreements as at 31 December 2021 are as follows:

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Less than one (1) year	23,509,098,609	22,991,017,502
From one (1) to five (5) years	34,421,183,246	44,291,874,744
	<u>57,930,281,855</u>	<u>67,282,892,246</u>

26. OFF BALANCE SHEET ITEMS

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Insurance policies signed but not yet effective – VND	17,641,022,560	17,520,736,945
Foreign currency - USD	6,975,615.33	6,782,174.01

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27. TRANSACTIONS WITH RELATED PARTIES

Significant transactions with related companies during the current year were as follows:

<i>Related company</i>	<i>Relationship</i>	<i>Transactions</i>	<i>VND</i>	
			<i>Current year Revenue/(expense)</i>	<i>Previous year Revenue/(expense)</i>
Liberty International Holdings Inc ("LIHI")	Indirect Ownership	Payment on behalf	5,565,402,797	4,143,500,012
		IT Infrastructure Standardization	1,490,592,132	6,796,891,851
		Consulting fee	(2,173,511,337)	(3,397,168,090)
		Software fee	(1,407,386,066)	(701,950,534)
Liberty Mutual Technology Group, Inc.	Affiliate	Data center service fee	(13,904,340,499)	(9,731,075,150)
Liberty International Underwriters Pte Ltd.	Affiliate	Reinsurance premium	(3,361,083,559)	(2,721,286,920)
		Reinsurance commission	461,388,351	189,010,522
Liberty Mutual Group Asset Management Inc.	Affiliate	Investment fee	(1,304,316,573)	(1,061,237,559)
Liberty Mutual Insurance Company	Affiliate	Reinsurance premium	(16,685,110,457)	(19,279,465,713)
		Reinsurance commission	2,689,791,596	2,277,185,224
		Reinsurance claim recoveries	318,830,320	66,789,313,902
Liberty International Insurance Limited (Hong Kong)	Affiliate	Management fee	2,318,227,020	2,095,001,151
		Consulting fee	(235,785,264)	(90,985,310)
Liberty Insurance Pte Ltd (Singapore)	Affiliate	Management fee	(6,141,078,915)	(1,838,392,107)
		Consulting fee	(1,147,938,743)	(751,267,397)
LMG Insurance Public Company Limited (Thailand)	Affiliate	Management fee	(532,276,820)	5,702,577,070
		Payment on behalf	695,058,284	-

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27. TRANSACTIONS WITH RELATED PARTIES (continued)

Amounts due to and due from related companies at the balance sheet date were as follows:

<i>Related company</i>	<i>Relationship</i>	<i>Transactions</i>	<i>VND</i>	
			<i>Ending balance Receivable/ (Payable)</i>	<i>Beginning balance Receivable/ (Payable)</i>
Liberty International Holdings Inc ("LIHI")	Indirect Ownership	Payment on behalf	1,742,357,815	(1,019,588,507)
		Consulting fee	(4,612,962,593)	(4,099,118,624)
Liberty International Underwriters Pte Ltd.	Affiliate	Reinsurance premium	(2,295,223,816)	(1,411,789,310)
		Reinsurance commission	249,298,256	246,626,336
Liberty Mutual Group Asset Management Inc.	Affiliate	Investment fee	(337,807,510)	(271,691,420)
Liberty Mutual Insurance Company	Affiliate	Reinsurance premium	(1,259,927,752)	(2,642,954,794)
		Reinsurance commission	738,693,812	704,635,820
		Reinsurance claim recoveries	146,435,462	13,812,863
Liberty International Insurance Limited (Hong Kong)	Affiliate	Management fee	(242,734,840)	1,724,559,541
Liberty Insurance Pte Ltd (Singapore)	Affiliate	Management fee	(6,136,257,185)	(2,591,212,690)
LMG Insurance Public Company Limited (Thailand)	Affiliate	Management fee	(1,642,507,278)	6,645,932,877

Remuneration to members of the Members' Council and Management:

	<i>VND</i>	
	<i>Current year</i>	<i>Previous year</i>
Salaries and bonus	26,702,543,443	29,924,112,734
Severance benefit	-	223,082,300
Other benefits	1,002,477,864	1,901,999,996
	<u>27,705,021,307</u>	<u>32,049,195,030</u>

28. RISK MANAGEMENT FRAMEWORK

28.1 Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of financial performance objectives. The Members' Council and Management recognize the importance of having efficient and effective risk management systems in place.

The Company has established a procedure with clear terms of reference from the Members' Council. A policy framework has been developed and implemented which sets out the risk profiles for the Company, risk management, control and business conduct standards for the Company's operations. Each policy has a member of the Management charged with overseeing compliance with the policy throughout the Company.

28.2 Risk management objectives, policies and processes for management of insurance risk

The primary insurance activity carried out by the Company is the assumption of risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, accident, health, financial or other perils that may arise from an insured event. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Company also has exposure to market risk through its insurance and investment activities.

The Company 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.

28.3 Capital management and regulatory framework

The primary capital management objective of the Company 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 Company recognizes the impact on returns of the level of equity capital employed and seek to maintain a prudent balance.

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

The table below summarizes the minimum regulatory solvency margin and the solvency margin of the Company. Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the insurance companies are satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintain appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

	<i>Company Solvency Capital VND</i>	<i>Minimum Solvency Margin VND</i>	<i>Solvency Margin Ratio</i>
31 December 2021	900,334,473,109	143,748,182,391	626%
31 December 2020	770,870,826,870	173,486,371,954	444%

The solvency ratio of the Company is calculated based on the relevant regulations promulgated by the MoF in Vietnam.

28. RISK MANAGEMENT FRAMEWORK (continued)

28.4 *Underwriting strategy*

The Company'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.

28.5 *Reinsurance strategy*

The Company 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 loss of each insurance contract. The amount of each risk retained depends on the Company'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 Company remains liable to its policyholders with respect to ceded portion if any reinsurer fails to meet the obligations it assumes.

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

29. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Company issues contracts that transfer insurance risk or financial risk or both. The following gives details of the Company's main products and the ways in which it manages the associated risks.

29.1 *Insurance risk*

Assumptions, changes in assumptions and sensitivity analysis

The process used to determine the assumptions is intended to result in estimates of the most likely outcome. The sources of data used as inputs for the assumptions are internal, based on detailed studies that are carried out regularly. The assumptions are checked to ensure that they are consistent with other observable information. There is more emphasis on current trends, and where there is insufficient historical information, prudent assumptions are used.

The nature of the business makes it very difficult to predict with certainty the outcome of any particular claim and the ultimate cost. Each notified claim is assessed on a case by case basis with due regard to the circumstances, information available from loss adjusters and historical evidence of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The impact of many of the factors affecting the ultimate loss is difficult to estimate. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments.

The key method in calculating the claim reserves is based on Circular 50 issued by the MoF. Details of such reserving methodologies are as follows:

Claim reserve includes the reserve for outstanding case claims and for claims incurred but not reported.

29. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

29.1 Insurance risk (continued)

- ▶ Outstanding case claim reserve is established based on the estimated claim payments for each claim for which the insurer is liable, which is either notified to the insurer or requested for payment but is still unresolved at the end of the financial year in accordance to the Circular 50; and
- ▶ Reserve for incurred but not reported claims for which the insurer is liable ("IBNR") is established according to Official Letter No. 3616 for applying the rate equal to 3% of retained premium for each insurance product.

For general insurance contracts the most significant risks arise from climate changes and natural disasters. Vietnam has suffered heavily from catastrophic losses such as tropical typhoon, river flood, flash flood, heavy rain and landslide. It is expected that tropical typhoon will affect Vietnam regularly with the high severity and insured losses. In view of the exposures, the general insurance has arranged the reinsurance protection for the fire, engineering, motor, marine cargo portfolios against the catastrophic events to minimize the risks.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the general insurance. The general insurance further enforces a policy of activity managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. typhoon and flood damages).

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the general insurance's risk appetite as decided by management. The management may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

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29. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

29.1 Insurance risk (continued)

Claim data table

The table below presents estimates of cumulative claim incurred and cumulative payment to date:

Currency: million VND

ITEMS	Accident year					
	2017	2018	2019	2020	2021	Total
At end of accident year	1	2	3	4	5	6
I. Estimate of cumulative claims incurred						
1	383,884	251,481	290,610	286,204	241,298	1,453,477
2	373,173	240,690	283,576	281,761	-	1,179,200
3	344,434	240,613	282,868	-	-	867,915
4	314,603	240,516	-	-	-	555,119
5	314,602	-	-	-	-	314,602
Current estimate of cumulative claims incurred (1)	314,602	240,516	282,868	281,761	241,298	1,361,045
II. Cumulative claim payment						
1	195,280	184,428	215,300	226,463	189,881	1,011,352
2	245,823	240,192	281,556	280,323	-	1,047,894
3	247,357	240,084	282,924	-	-	770,365
4	315,640	240,126	-	-	-	555,766
5	315,639	-	-	-	-	315,639
Cumulative claim payment to date (2)	315,639	240,126	282,924	280,323	189,881	1,308,893
III. Net outstanding claim reserve (3) = (1) - (2)	(1,037)	390	(56)	1,438	51,417	52,152
IV. Current estimate of surplus/(deficit) (4)	-	487	(28)	1,827	51,776	54,062
V. Percentage of current estimate of surplus/(deficit) over current estimate of cumulative claims incurred (5) = (4)/(1)*100%	0%	0%	0%	1%	21%	4%

29. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

29.2 Financial risk

The Company's principal financial liabilities comprise trade and other payables. Financial assets of the Company comprise cash and term deposits, bonds, trade and other receivables that arise directly from its operations. The Company does not hold or issue derivative financial instruments.

The Company is exposed to market risk, credit risk and liquidity risk.

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

Management reviews and agrees policies for managing each of these risks which are summarized below:

29.2.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. For the Company, market prices comprise two types of risk: interest rate risk and currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rate relates primarily to investments in term deposits and bonds.

The Company manages interest rate risk by looking at the competitive structure of the market to obtain rates which are favourable for its purposes within its risk management limits.

A sensitivity analysis is not performed for interest rate risk as the Company's exposure to interest rate risk is minimal at reporting date.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between VND and other currencies in which the Company conducts business may affect its financial condition and results of operations. The foreign current risk facing the Company mainly comes from movements in the USD/VND exchange rate. The Company seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position. Major of the Company financial assets are denominated in VND which mitigates the foreign currency risk. With assets denominated in foreign currency, most of them are in USD.

The table below indicates the effect of a reasonably possible movement of the USD rate against the VND, with all other variables held constant, on the income statement and balance sheet of the Company:

<i>Increase/decrease in basic points</i>	<i>VND</i> <u><i>Impact on profit before tax</i></u>
31 December 2021	
+2%	3,074,317,691
-2%	(3,074,317,691)
31 December 2020	
+2%	2,985,330,544
-2%	(2,985,330,544)

29. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

29.2 Financial risk (continued)

29.2.2 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financial investment activities, including deposits at banks and other financial instruments.

Trade receivables

The trade receivables, which subject to credit risk, include trade receivables from original insurance and reinsurance activities, advances to customers and other receivable amounts subject to credit risk. Customer credit risk is managed by the Company based on its established policy, procedures and control relating to customer credit risk management.

The most significant of reinsurance receivables are reinsurance recoveries. To mitigate the risk of the counterparties not paying the amount due, the Company has established certain business and financial guidelines for reinsurer approval, incorporating ratings by major agencies and considering currently available market information. The Company also periodically reviews the financial stability of reinsurers from public and other sources and the settlement trend of amounts due from reinsurers.

Bank deposits and other financial instruments

The Company's bank balances are mainly maintained with well-known banks in Vietnam. The Company evaluates the concentration of credit risk in respect to bank deposits is low.

The Management evaluate that all the Company's bank deposits and other financial assets are neither past due nor impaired as they are related to recognized and creditworthy counterparties as at 31 December 2021.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2021 and for the year then ended

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29. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

29.2 Financial risk (continued)

29.2.2 Credit risk (continued)

	Neither past due nor impaired	Individually impaired	VND Total
31 December 2021			
Cash and cash equivalents	173,852,140,241	-	173,852,140,241
Held-to-maturity investments	1,174,750,156,538	-	1,174,750,156,538
Term deposits	820,905,520,732	-	820,905,520,732
Government bonds	353,844,635,806	-	353,844,635,806
Insurance receivables (*)	32,587,638,751	408,276,109	32,995,914,860
Other short-term receivables (*)	31,675,007,393	7,151,803,906	38,826,811,299
Accrued interest receivable	28,772,600,838	-	28,772,600,838
Other receivables	2,902,406,555	7,151,803,906	10,054,210,461
Reinsurance assets from claim reserves	867,290,464	-	867,290,464
Statutory deposit	6,000,000,000	-	6,000,000,000
Other long-term receivables	5,226,268,480	-	5,226,268,480
	1,424,958,501,867	7,560,080,015	1,432,518,581,882

(*) Balances of these items do not include provisions for impairment losses.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2021 and for the year then ended

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29. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

29.2 Financial risk (continued)

29.2.2 Credit risk (continued)

	Neither past due nor impaired	Individually impaired	Total
			VND
31 December 2020			
Cash and cash equivalents	212,871,269,097	-	212,871,269,097
Held-to-maturity investments	1,093,612,302,136	-	1,093,612,302,136
Term deposits	636,648,354,418	-	636,648,354,418
Government bonds	456,963,947,718	-	456,963,947,718
Insurance receivables (*)	56,943,903,642	221,316,831	57,165,220,473
Other short-term receivables (*)	42,168,267,899	13,210,762	42,181,478,661
Accrued interest receivable	31,059,073,799	-	31,059,073,799
Other receivables	11,109,194,100	13,210,762	11,122,404,862
Reinsurance assets from claim reserves	1,259,407,128	-	1,259,407,128
Statutory deposit	6,000,000,000	-	6,000,000,000
Other long-term receivables	4,135,040,986	-	4,135,040,986
	1,416,990,190,888	234,527,593	1,417,224,718,481

(*) Balances of these items do not include provisions for impairment losses.

In which:

- ▶ **Neither past due nor impaired:** the assets or receivables with amounts that have not come due yet and there is no evidence for the decline in value.
- ▶ **Individually impaired:** receivables from customers that, according to the Company, cannot be repaid fully under the terms of the contract.

29. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)**29.2 Financial risk (continued)****29.2.3 Liquidity risk**

The Company has to meet daily calls on its cash resources, notably from claims arising on its insurance contracts. There is therefore a risk that cash will not be available to settle liabilities when due at a reasonable cost. Investment portfolios are structured with regard to liquidity requirement to defray costs of unexpected cash requirements.

The table below summarizes the maturity profile of the Company's financial assets and liabilities based on contractual non-discounted payments at the reporting date:

	On demand	Less than 3 months	From 3 months to 12 months	More than 1 year	Total
31 December 2021					VND
Financial assets					
Cash and cash equivalents	173,852,140,241	-	-	-	173,852,140,241
Held-to-maturity investments	-	280,965,867,939	690,560,730,673	203,223,557,926	1,174,750,156,538
Term deposits	-	230,955,520,732	589,950,000,000	-	820,905,520,732
Government bonds	-	50,010,347,207	100,610,730,673	203,223,557,926	353,844,635,806
Insurance receivables (*)	-	32,399,556,434	548,203,919	48,154,507	32,995,914,860
Other short-term receivables (*)	-	19,863,651,246	12,088,332,369	6,874,827,684	38,826,811,299
Accrued interest receivable	-	11,699,587,538	10,198,185,616	6,874,827,684	28,772,600,838
Other receivables	-	8,164,063,708	1,890,146,753	-	10,054,210,461
Reinsurance assets from claim reserves	-	-	867,290,464	-	867,290,464
Statutory deposit	-	-	-	6,000,000,000	6,000,000,000
Other long-term receivables	-	-	-	5,226,268,480	5,226,268,480
	173,852,140,241	333,229,075,619	704,064,557,425	221,372,808,597	1,432,518,581,882
Financial liabilities					
Insurance payables	-	23,374,662,401	-	-	23,374,662,401
Short-term accrued expenses	-	14,644,246,931	-	-	14,644,246,931
Other short-term payables	-	13,416,973,389	-	-	13,416,973,389
Claim reserves	-	-	72,351,826,432	-	72,351,826,432
	-	51,435,882,721	72,351,826,432	-	123,787,709,153
NET LIQUIDITY GAP	173,852,140,241	281,793,192,898	631,712,730,993	221,372,808,597	1,308,730,872,729

(*) Balances of these items do not include provisions for impairment losses.

There is no significant difference between the expected utilization or settlement of assets and liabilities and the contractual maturity as disclosed above

29. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)**29.2 Financial risk (continued)****29.2.3 Liquidity risk (continued)**

	On demand	Less than 3 months	From 3 months to 12 months	More than 1 year	Total
31 December 2020					VND
Financial assets					
Cash and cash equivalents	207,871,269,097	5,000,000,000	-	-	212,871,269,097
Held-to-maturity investments	-	170,432,295,743	566,577,176,036	356,602,830,357	1,093,612,302,136
Term deposits	-	170,432,295,743	466,216,058,675	-	636,648,354,418
Government bonds	-	-	100,361,117,361	356,602,830,357	456,963,947,718
Insurance receivables (*)	-	56,675,021,096	410,764,213	79,435,164	57,165,220,473
Other short-term receivables (*)	-	18,421,845,748	13,657,715,105	10,101,917,808	42,181,478,661
Accrued interest receivable	-	8,143,925,751	12,813,230,240	10,101,917,808	31,059,073,799
Other receivables	-	10,277,919,997	844,484,865	-	11,122,404,862
Reinsurance assets from claim reserves	-	-	1,259,407,128	-	1,259,407,128
Statutory deposit	-	-	-	6,000,000,000	6,000,000,000
Other long-term receivables	-	-	-	4,135,040,986	4,135,040,986
	207,871,269,097	250,529,162,587	581,905,062,482	376,919,224,315	1,417,224,718,481
Financial liabilities					
Insurance payables	-	28,403,873,076	-	-	28,403,873,076
Short-term accrued expenses	-	12,343,950,921	-	-	12,343,950,921
Other short-term payables	-	10,536,150,099	-	-	10,536,150,099
Claim reserves	-	-	85,878,693,288	-	85,878,693,288
	-	51,283,974,096	85,878,693,288	-	137,162,667,384
NET LIQUIDITY GAP	207,871,269,097	199,245,188,491	496,026,369,194	376,919,224,315	1,280,062,051,097

(*) Balances of these items do not include provisions for impairment losses.

There is no significant difference between the expected utilization or settlement of assets and liabilities and the contractual maturity as disclosed above.

30. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial assets that are carried in the financial statements of 31 December 2021 and 31 December 2020:

	Carrying amount		Fair value		VND
	Ending balance		Beginning balance		
	Cost	Provision	Cost	Provision	
Financial assets					
Held-to-maturity investments					
Government bonds	353,844,635,806	-	456,963,947,718	-	456,963,947,718
Loans and receivables					
Short-term deposits	820,905,520,732	-	636,648,354,418	-	636,648,354,418
Insurance receivables	32,995,914,860	(129,783,613)	57,165,220,473	(221,316,831)	56,943,903,642
Other short-term receivables	38,826,811,299	(7,151,803,906)	42,181,478,661	(13,210,762)	42,168,267,899
Accrued interest receivable	28,772,600,838	-	31,059,073,799	-	31,059,073,799
Other receivables	10,054,210,461	(7,151,803,906)	11,122,404,862	(13,210,762)	11,109,194,100
Reinsurance assets from claim reserves	867,290,464	-	1,259,407,128	-	1,259,407,128
Statutory deposit	6,000,000,000	-	6,000,000,000	-	6,000,000,000
Other long-term receivables	5,226,268,480	-	4,135,040,986	-	4,135,040,986
Cash and cash equivalents	173,852,140,241	-	212,871,269,097	-	212,871,269,097
	1,432,518,581,882	(7,281,587,519)	1,417,224,718,481	(234,527,593)	1,416,990,190,888

30. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	Carrying amount		Fair value		VND
	Ending balance	Beginning balance	Ending balance	Beginning balance	
Financial liabilities					
Insurance payables	23,374,662,401	28,403,873,076	23,374,662,401	28,403,873,076	
Short-term accrued expenses	14,644,246,931	12,343,950,921	14,644,246,931	12,343,950,921	
Other short-term payables	13,416,973,389	10,536,150,099	13,416,973,389	10,536,150,099	
Claim reserves	72,351,826,432	85,878,693,288	72,351,826,432	85,878,693,288	
	123,787,709,153	137,162,667,384	123,787,709,153	137,162,667,384	

- ▶ The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.
- ▶ Fair value of cash and cash equivalents, short-term deposits, trade receivables, trade payables, other receivables and other liabilities are approximately their carrying amounts largely due to the short-term maturities of these instruments.
- ▶ If the fair value is not determinable, the carrying value is used for presentation of fair value.

31. EVENTS AFTER THE BALANCE SHEET DATE

There is no matter or circumstance that has arisen since the balance sheet date that requires adjustment or disclosure in the financial statements of the Company.



Ms. Ly Boi Lang
Preparer



Ms. Nguyen Thuy Dung
Chief Financial Officer cum
Chief Accountant



Mr. Ariff Shan Kok Cheong
General Director

Ho Chi Minh City, Vietnam

28 March 2022

