

Tokio Marine Insurance Vietnam Company Limited

Financial Statements

For the year ended 31 December 2020



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Tokio Marine Insurance Vietnam Company Limited

GENERAL INFORMATION

THE COMPANY

Tokio Marine Insurance Vietnam Company Limited ("The Company") was formerly a joint-venture between Bao Viet Holdings, Commercial Union Assurance Company Plc and Tokio Marine and Fire Insurance Co., Ltd. The Company, previously known as "Baoviet Tokio Marine Insurance Company Limited", was established under the Investment Licence No. 1639/GP issued by the Ministry of Planning and Investment on 5 August 1996. According to amendment License No. 65/GPDC3/KDBH issued on 20 August 2020, the Company's name was changed in to Tokio Marine Insurance Vietnam Company Limited. Establishment and Operation License No. 65/GP/KDBH was issued by the Ministry of Finance on 1 July 2013 and subsequently amended as follows:

| <u>Amendment license No.</u> | <u>Date</u> |
|------------------------------|------------------|
| 65/GPDC1/KDBH | 08 July 2016 |
| 65/GPDC2/LDBH | 19 April 2018 |
| 65/GPDC3/KDBH | 20 August 2020 |
| 65/GPDC4/KDBH | 11 December 2020 |

Main activities of the Company are to provide general insurance products, reinsurance, investing activities, auxiliary insurance services (including insurance consultancy, insurance underwriting, actuarial services, loss survey, assistance with claim settlement) and other business operations that are in line with prevailing laws and regulations.

The Company's head office is located at Room 601, 6th Floor, The Sun Red River Building, 23 Phan Chu Trinh, Hoan Kiem District, Hanoi. The branch is located at Room 3, 19th Floor, Green Power Building, 35 Ton Duc Thang, District 1, Ho Chi Minh City.

MEMBERS' COUNCIL

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

| | | |
|-------------------------|------------------|------------------------------|
| Mr. Nguyen Quang Phi | Chairperson | Appointed on 15 January 2019 |
| Mr. Shinkichi Mike Miki | Vice Chairperson | Appointed on 01 April 2019 |
| Ms. Noriko Kojima | Member | Appointed on 01 April 2019 |
| Ms. Tran Thi Thu Thuy | Member | Appointed on 01 January 2020 |
| Mr. Doan Viet Trang | Member | Appointed on 01 January 2020 |
| Mr. Hideaki Maeomote | Member | Appointed on 20 April 2017 |

MANAGEMENT

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

| | | |
|--------------------------|-------------------------|------------------------------|
| Mr. Hideaki Maeomote | General Director | Appointed on 20 April 2017 |
| Ms. Duong Thi Thanh Toan | Deputy General Director | Appointed on 01 January 2019 |
| Ms. Pham Thu Trang | Chief Accountant | Appointed on 01 January 2017 |

LEGAL REPRESENTATIVE

The legal representative of the Company for the year ended 31 December 2020 and at the date of this report is Mr. Hideaki Maeomote, General Director of the Company.

AUDITOR

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

REPORT OF THE MEMBERS' COUNCIL

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgements and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its business.

Management of the Company confirmed that it has complied with the above requirements in preparing the accompanying financial statements.

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Company as at 31 December 2020 and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System, the accounting guidance applicable to insurance companies and statutory requirements relevant to preparation and presentation of financial statements.

For and on behalf of the Members' Council:



Mr. Nguyễn Quang Phi
Chairperson

25 March 2021

Reference: 61370338/21917373

INDEPENDENT AUDITORS' REPORT

**To: The Members' Council
Tokio Marine Insurance Vietnam Company Limited**

We have audited the accompanying financial statements of Tokio Marine Insurance Vietnam Company Limited ("the Company") as prepared on 25 March 2021 and set out on pages 5 to 54 which comprise the balance sheet as at 31 December 2020, the income statement and the cash flow statement for the year then ended and the notes thereto.

Management's responsibility

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 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 auditor's 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 of the Company, 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 2020 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




Trinh Hoang Anh
Deputy General Director
Audit Practicing Registration
Certificate No. 2071-2018-004-1



Nguyen Van Trung
Auditor
Auditor Practicing Registration
Certificate No. 3847-2021-004-1

Hanoi, Vietnam

25 March 2021

BALANCE SHEET
as at 31 December 2020

Currency: VND

| Code | ASSETS | Notes | Ending balance | Beginning balance |
|------------|---|-----------|--------------------------|--------------------------|
| 100 | A. CURRENT ASSETS | | 1,317,689,236,800 | 1,403,979,650,335 |
| 110 | I. Cash and cash equivalents | 4 | 19,615,187,964 | 11,467,300,809 |
| 111 | 1. Cash | | 19,615,187,964 | 11,467,300,809 |
| 120 | II. Short-term investments | 5 | 807,990,000,000 | 713,850,000,000 |
| 121 | 1. Trading securities | | 8,430,000,000 | 8,430,000,000 |
| 123 | 2. Held-to-maturity investments | | 799,560,000,000 | 705,420,000,000 |
| 130 | III. Current account receivables | 6 | 79,880,667,542 | 85,477,412,950 |
| 131 | 1. Short-term trade receivables | | 50,159,217,866 | 58,498,618,116 |
| 131.1 | 1.1. Insurance receivables | | 44,074,906,169 | 49,957,629,679 |
| 131.2 | 1.2. Other trade receivables | | 6,084,311,697 | 8,540,988,437 |
| 135 | 2. Other short-term receivables | | 29,905,781,066 | 27,342,287,915 |
| 139 | 3. Allowance for doubtful debts | | (184,331,390) | (363,493,081) |
| 140 | IV. Inventories | | 52,146,545 | - |
| 141 | 1. Inventories | | 52,146,545 | - |
| 150 | V. Other short-term assets | | 18,934,001,024 | 19,002,337,256 |
| 151 | 1. Prepaid expenses | | 18,185,830,583 | 18,357,750,554 |
| 151.1 | 1.1. Unallocated commission expense | 7 | 16,114,108,821 | 14,805,458,353 |
| 151.2 | 1.2. Other prepaid expenses | | 2,071,721,762 | 3,552,292,201 |
| 152 | 2. Deductible VAT | | 748,170,441 | 644,586,702 |
| 190 | VI. Reinsurance assets | 16 | 391,217,233,725 | 574,182,599,320 |
| 191 | 1. Reinsurance assets from unearned premium reserve | 16.1.1 | 180,091,262,300 | 200,554,915,500 |
| 192 | 2. Reinsurance assets from claim reserve | 16.1.2 | 211,125,971,425 | 373,627,683,820 |

BALANCE SHEET (continued)
as at 31 December 2020

Currency: VND

| Code | ASSETS | Notes | Ending balance | Beginning balance |
|------------|-------------------------------------|----------|--------------------------|--------------------------|
| 200 | B. NON-CURRENT ASSETS | | 123,068,835,494 | 123,352,038,762 |
| 210 | I. Long-term receivables | | 11,349,019,098 | 10,709,848,390 |
| 216 | 1. Other long-term receivables | | 11,349,019,098 | 10,709,848,390 |
| 216.1 | 1.1. Statutory deposit | 8 | 8,638,125,000 | 8,666,250,000 |
| 216.2 | 1.2. Other long-term receivables | | 2,710,894,098 | 2,043,598,390 |
| 220 | II. Fixed assets | | 3,447,810,208 | 2,274,103,452 |
| 221 | 1. Tangible fixed assets | 9 | 3,152,072,124 | 2,061,801,358 |
| 222 | Cost | | 8,951,060,302 | 8,673,271,552 |
| 223 | Accumulated depreciation | | (5,798,988,178) | (6,611,470,194) |
| 227 | 2. Intangible fixed assets | 10 | 295,738,084 | 212,302,094 |
| 228 | Cost | | 5,509,644,344 | 5,293,594,344 |
| 229 | Accumulated amortisation | | (5,213,906,260) | (5,081,292,250) |
| 250 | III. Long-term investments | 5 | 101,977,404,776 | 102,557,781,805 |
| 255 | 1. Held-to-maturity investments | | 101,977,404,776 | 102,557,781,805 |
| 260 | IV. Other non-current assets | | 6,294,601,412 | 7,810,305,115 |
| 261 | 1. Long-term prepaid expense | 11 | 6,294,601,412 | 7,810,305,115 |
| 270 | TOTAL ASSETS | | 1,440,758,072,294 | 1,527,331,689,097 |

Currency: VND

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INCOME STATEMENT

PART I: COMPREHENSIVE INCOME STATEMENT
for the year ended 31 December 2020

Currency: VND

| <i>Code</i> | <i>ITEMS</i> | <i>Current year</i> | <i>Previous year</i> |
|-------------|--|---------------------|----------------------|
| 10 | 1. Total operating income | 381,929,266,778 | 364,476,288,995 |
| 12 | 2. Finance income | 59,858,924,647 | 50,861,065,861 |
| 13 | 3. Other income | 705,409,091 | 36,316,314 |
| 20 | 4. Total direct operating expenses | 147,460,523,096 | 165,768,789,847 |
| 22 | 5. Finance expense | 4,117,079,628 | 2,891,936,507 |
| 23 | 6. General and administrative expenses | 112,025,921,312 | 101,388,009,518 |
| 24 | 7. Other expenses | 286,367,042 | 37,515,728 |
| 50 | 8. Profit before corporate income tax (50 = 10 + 12 + 13 - 20 - 22 - 23 - 24) | 178,603,709,438 | 145,287,419,570 |
| 51 | 9. Current corporate income tax | 36,789,506,804 | 28,084,720,066 |
| 52 | 10. Deferred income tax expense | - | - |
| 60 | 11. Net profit for the year after corporate income tax (60 = 50 - 51 - 52) | 141,814,202,634 | 117,202,699,504 |

INCOME STATEMENT (continued)

PART II: OPERATIONAL INCOME STATEMENT
for the year ended 31 December 2020

Currency: VND

| Code | ITEMS | Notes | Current year | Previous year |
|-----------|---|-------------|--------------------------|--------------------------|
| 01 | 1. Insurance revenue (01 = 01.1 + 01.2 - 01.3) | 18 | 757,433,764,574 | 676,591,652,934 |
| | <i>In which:</i> | | | |
| 01.1 | Direct written premiums | 18.1 | 683,314,582,737 | 643,853,669,353 |
| 01.2 | Reinsurance premium assumed | 18.2 | 56,742,472,825 | 51,914,449,481 |
| 01.3 | (Decrease)/increase in un-earned premium reserve | 16.1 | (17,376,709,012) | 19,176,465,900 |
| 02 | 2. Reinsurance premium ceded (02 = 02.1 - 02.2) | 19 | 497,352,436,813 | 413,358,955,235 |
| | <i>In which:</i> | | | |
| 02.1 | Reinsurance premium ceded | 19.1 | 476,888,783,613 | 430,716,112,346 |
| 02.2 | (Decrease)/increase in ceded premium reserve | 16.1 | (20,463,653,200) | 17,357,157,111 |
| 03 | 3. Net insurance premiums (03 = 01 - 02) | | 260,081,327,761 | 263,232,697,699 |
| 04 | 4. Commission on reinsurance ceded and other insurance income (04 = 04.1 + 04.2) | 20 | 121,847,939,017 | 101,243,591,296 |
| | <i>In which:</i> | | | |
| 04.1 | Commission on reinsurance ceded | 20.1 | 107,210,049,137 | 87,632,747,095 |
| 04.2 | Other income from insurance activities | 20.2 | 14,637,889,880 | 13,610,844,201 |
| 10 | 5. Total net revenue from insurance business (10 = 03 + 04) | | 381,929,266,778 | 364,476,288,995 |
| 11 | 6. Claim expenses (11 = 11.1 - 11.2) | | 197,216,210,942 | 249,697,083,303 |
| | <i>In which:</i> | | | |
| 11.1 | Claim expenses | | 225,599,135,252 | 255,661,008,111 |
| 11.2 | Claim expense reductions | | 28,382,924,310 | 5,963,924,808 |
| 12 | 7. Recoveries from reinsurance ceded | 21.3 | 116,832,181,373 | 159,489,951,662 |
| 13 | 8. Decrease in direct and assumed claim reserve | 16.1 | (165,919,512,896) | (118,702,331,171) |
| 14 | 9. Decrease in ceded claim reserve | 16.1 | (162,501,712,395) | (130,548,338,217) |
| 15 | 10. Net claim expenses (15 = 11 - 12 + 13 - 14) | 21 | 76,966,229,068 | 102,053,138,687 |
| 16 | 11. Increase in catastrophe reserve | 16.2 | 7,895,048,158 | 7,951,560,195 |

INCOME STATEMENT (continued)

PART II: OPERATIONAL INCOME STATEMENT (continued)
for the year ended 31 December 2020

Currency: VND

| Code | ITEMS | Notes | Current year | Previous year |
|------|--|-------|------------------------|------------------------|
| 17 | 12. Other operating expenses (17 = 17.1 + 17.2) <i>In which:</i> | | 62,599,245,870 | 55,764,090,965 |
| 17.1 | Commission expense | 7 | 51,544,370,292 | 43,722,277,543 |
| 17.2 | Other underwriting expenses | 22 | 11,054,875,578 | 12,041,813,422 |
| 18 | 13. Total direct operating expenses (18 = 15 + 16 + 17) | | 147,460,523,096 | 165,768,789,847 |
| 19 | 14. Gross Insurance operating profit (19 = 10 - 18) | | 234,468,743,682 | 198,707,499,148 |
| 23 | 15. Finance income | 23 | 59,858,924,647 | 50,861,065,861 |
| 24 | 16. Finance expense | 24 | 4,117,079,628 | 2,891,936,507 |
| 25 | 17. Profit from financial activities (25 = 23 - 24) | | 55,741,845,019 | 47,969,129,354 |
| 26 | 18. General and administrative expenses | 25 | 112,025,921,312 | 101,388,009,518 |
| 30 | 19. Net operating income (30 = 19 + 25 - 26) | | 178,184,667,389 | 145,288,618,984 |
| 31 | 20. Other income | 26 | 705,409,091 | 36,316,314 |
| 32 | 21. Other expenses | 26 | 286,367,042 | 37,515,728 |
| 40 | 22. Net other profit/(loss) (40 = 31 - 32) | | 419,042,049 | (1,199,414) |
| 50 | 23. Profit before corporate income tax (50 = 30 + 40) | | 178,603,709,438 | 145,287,419,570 |
| 51 | 24. Current corporate income tax | 27 | 36,789,506,804 | 28,084,720,066 |
| 52 | 25. Deferred income tax expense | 27 | - | - |
| 60 | 26. Net profit for the year after corporate income tax (60 = 50 - 51 - 52) | | 141,814,202,634 | 117,202,699,504 |


Ms. Pham Thu Trang
Chief AccountantMr. Hideaki Maeomote
General Director

25 March 2021

CASH FLOW STATEMENT
for the year ended 31 December 2020

Currency: VND

| Code | ITEMS | Notes | Current year | Previous year |
|------|---|-------|-------------------------|-------------------------|
| | I. CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| 01 | Receipt from sale of goods and rendering of services | | 772,894,445,819 | 847,943,231,269 |
| 02 | Payments to suppliers | | (603,222,231,587) | (628,230,096,820) |
| 03 | Payment to employees | | (70,593,980,206) | (63,053,250,603) |
| 05 | Payment of corporate income tax | 13 | (28,292,766,048) | (28,039,474,104) |
| 06 | Receipts from other operating activities | | 133,290,165,528 | 66,061,017,740 |
| 07 | Payment of other operating activities | | (75,914,515,812) | (77,545,486,134) |
| 20 | Net cash inflows from operating activities | | 128,161,117,694 | 117,135,941,348 |
| | II. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| 21 | Payment to purchase fixed assets and constructions | | (2,803,079,200) | (34,012,000) |
| 22 | Receipts on disposals of fixed assets | | 775,900,000 | - |
| 23 | Disbursement for loans and purchase of investment securities | | (851,231,175,250) | (872,986,226,891) |
| 24 | Receipts from loans and sale of investment securities | | 764,068,069,726 | 778,798,871,233 |
| 27 | Receipts from investment interest and dividends | | 46,811,955,550 | 62,101,979,983 |
| 30 | Net cash flow used in investing activities | | (42,378,329,174) | (32,119,387,675) |
| | III. CASH FLOWS FROM FINANCIAL ACTIVITIES | | | |
| 36 | Distributed profit paid | | (77,636,683,513) | (88,967,022,171) |
| 40 | Net cash flow used in financial activities | | (77,636,683,513) | (88,967,022,171) |
| 50 | Net change in cash and cash equivalents | | 8,146,105,007 | (3,950,468,498) |
| 60 | Cash and cash equivalents at the beginning of the year | 4 | 11,467,300,809 | 15,548,486,858 |
| 61 | Impact of exchange rate fluctuation | | 1,782,148 | (130,717,551) |
| 70 | Cash and cash equivalents at the end of the year | 4 | 19,615,187,964 | 11,467,300,809 |

Ms. Phạm Thu Trang
Chief Accountant



Mr. Hiroaki Maeomote
General Director

25 March 2021

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2020 and for the year then ended

1. CORPORATE INFORMATION

Tokio Marine Insurance Vietnam Company Limited ("The Company") was formerly a joint-venture between Bao Viet Holdings, Commercial Union Assurance Company Plc and Tokio Marine and Fire Insurance Co., Ltd. The Company, previously known as "Baoviet Tokio Marine Insurance Company Limited", was established under the Investment Licence No. 1639/GP issued by the Ministry of Planning and Investment on 5 August 1996. According to amendment License No. 65/GPDC3/KDBH issued on 20 August 2020, the Company's name was changed in to Tokio Marine Insurance Vietnam Company Limited. Establishment and Operation License No. 65/GP/KDBH was issued by the Ministry of Finance on 1 July 2013 and subsequently amended as follows:

| <u>Amendment license No.</u> | <u>Date</u> |
|------------------------------|------------------|
| 65/GPDC1/KDBH | 08 July 2016 |
| 65/GPDC2/LDBH | 19 April 2018 |
| 65/GPDC3/KDBH | 20 August 2020 |
| 65/GPDC4/KDBH | 11 December 2020 |

Main activities of the Company are to provide general insurance products, reinsurance, investing activities, auxiliary insurance services (including insurance consultancy, insurance underwriting, actuarial services, loss survey, assistance with claim settlement) and other business operations that are in line with prevailing laws and regulations.

The Company's Head office is located at Room 601, 6th Floor, The Sun Red River Building, 23 Phan Chu Trinh, Hoan Kiem District, Hanoi. The branch is located at Room 3, 19th Floor, Green Power Building, 35 Ton Duc Thang, District 1, Ho Chi Minh City.

The charter capital of the Company as at 31 December 2020 is VND 300,000,000,000.

Total number of employees of the Company as at 31 December 2020 is 143 people (as at 31 December 2019: 133 people).

2. BASIS OF PREPARATION

2.1 Accounting standard and system

The financial statements of the Company, which are expressed in Vietnam Dong (VND), are prepared in accordance with the Vietnamese Accounting System for non-life insurance companies issued by the Ministry of Finance in 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, Vietnamese Enterprise Accounting System, and Vietnamese Accounting Standards issued by the Ministry of Finance as per the:

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

2. BASIS OF PREPARATION (continued)

2.1 Accounting standard and system (continued)

Accordingly, the accompanying balance sheet, income statement, cash flow statement and related notes, 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.

2.2 Registered accounting documentation system

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.

2.5 Statement on the compliance with Vietnamese accounting standards and systems

Management of the Company confirms that the Company has complied with the Vietnamese Accounting Standards and Vietnamese Enterprise Accounting Systems, the accounting guidance applicable to insurance companies and statutory requirements relevant to preparation and presentation of financial statements in the preparation of the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company in preparation of the financial statement are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2019.

3.1 Cash and cash equivalents

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

3.2 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 expense in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Receivables (continued)

For overdue receivables, the Company adopts the provision policy as promulgated by the Ministry of Finance in Circular No. 48/2019/TT-BTC dated 08 August 2019 (Circular 48). Details on the basis of provision are as follows:

| <u>Overdue receivables</u> | <u>Allowance rate</u> |
|---|-----------------------|
| Over 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 | 100% |

3.3 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

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

Expenditures for additions, improvements, and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the income statement.

When tangible fixed assets are sold or liquidated, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the income statement.

3.4 Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

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

Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the income statement as incurred.

When intangible fixed assets are sold or liquidated, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the income statement.

3.5 Depreciation and amortisation

Depreciation and amortisation of tangible and intangible fixed assets are calculated on a straight-line basis over the estimated useful life of each asset, which are as follows:

| | |
|------------------|--------------|
| Office equipment | 3 - 7 years |
| Motor vehicles | 6 - 10 years |
| Software | 3 - 5 years |

3.6 Prepaid expenses

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial investments

Held-for-trading securities and investments in other entities

Held-for-trading securities and investments in other entities are stated at their acquisition costs.

Held-to-maturity investments

Held-to-maturity investments are stated at their acquisition costs. After initial recognition, held-to-maturity investments are measured at recoverable amount. Any impairment loss incurred is recognised as expense in the financial statements and deducted against the value of such investments.

Provision for diminution in value investments

Provision of the investment is made when there are reliable evidences of the diminution in value of those investments at the balance sheet date. Increases or decreases to the provision balance are recorded as finance expense in the income statement.

3.8 Payables and accruals

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

3.9 Severance allowance

3.9.1 Post-employment benefits

Post-employment benefits are paid to retired employees of the Company by the Social insurance agency which belongs to the Ministry of Labour, Invalids and Social Affairs. The Company is required to contribute to these post-employment benefits by paying social insurance premiums to the social insurance agency at the regulated rate of employee basic salaries and allowances. The Company has no further obligation concerning post-employment benefits for its employees other than this.

3.9.2 Unemployment benefits

According to current regulations, employees contribute 1% of their salary, employer contributes 1% of salary of their employees participating in the unemployment insurance, and the Government contributes 1% of salary of all those participating in the unemployment insurance from the State budget. Vietnam Social Insurance Agency is responsible for the collection, distribution and management of the fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Technical reserves

The technical reserves include technical reserves for non-life insurance and technical reserve of health insurance.

The reserving methodologies are based on Circular No. 50/2017/TT-BTC dated 01 July 2017 issued by the Ministry of Finance ("Circular No. 50") as follows:

a) Technical reserves for non-life insurance

(i) Unearned premium reserve

The Company applied the daily basis to calculate unearned premium reserve for all types of insurance. The formula is as follow:

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

(ii) Claim reserves

Claim reserves include the reserve for outstanding claims and for claims incurred but not reported ("IBNR").

- ▶ *Outstanding claim reserve*: to be set aside for each line of insurance according to estimates of indemnities for single covered loss have been reported or claimed but not yet resolved at the end of the fiscal year in accordance to Circular No. 50.
- ▶ *Reserve for incurred but not reported claims for which the insurer is liable ("IBNR reserve")*: is established based on the formula in Circular No. 50 as follows:

$$\begin{array}{c} \text{Reserve for} \\ \text{payment of losses} \\ \text{which have} \\ \text{incurred but not} \\ \text{yet reported for} \\ \text{the current fiscal} \\ \text{year} \end{array} = \frac{\begin{array}{c} \text{Total indemnity} \\ \text{for claims} \\ \text{incurred but not} \\ \text{reported as at the} \\ \text{end of last 3} \\ \text{consecutive fiscal} \\ \text{years} \end{array}}{\begin{array}{c} \text{Total indemnity} \\ \text{for losses arising} \\ \text{in the last 3} \\ \text{consecutive fiscal} \\ \text{years} \end{array}} \times \begin{array}{c} \text{Indemnity} \\ \text{for losses} \\ \text{arising in} \\ \text{the current} \\ \text{fiscal year} \end{array} \times \frac{\begin{array}{c} \text{Net} \\ \text{operating} \\ \text{revenue of} \\ \text{current} \\ \text{fiscal year} \end{array}}{\begin{array}{c} \text{Net} \\ \text{operating} \\ \text{revenue of} \\ \text{the previous} \\ \text{fiscal year} \end{array}} \times \frac{\begin{array}{c} \text{Average delay} \\ \text{in reporting} \\ \text{claims of} \\ \text{current fiscal} \\ \text{year} \end{array}}{\begin{array}{c} \text{Average delay} \\ \text{in reporting} \\ \text{claims of} \\ \text{previous fiscal} \\ \text{year} \end{array}}$$

(iii) Catastrophe reserve

Catastrophe reserve is set aside annually for catastrophe in loss. In 2020, the catastrophe reserve ratio was 3% of net written premium. The balance of catastrophe reserve fund does not exceed 100% of net written premium (not including net premium of health and personal accident insurance) of the current fiscal year.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Technical reserves (continued)

a) Technical reserves for non-life insurance (continued)

(iii) Catastrophe reserve (continued)

On 28 December 2005, the Ministry of Finance issued Decision 100/2005/QĐ-BTC governing the publication of four new accounting standards, one of which is Vietnamese Accounting Standard ("VAS") 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 Ministry of Finance has not issued detailed guidance for the implementation of VAS 19 and in accordance with the provision set out in Decree 73/2016/ND-CP issued by the Government of Vietnam on 1 July 2016 regarding financial regulations for insurance enterprises, the company still allocates catastrophe reserve on the financial statements for the financial year ended at 31 December 2020.

b) Technical reserve of health insurance

(i) Mathematical reserve

Mathematical reserve applies for insurance policies and reinsurance policies with a term of more than a year. Mathematical reserve is set aside as follows:

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

As the period of all health insurance policies issued by the Company is maximum 1 year so the Company do not apply mathematical reserves.

(ii) Unearned premiums reserve

Regarding insurance policies with a term of less than or equal to 1 year, Unearned premiums reserve is set aside as follows:

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

(iii) Claim reserve

- Outstanding claim reserve: to be set aside according to estimates of indemnities for single covered loss have been reported or claimed but not yet resolved at the end of the fiscal year; and
- Reserve for incurred but not reported claims for which the insurer is liable (IBNR) is established based on the formula in Circular No. 50 as follows:

$$\begin{array}{ccccc} \text{Reserve for payment of losses which have incurred but not yet reported for the current fiscal year} & = & \frac{\text{Total indemnity for claims incurred but not reported as at the end of last 3 consecutive fiscal years}}{\text{Total indemnity for losses arising in the last 3 consecutive fiscal years}} & \times & \frac{\text{Indemnity for losses arising in the current fiscal year}}{\text{Net operating revenue of current fiscal year}} \times \frac{\text{Average delay in reporting claims of current fiscal year}}{\text{Average delay in reporting claims of previous fiscal year}} \end{array}$$

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Technical reserves (continued)

b) Technical reserve of health insurance (continued)

(iv) *Equalization reserve*

Equalization reserve for health insurance is established at 3% of net premium and recognised in the catastrophe reserve account on balance sheet.

3.11 Foreign currency transactions

The Company follows the guidance under Vietnamese Accounting Standard No. 10 "The Effects of Changes in Exchange Rates" (the "VAS 10") and Circular 200.

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:

- ▶ transaction 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.
- ▶ 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 year, monetary balances denominated in foreign currencies are translated at the actual transaction exchange rates at the balance sheet dates which are determined as follows:

- ▶ deposit assets are translated at buying exchange rate of the commercial bank where the Company deposits;
- ▶ monetary assets are translated at average buying exchange rate of the commercial banks where the Company conducts transactions regularly;
- ▶ monetary liabilities are translated at average selling exchange rate of the commercial banks where the Company conducts transactions regularly.

All foreign exchange differences incurred are taken to the income statement.

3.12 Appropriation of net profit after tax

Based on the approval of the appropriate level of authority/Members' Council, net profit after tax shall be considered as profit distributed to investors/shareholders. Distributed profit shall be paid after consideration of any deduction of profit not for distribution and after making funds in accordance with the Company's Charter and Vietnam's regulatory requirements.

- ▶ The Company Statutory reserve is set in order to supplement the Company's charter capital and ensure its solvency. This fund shall deduct 5% of the Company's annual profit after tax until it equals to 10% of the Company's charter capital based on Decree 73.
- ▶ Every year, the Company establishes Bonus and welfare fund. This fund is set aside for the purpose of pecuniary rewarding and encouraging, common benefits and improvement of the employees' benefits.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Revenue recognition

Revenue is recognised 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 recognised:

(i) Gross written premium

Gross written premiums are recognized in accordance with Circular No. 50 on financial regime applicable to insurers, reinsurers, insurance brokers and foreign non-life insurance branches.

Gross written premium is recognized as revenue at the point of time when the insurance liability is incurred, specific as follow:

- (1) the insurance contract has been entered into by the insurer and the insured has paid full premium;
- (2) there's evidence about coverage acceptance and the insured has paid full premium;
- (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. According to Circular 50, the credit term shall not exceed 30 days from policy inception date. For installment contracts, general insurers are required to record revenue from insurance premium of the first installment on the insurance contract's effective date and record revenue from premium of the remaining installments 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 is recorded as "Short-term unearned revenue" in the balance sheet.

Premium return and premium reduction are considered as revenue deduction and must be booked separately. At year end, these amounts are net-off to gross written premium to calculate net written premium.

(ii) Interest

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

(iii) Dividends

Income is recognised when the Company's entitlement as an investor to receive the dividend in cash is established.

(iv) Other income

Other income is recognised on an accrual basis in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Expense recognition

(i) Claim expense

Claim expense is recognized at the point of time when the claim documents are completed and approved by authorized persons. In case that the final claim amount has not been finalized but the Company is certain that the loss is within its insured liabilities and has paid an advance to the customer as per their request, such advance would also be recognized as claim expenses. Any claim that is not yet approved by authorized persons is considered an outstanding claim and included in claims reserve.

(ii) Commission expense

Commission is calculated for all products with specific percentages for each type of products, and in accordance with Circular No.50. Commission expenses are calculated as the percentages of premium revenue and are recognized in the income statement. Commission expense which incurred, however, was not accounted in income statement shall be recorded in "short-term prepaid expense".

(iii) General & administration expense

Other administration expense is recognized on accrual basis.

(iv) Operating lease

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

(v) Other expenses

Other expenses are recognized on an accrual basis in the income statement.

3.15 Recognition of reinsurance activities

(i) Reinsurance ceded

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

Reinsurance premiums ceded under facultative reinsurance agreement 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.

Reinsurance commission is recognized when there is a corresponding reinsurance premium ceded. At the end of accounting period, the part of reinsurance commission which is not included in income and expense of period corresponding to unearned premium of reinsurance ceded shall be determined and allocated in the subsequent periods based on registered method for unearned premium reserve.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Recognition of reinsurance activities (continued)

(ii) Reinsurance assumed

Reinsurance assumed under treaty arrangement:

- ▶ Income and expenses relating to reinsurance assumed under treaty arrangements are recognized when the statement of account is received from the cedants.

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 are recognized when there is evidence of liability of the Company and when a statement of account has been sent to the Company;
- ▶ Reinsurance commission is recognized when the reinsurance premium is ceded 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 income and expense of period corresponding to unearned premium of reinsurance assumed shall be determined and allocated in the subsequent periods based on registered method for unearned premium reserve – daily method.

3.16 Taxation

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 rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the balance sheet date.

Current income tax is charged or credited to the income statement, except when it relates to items recognised 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.

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 amount for financial reporting purpose.

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 recognized 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 utilized, 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).

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Taxation (continued)

Deferred tax (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Previously unrecognized deferred income tax assets are reassessed 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 income tax assets and liabilities are measured at the tax rates that are expected to be applied in the period 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 for the Company 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.

3.17 Use of estimates

The preparation of the financial statements requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the income and expenses and the resultant provisions. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

3.18 Related parties

Parties are considered to be related parties of the Company if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, or when the Company and other party are under common control or under common significant influence. Related parties can be enterprise or individual, including close members of their families.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

4. CASH AND CASH EQUIVALENTS

| | | Currency: VND | |
|--------------------|--|-----------------------|-----------------------|
| | | Ending balance | Beginning balance |
| Cash | | 19,615,187,964 | 11,467,300,809 |
| Cash on hand (VND) | | 47,569,079 | 67,301,079 |
| Cash at bank | | 19,567,618,885 | 11,399,999,730 |
| In which: | | | |
| VND | | 18,313,342,999 | 6,967,396,790 |
| Foreign currency | | 1,254,275,886 | 4,432,602,940 |
| | | 19,615,187,964 | 11,467,300,809 |

5. FINANCIAL INVESTMENTS

| | | Currency: VND | |
|-------------------------------------|-------|------------------------|------------------------|
| | | Ending balance | Beginning balance |
| Trading securities | | | |
| Listed shares | (i) | 3,430,000,000 | 3,430,000,000 |
| Fund certificates | (ii) | 5,000,000,000 | 5,000,000,000 |
| | | 8,430,000,000 | 8,430,000,000 |
| Held-to-maturity investments | | | |
| Short-term | | 799,560,000,000 | 705,420,000,000 |
| - Term deposits in VND | (iii) | 724,810,000,000 | 630,280,000,000 |
| - Term deposits in USD | (iii) | 74,750,000,000 | 75,140,000,000 |
| Long-term | | 101,977,404,776 | 102,557,781,805 |
| - Bonds | (iv) | 101,977,404,776 | 102,557,781,805 |
| | | 901,537,404,776 | 807,977,781,805 |
| Net value of investments | | 909,967,404,776 | 816,407,781,805 |

(i) Including 668,850 VNR shares.

(ii) Including 492,810 Bao Viet Bond Fund certificates.

(iii) Term deposits in VND have original terms of more than three (3) months and interest rate from 3.30% to 7.10%/year.

Term deposits in USD with original terms less than a year and interest rate 0.00%/year.

(iv) Including government bonds code TD1424092, which have a term of 10 years, par value of VND 100,000,000,000 and interest of 8.70%/year.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

6. CURRENT ACCOUNT RECEIVABLES

| | Currency: VND | |
|--|-----------------------|-----------------------|
| | Ending balance | Beginning balance |
| Insurance receivables | | |
| Gross written premium receivables | 20,038,104,506 | 29,510,594,247 |
| - Premium receivable from the Insured | 10,485,280,434 | 11,079,457,471 |
| - Premium receivable from brokers | 9,412,525,225 | 18,099,630,467 |
| - Premium receivable from agents | 140,298,847 | 331,506,309 |
| Reinsurance assumed receivables | 1,535,062,109 | 160,472,147 |
| Reinsurance ceded receivables | 20,326,543,355 | 16,673,435,704 |
| Receivables from co-insurers | 2,175,196,199 | 3,613,127,581 |
| - Claims recoveries from co-insurers | 1,096,359,396 | 1,562,118,125 |
| - Other receivables from co-insurers | 1,078,836,803 | 2,051,009,456 |
| | 44,074,906,169 | 49,957,629,679 |
| Other trade receivables | | |
| Receivables from claim handling services | 5,527,297,167 | 7,996,284,623 |
| Other trade receivables | 557,014,530 | 544,703,814 |
| | 6,084,311,697 | 8,540,988,437 |
| Other short-term receivables | | |
| Bank deposit interest receivables | 21,952,881,463 | 19,594,965,020 |
| Bond coupon receivables | 5,124,657,534 | 5,110,655,738 |
| Deposit for third party claim handling service | 1,650,000,000 | 1,500,000,000 |
| Advances, other short-term deposits | 507,211,756 | 482,618,182 |
| Other receivables | 671,030,313 | 654,048,975 |
| | 29,905,781,066 | 27,342,287,915 |
| Total receivables | 80,064,998,932 | 85,840,906,031 |
| Allowance for doubtful debts | (184,331,390) | (363,493,081) |
| Net current account receivables | 79,880,667,542 | 85,477,412,950 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

7. UNALLOCATED COMMISSION EXPENSE

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.

| | Currency: VND | |
|--------------------------------------|-----------------------|-----------------------|
| | Current year | Previous year |
| Opening balance | 14,805,458,353 | 13,959,938,455 |
| Paid commission during the year | 52,853,020,760 | 44,567,797,441 |
| Allocated commission during the year | (51,544,370,292) | (43,722,277,543) |
| Closing balance | <u>16,114,108,821</u> | <u>14,805,458,353</u> |

8. COMPULSORY DEPOSITS

Compulsory deposit is denominated in USD. Under the prevailing regulation, the Company has to maintain statutory insurance deposit equivalent to 2% of its legal capital.

9. TANGIBLE FIXED ASSETS

| | Currency: VND | | |
|----------------------------------|------------------------|------------------------|------------------------|
| | Motor vehicles | Office equipment | Total |
| Cost: | | | |
| Beginning balance | 3,861,436,364 | 4,811,835,188 | 8,673,271,552 |
| Additions during the year | 1,286,381,818 | 1,091,038,000 | 2,377,419,818 |
| Decrease during the year | (1,447,861,818) | (651,769,250) | (2,099,631,068) |
| Ending balance | <u>3,699,956,364</u> | <u>5,251,103,938</u> | <u>8,951,060,302</u> |
| Accumulated depreciation: | | | |
| Beginning balance | (2,261,205,293) | (4,350,264,901) | (6,611,470,194) |
| Charge for the year | (650,134,294) | (357,927,716) | (1,008,062,010) |
| Decrease during the year | 1,168,774,776 | 651,769,250 | 1,820,544,026 |
| Ending balance | <u>(1,742,564,811)</u> | <u>(4,056,423,367)</u> | <u>(5,798,988,178)</u> |
| Net book value: | | | |
| Beginning balance | <u>1,600,231,071</u> | <u>461,570,287</u> | <u>2,061,801,358</u> |
| Ending balance | <u>1,957,391,553</u> | <u>1,194,680,571</u> | <u>3,152,072,124</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

10. INTANGIBLE FIXED ASSETS

| | Currency: VND | |
|----------------------------------|-----------------|-----------------|
| | Software | Total |
| Cost: | | |
| Beginning balance | 5,293,594,344 | 5,293,594,344 |
| Additions during the year | 216,050,000 | 216,050,000 |
| Ending balance | 5,509,644,344 | 5,509,644,344 |
| Accumulated depreciation: | | |
| Beginning balance | (5,081,292,250) | (5,081,292,250) |
| Charge for the year | (132,614,010) | (132,614,010) |
| Ending balance | (5,213,906,260) | (5,213,906,260) |
| Net book value: | | |
| Beginning balance | 212,302,094 | 212,302,094 |
| Ending balance | 295,738,084 | 295,738,084 |

11. LONG-TERM PREPAID EXPENSE

| | Currency: VND | |
|---------------------|----------------------|----------------------|
| | Ending balance | Beginning balance |
| Tools and equipment | 1,637,039,915 | 1,996,725,380 |
| Office renovations | 807,965,700 | 1,261,727,111 |
| Others | 3,849,595,797 | 4,551,852,624 |
| | 6,294,601,412 | 7,810,305,115 |

12. TRADE PAYABLES

| | Currency: VND | |
|---|------------------------|------------------------|
| | Ending balance | Beginning balance |
| Insurance payables | | |
| Payables for ceded activities | 131,638,627,110 | 117,505,011,104 |
| Payables to co-insurers | 3,466,405,672 | 2,940,833,791 |
| Commission payables | 4,730,534,541 | 5,924,956,652 |
| Other payables from insurance business | 2,357,783,189 | 1,387,923,712 |
| | 142,223,350,512 | 127,758,725,259 |
| Other trade payables | | |
| Assessment fee for "Financial Risk and Credit Insurance" Policies | 2,266,586,998 | 1,320,748,382 |
| IT fee | 1,827,468,043 | 3,977,150,755 |
| Compulsory fire and explosion fund and compulsory TPL fund | 2,161,068,731 | 1,783,391,279 |
| Survey fee payable | 84,697,500 | 513,671,648 |
| Other trade payables | 3,552,214,437 | 2,505,680,615 |
| | 9,892,035,709 | 10,100,942,679 |
| | 152,115,386,221 | 137,859,667,938 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

13. TAXES AND OTHER STATUTORY OBLIGATIONS

Currency: VND

| | <i>Beginning balance</i> | <i>Movement during the year</i> | | <i>Ending balance</i> |
|------------------------|--------------------------|---------------------------------|-------------------------|-----------------------|
| | | <i>Payables</i> | <i>Paid</i> | |
| Value added tax | 2,569,278,175 | 36,183,311,161 | (35,525,794,848) | 3,226,794,488 |
| Corporate income tax | 7,392,766,070 | 36,789,506,804 | (28,292,766,048) | 15,889,506,826 |
| Personal income tax | 1,165,617 | 5,751,328,371 | (6,357,778,871) | (605,284,883) |
| Foreign contractor tax | 3,880,991,898 | 998,215,902 | (1,063,062,040) | 3,816,145,760 |
| | 13,844,201,760 | 79,722,362,238 | (71,239,401,807) | 22,327,162,191 |

14. UNEARNED COMMISSION REVENUE

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

Currency: VND

| | <i>Current year</i> | <i>Previous year</i> |
|---------------------------|-----------------------|-----------------------|
| Opening balance | 34,315,081,082 | 28,881,220,989 |
| Increased during the year | 108,673,499,413 | 93,066,607,188 |
| Allocated during the year | (107,210,049,137) | (87,632,747,095) |
| Closing balance | 35,778,531,358 | 34,315,081,082 |

15. OTHER SHORT – TERM PAYABLES

Currency: VND

| | <i>Ending balance</i> | <i>Beginning balance</i> |
|----------------|-----------------------|--------------------------|
| Other payables | 176,439,683 | 170,985,648 |
| | 176,439,683 | 170,985,648 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

16. TECHNICAL RESERVES

16.1 Unearned premium reserve and claim reserve

Currency: VND

| | <i>Reserve for direct insurance and inward reinsurance</i> | <i>Reserve for outward reinsurance</i> | <i>Net reserve</i> |
|---|--|--|------------------------|
| Beginning balance | | | |
| Unearned premium reserve | 270,340,842,571 | (200,554,915,500) | 69,785,927,071 |
| Claim reserves | 471,439,849,797 | (373,627,683,820) | 97,812,165,977 |
| Outstanding claim reserve | 445,369,931,703 | (373,627,683,820) | 71,742,247,883 |
| Incurred but not reported claim reserve | 26,069,918,094 | - | 26,069,918,094 |
| Total | 741,780,692,368 | (574,182,599,320) | 167,598,093,048 |
| Ending balance | | | |
| Unearned premium reserve | 252,964,133,559 | (180,091,262,300) | 72,872,871,259 |
| Claim reserves | 305,520,336,901 | (211,125,971,425) | 94,394,365,476 |
| Outstanding claim reserve | 290,833,704,886 | (211,125,971,425) | 79,707,733,461 |
| Incurred but not reported claim reserve | 14,686,632,015 | - | 14,686,632,015 |
| Total | 558,484,470,460 | (391,217,233,725) | 167,267,236,735 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

16. TECHNICAL RESERVES (continued)

16.1 Unearned premium reserve and claim reserve (continued)

16.1.1 Unearned premium reserve

Unearned Gross and Assumed Premium Reserves

Currency: VND

| <i>Product</i> | <i>Ending balance</i> | <i>Beginning balance</i> |
|--|------------------------|--------------------------|
| Health and Personal Accident Insurance | 24,867,029,669 | 24,937,170,059 |
| Property and Damages Insurance | 154,807,728,206 | 173,334,874,174 |
| Cargo Insurance | 8,929,701,179 | 8,389,380,656 |
| Automobile Insurance | 8,224,303,050 | 8,872,727,546 |
| Fire Insurance | 266,385,634 | 234,391,990 |
| Marine Hull and P&I Insurance | 460,369,248 | 476,259,470 |
| Liability Insurance | 29,619,557,501 | 27,084,564,123 |
| Business Risk Insurance | 6,555,111,255 | 7,584,536,983 |
| Financial Risk and Credit Insurance | 19,233,947,817 | 19,426,937,570 |
| | 252,954,133,559 | 270,340,842,571 |

Unearned ceded premium reserve (Reinsurance assets)

Currency: VND

| <i>Product</i> | <i>Ending balance</i> | <i>Beginning balance</i> |
|--|------------------------|--------------------------|
| Health and Personal Accident Insurance | 921,765,673 | 995,620,167 |
| Property and Damages Insurance | 141,966,275,559 | 161,110,516,872 |
| Cargo Insurance | 1,966,746,049 | 2,041,695,629 |
| Automobile Insurance | 134,525,095 | 182,216,785 |
| Fire Insurance | 179,491,248 | 113,183,840 |
| Marine Hull and P&I Insurance | 454,645,622 | 470,381,690 |
| Liability Insurance | 10,720,682,117 | 10,631,975,983 |
| Business Risk Insurance | 6,370,310,554 | 7,414,115,950 |
| Financial Risk and Credit Insurance | 17,376,820,383 | 17,595,208,584 |
| | 180,091,262,300 | 200,554,915,500 |

16.1.2 Claim reserve

Direct and Reinsurance assumed claim reserve

Currency: VND

| <i>Product</i> | <i>Ending balance</i> | <i>Beginning balance</i> |
|--|------------------------|--------------------------|
| Health and Personal Accident Insurance | 12,151,836,033 | 8,296,029,688 |
| Property and Damages Insurance | 139,349,764,280 | 257,655,526,509 |
| Cargo Insurance | 35,331,088,520 | 49,022,798,802 |
| Automobile Insurance | 8,932,750,049 | 16,728,754,048 |
| Marine Hull and P&I Insurance | 30,000,000 | - |
| Liability Insurance | 13,291,708,043 | 17,286,704,979 |
| Business Risk Insurance | 1,602,300,835 | 1,104,056,542 |
| Financial Risk and Credit Insurance | 94,830,889,141 | 121,345,979,229 |
| | 305,520,336,901 | 471,439,849,797 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

16. TECHNICAL RESERVES (continued)

16.1 Unearned premium reserve and claim reserve (continued)

16.1.2 Claim reserve (continued)

Reinsurance ceded claim reserve (Reinsurance assets)

| | | Currency: VND | |
|-------------------------------------|------------------------|--------------------------|--|
| <i>Product</i> | <i>Ending balance</i> | <i>Beginning balance</i> | |
| Property and Damages Insurance | 112,357,552,630 | 241,021,079,917 | |
| Cargo Insurance | 12,510,396,928 | 20,720,029,430 | |
| Marine Hull and P&I Insurance | 29,499,990 | - | |
| Liability Insurance | 3,210,350,537 | 11,116,226,311 | |
| Business Risk Insurance | 1,586,453,400 | 1,055,924,995 | |
| Financial Risk and Credit Insurance | 81,431,717,940 | 99,714,423,167 | |
| | 211,125,971,425 | 373,627,683,820 | |

16.2 Catastrophe reserve

| | | Currency: VND | |
|--|-----------------------|--------------------------|--|
| <i>Product</i> | <i>Ending balance</i> | <i>Beginning balance</i> | |
| Health and Personal Accident Insurance | 13,811,019,909 | 11,687,992,754 | |
| Property and Damages Insurance | 8,566,596,841 | 7,569,449,071 | |
| Cargo Insurance | 27,086,213,443 | 24,797,148,587 | |
| Automobile Insurance | 12,074,488,386 | 11,340,597,149 | |
| Fire Insurance | 249,972,418 | 245,497,563 | |
| Marine Hull and P&I Insurance | 112,444,156 | 111,262,067 | |
| Liability Insurance | 11,325,906,550 | 9,868,318,443 | |
| Business Risk Insurance | 156,912,873 | 144,960,867 | |
| Financial Risk and Credit Insurance | 937,203,320 | 660,483,237 | |
| | 74,320,757,896 | 66,425,709,738 | |

Catastrophe reserve is accrued annually and calculated at 3% of net written premiums. Details are as follows:

| | | Currency: VND | |
|---------------------------|-----------------------|--------------------------|--|
| | <i>Ending balance</i> | <i>Beginning balance</i> | |
| Opening balance | 66,425,709,738 | 58,474,149,543 | |
| Increased during the year | 7,895,048,158 | 7,951,560,195 | |
| Closing balance | 74,320,757,896 | 66,425,709,738 | |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

17. OWNERS' EQUITY

17.1 Increase and decrease in owners' equity

| | Contributed chartered capital | Statutory reserve fund | Undistributed after-tax profits | Foreign exchange translation reserve (*) | Currency: VND Total |
|--|----------------------------------|---------------------------|------------------------------------|--|------------------------|
| Previous year | | | | | |
| Beginning balance | 300,000,000,000 | 30,000,000,000 | 66,110,133,556 | 31,520,800,000 | 427,630,933,556 |
| Distributed profit for 2018 | - | - | (44,083,416,479) | - | (44,083,416,479) |
| Profit for the year | - | - | 117,202,689,504 | - | 117,202,689,504 |
| Appropriation of profit to bonus and welfare fund | - | - | (5,860,134,974) | - | (5,860,134,974) |
| Ending balance | 300,000,000,000 | 30,000,000,000 | 133,369,281,607 | 31,520,800,000 | 494,890,081,607 |
| Current year | | | | | |
| Beginning balance | 300,000,000,000 | 30,000,000,000 | 133,369,281,607 | 31,520,800,000 | 494,890,081,607 |
| Remaining distributed profit for 2019 (**) | - | - | (77,752,845,417) | - | (77,752,845,417) |
| Profit for the year | - | - | 141,814,202,634 | - | 141,814,202,634 |
| Appropriation of profit to bonus and welfare fund (***) | - | - | (7,090,710,132) | - | (7,090,710,132) |
| Ending balance | 300,000,000,000 | 30,000,000,000 | 190,339,928,692 | 31,520,800,000 | 551,860,728,692 |

(*) The balance of foreign exchange translation reserve of VND 31,520,800,000 as at 31 December 2020 represents the foreign exchange difference resulted from the conversion of accounting currency from USD to VND in 2008.

(**) According to Resolution No. 09/2020/NQ-HĐTV on profit distribution for 2019, approved by Members' Council on 15 May 2020.

(***) The Company allocated 5% profit after tax to welfare fund in accordance with the Company's charter dated 13 October 2017.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

17. OWNERS' EQUITY (continued)

17.2 Contributed charter capital

Currency: VND

| | Charter capital amount | Percentage of ownership | Contributed charter capital | Uncontributed charter capital |
|----------------------------|------------------------|-------------------------|-----------------------------|-------------------------------|
| Foreign party: | | | | |
| Tokio Marine Asia Pte. Ltd | 153,000,000,000 | 51% | 153,000,000,000 | - |
| Vietnamese party: | | | | |
| Bao Viet Holdings | 147,000,000,000 | 49% | 147,000,000,000 | - |
| | 300,000,000,000 | 100% | 300,000,000,000 | - |

17.3 Capital transactions with owners and distributions of profit

Currency: VND

| | Ending balance | Beginning balance |
|----------------------------|-----------------------|-----------------------|
| Contributed capital | | |
| Beginning balance | 300,000,000,000 | 300,000,000,000 |
| Ending balance | 300,000,000,000 | 300,000,000,000 |
| Distributed profit | 77,752,845,417 | 44,083,416,479 |

18. REVENUE

Currency: VND

| | Current year | Previous year |
|--|------------------------|------------------------|
| Gross written premiums | 689,642,383,633 | 653,093,487,489 |
| Deductions | (6,327,800,896) | (9,239,818,136) |
| Net direct premium | 683,314,582,737 | 643,853,669,353 |
| Reinsurance assumed premiums | 58,308,995,843 | 52,259,162,496 |
| Deductions | (1,566,523,018) | (344,713,015) |
| Net assumed premium | 56,742,472,825 | 51,914,449,481 |
| Decrease/(increase) in un-earned premium reserve | 17,376,709,012 | (19,176,465,900) |
| | 757,433,764,574 | 676,591,652,934 |

18.1 Gross written premiums

Currency: VND

| Product | Current year | Previous year |
|--|------------------------|------------------------|
| Health and Personal Accident Insurance | 73,082,323,040 | 76,022,113,192 |
| Property and Damages Insurance | 309,581,966,535 | 272,685,986,595 |
| Cargo Insurance | 94,126,269,823 | 106,236,190,016 |
| Automobile Insurance | 24,975,230,236 | 27,247,387,474 |
| Fire Insurance | 142,266,036 | 506,572,840 |
| Marine Hull and P&I Insurance | 3,134,383,780 | 3,375,785,742 |
| Liability Insurance | 75,975,154,058 | 69,130,640,657 |
| Business Risk Insurance | 11,468,736,717 | 16,502,314,132 |
| Financial Risk and Credit Insurance | 90,828,252,512 | 72,146,678,705 |
| | 683,314,582,737 | 643,853,669,353 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

18. REVENUE (continued)

18.2 Reinsurance assumed premiums

| Product | Currency: VND | |
|--|-----------------------|-----------------------|
| | Current year | Previous year |
| Health and Personal Accident Insurance | - | 91,785,400 |
| Property and Damages Insurance | 49,347,498,248 | 44,436,066,175 |
| Cargo Insurance | 1,574,507,799 | 1,042,936,896 |
| Fire Insurance | 355,430,565 | 158,955,722 |
| Liability Insurance | 3,349,746,835 | 3,118,149,531 |
| Business Risk Insurance | 949,948,476 | 886,895,766 |
| Financial Risk and Credit Insurance | 1,165,340,902 | 2,179,659,991 |
| | 56,742,472,825 | 51,914,449,481 |

19. REINSURANCE PREMIUM CEDED

| | Currency: VND | |
|--|------------------------|------------------------|
| | Current year | Previous year |
| Reinsurance premium ceded | 476,888,783,613 | 430,716,112,346 |
| Decrease/(increase) in ceded premium reserve | 20,463,653,200 | (17,357,157,111) |
| | 497,352,436,813 | 413,358,955,235 |

19.1 Reinsurance premium ceded

| Product | Currency: VND | |
|--|------------------------|------------------------|
| | Current year | Previous year |
| Health and Personal Accident Insurance | 2,314,751,195 | 3,144,396,783 |
| Property and Damages Insurance | 325,691,205,765 | 285,731,272,167 |
| Cargo Insurance | 19,398,615,759 | 25,096,864,864 |
| Automobile Insurance | 512,189,025 | 670,374,073 |
| Fire Insurance | 348,534,740 | 383,770,302 |
| Marine Hull and P&I Insurance | 3,094,980,835 | 3,333,973,293 |
| Liability Insurance | 30,738,630,665 | 28,386,063,581 |
| Business Risk Insurance | 12,020,284,989 | 17,016,345,764 |
| Financial Risk and Credit Insurance | 82,769,590,640 | 66,953,050,519 |
| | 476,888,783,613 | 430,716,112,346 |

20. COMMISSION ON REINSURANCE CEDED AND OTHER INSURANCE INCOME

| | Currency: VND | |
|--|------------------------|------------------------|
| | Current year | Previous year |
| Commission on reinsurance ceded | 107,210,049,137 | 87,632,747,095 |
| Other income from insurance activities | 14,637,889,880 | 13,610,844,201 |
| | 121,847,939,017 | 101,243,591,296 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

20. COMMISSION ON REINSURANCE CEDED AND OTHER INSURANCE INCOME
(continued)

20.1 Commission on reinsurance ceded

Currency: VND

| Product | Current year | Previous year |
|--|------------------------|-----------------------|
| Health and Personal Accident Insurance | 163,436,456 | 193,308,036 |
| Property and Damages Insurance | 75,423,079,075 | 58,945,416,687 |
| Cargo Insurance | 3,744,466,444 | 4,651,323,238 |
| Automobile Insurance | 132,494,472 | 146,493,456 |
| Fire Insurance | 64,962,049 | 83,607,068 |
| Marine Hull and P&I Insurance | 638,962,540 | 1,180,934,022 |
| Liability Insurance | 6,349,522,152 | 5,143,187,617 |
| Business Risk Insurance | 3,292,691,930 | 3,826,703,727 |
| Financial Risk and Credit Insurance | 17,400,434,019 | 13,461,773,244 |
| | 107,210,049,137 | 87,632,747,095 |

20.2 Other income from insurance activities

Currency: VND

| | Current year | Previous year |
|-----------------------------|-----------------------|-----------------------|
| Claim settling Agent income | 10,636,972,821 | 9,835,118,262 |
| Handling charge income | 1,790,018,561 | 1,600,690,482 |
| Other income | 2,160,898,498 | 2,175,035,457 |
| | 14,637,889,880 | 13,610,844,201 |

21. CLAIM EXPENSES

Currency: VND

| | Current year | Previous year |
|---|-----------------------|------------------------|
| Direct claim expenses and claim expenses on inward reinsurance | 225,599,135,252 | 255,681,008,111 |
| - Direct claim expense | 215,624,727,786 | 169,286,244,578 |
| - Claim expense on inward reinsurance | 9,974,407,466 | 86,394,763,533 |
| Recovery from third party, recovery from 100% compensated goods | (28,382,924,310) | (5,983,924,808) |
| Recovery from reinsurance ceded | (116,832,181,373) | (159,489,951,662) |
| Decrease in gross claim reserve and reinsurance assumed claim reserve | (165,919,512,896) | (118,702,331,171) |
| Decrease in outward reinsurance claim reserve | 162,501,712,395 | 130,548,338,217 |
| | 76,966,229,068 | 102,053,138,687 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

21. CLAIM EXPENSES (continued)

21.1 Direct claim expense

Currency: VND

| <i>Product</i> | <i>Current year</i> | <i>Previous year</i> |
|--|------------------------|------------------------|
| Health Insurance and Personal Accident Insurance | 31,845,669,191 | 36,698,694,929 |
| Property and Damages Insurance | 108,012,084,260 | 48,489,671,091 |
| Cargo Insurance | 20,556,687,497 | 23,074,920,220 |
| Automobile Insurance | 9,581,034,360 | 11,339,616,463 |
| Liability Insurance | 13,111,245,018 | 12,520,776,622 |
| Business Risk Insurance | 79,289,890 | 12,111,678,497 |
| Financial Risk and Credit Insurance | 32,438,717,570 | 25,050,886,756 |
| | 215,624,727,786 | 169,286,244,578 |

21.2 Claim expenses on reinsurance assumed

Currency: VND

| <i>Product</i> | <i>Current year</i> | <i>Previous year</i> |
|--|----------------------|-----------------------|
| Health Insurance and Personal Accident Insurance | 22,789,887 | 46,467,569 |
| Property and Damages Insurance | 8,292,293,605 | 85,008,512,530 |
| Cargo Insurance | 17,916,327 | 35,905,631 |
| Fire Insurance | - | 885,046,404 |
| Liability Insurance | 408,761,187 | 235,867,237 |
| Business Risk Insurance | 1,082,359,632 | - |
| Financial Risk and Credit Insurance | 150,286,628 | 202,964,162 |
| | 9,974,407,466 | 86,394,763,533 |

21.3 Recovery from reinsurance ceded

Currency: VND

| <i>Product</i> | <i>Current year</i> | <i>Previous year</i> |
|--|------------------------|------------------------|
| Health Insurance and Personal Accident Insurance | - | 1,556,018,192 |
| Property and Damages Insurance | 108,592,765,516 | 120,439,845,989 |
| Cargo Insurance | (16,849,014,658) | 4,850,925,492 |
| Automobile Insurance | - | 6,054,300 |
| Fire Insurance | - | 821,794,083 |
| Liability Insurance | 1,469,654,828 | 609,472,482 |
| Business Risk Insurance | 1,150,429,675 | 11,812,237,497 |
| Financial Risk and Credit Insurance | 22,268,346,012 | 19,393,602,627 |
| | 116,832,181,373 | 159,489,951,662 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

22. OTHER OPERATING EXPENSES

Currency: VND

| | <i>Current year</i> | <i>Previous year</i> |
|-----------------------------------|-----------------------|-----------------------|
| Underwriting risk survey expenses | 1,829,815,721 | 3,146,748,792 |
| Agent management fee | 787,932,206 | 770,748,458 |
| Handling charged | 1,264,782,789 | 1,461,652,264 |
| Loss prevention | 265,379,002 | 82,251,995 |
| Statutory contributions | 2,232,200,959 | 1,899,925,038 |
| Others | 4,674,764,901 | 4,680,486,875 |
| | 11,054,875,578 | 12,041,813,422 |

23. FINANCE INCOME

Currency: VND

| | <i>Current year</i> | <i>Previous year</i> |
|-------------------------------|-----------------------|-----------------------|
| Interest income from deposits | 46,957,816,824 | 40,933,903,565 |
| Interest income from bonds | 8,714,001,795 | 8,685,998,204 |
| Dividend received | 1,830,509,510 | 802,620,000 |
| Foreign exchange gains | 2,356,596,518 | 438,544,092 |
| | 59,858,924,647 | 50,861,065,861 |

24. FINANCE EXPENSE

Currency: VND

| | <i>Current year</i> | <i>Previous year</i> |
|-------------------------|----------------------|----------------------|
| Management fee | 2,324,701,790 | 2,225,724,067 |
| Foreign exchange losses | 1,792,377,838 | 666,212,440 |
| | 4,117,079,628 | 2,891,936,507 |

25. GENERAL AND ADMINISTRATIVE EXPENSES

Currency: VND

| | <i>Current year</i> | <i>Previous year</i> |
|--|------------------------|------------------------|
| Employee expense | 72,717,553,752 | 66,126,673,678 |
| Material, tool and equipment expense | 3,366,863,100 | 2,617,858,330 |
| IT consultancy fee | 12,175,126,192 | 9,121,712,002 |
| Depreciation expense | 1,140,676,020 | 1,073,848,812 |
| Tax, fee, and charge | 670,145,400 | 703,625,071 |
| Office rental and office renewal expense | 10,658,649,555 | 9,528,225,132 |
| Outsourcing expenses | 11,212,351,597 | 11,924,439,569 |
| Reversal of provision for doubtful debts | (179,161,691) | (19,808,464) |
| Others | 263,707,387 | 311,435,388 |
| | 112,025,921,312 | 101,388,009,518 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

26. OTHER INCOME AND EXPENSES

| | Currency: VND | |
|--------------------------------|--------------------|--------------------|
| | Current year | Previous year |
| Gain from disposal assets | 704,909,091 | - |
| Other income | 500,000 | 36,316,314 |
| | 705,409,091 | 36,316,314 |
| Other expenses | 286,367,042 | 37,515,728 |
| Net other profit/(loss) | 419,042,049 | (1,199,414) |

27. CORPORATE INCOME TAX

The Company is subject to paying Corporate Income Tax ("CIT") at the rate of 20% of its taxable profits.

The tax returns filed by the Company are subject to examination by the tax authorities. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the tax authorities.

27.1 CIT expense

| | Currency: VND | |
|---------------------|-----------------------|-----------------------|
| | Current year | Previous year |
| Current tax expense | 36,789,506,804 | 28,084,720,066 |
| Total | 36,789,506,804 | 28,084,720,066 |

Reconciliation between CIT expense and the accounting profit multiplied by CIT rate is presented below:

| | Currency: VND | |
|-------------------------------------|------------------------|------------------------|
| | Current year | Previous year |
| Accounting profit before tax | 178,603,709,438 | 145,287,419,570 |
| At CIT rate of 20% | 35,720,741,888 | 29,057,483,914 |
| <i>Adjustments to increase</i> | | |
| - Non-deductible expenses | 1,061,201,250 | 204,349,217 |
| - Members' council remuneration | 198,450,460 | 199,014,084 |
| - Other increase | 371,095,206 | 270,442,000 |
| <i>Adjustments to decrease</i> | | |
| - Dividend income | (267,540,000) | (160,524,000) |
| - Other decrease | (294,442,000) | (1,486,045,149) |
| CIT expense | 36,789,506,804 | 28,084,720,066 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

27. CORPORATE INCOME TAX (continued)

27.2 Current tax

The current tax payable is based on taxable income for the current year. The taxable income of the Company for the year differs from the 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 not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

27.3 Deferred corporate income tax

The followings are the deferred tax assets and deferred tax liability recognized by the Company, and the movements thereon, during the current and previous years:

| | <i>Balance sheet</i> | | <i>Effect on the income statement</i> | |
|--|-----------------------|--------------------------|---------------------------------------|----------------------|
| | <i>Ending balance</i> | <i>Beginning balance</i> | | |
| | | | <i>Current year</i> | <i>Previous year</i> |
| Year-end revaluation of assets denominated in foreign currencies | 7,489,275,211 | 7,489,275,211 | - | - |
| Deferred tax expense | | | - | - |

28. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Company has contractual commitments for the rent of offices and apartment as follows:

| | <i>Currency: VND</i> | |
|---|-----------------------|--------------------------|
| | <i>Ending balance</i> | <i>Beginning balance</i> |
| Commitments for the rental of offices and apartment | | |
| Less than 1 year | 16,315,391,220 | 12,425,174,822 |
| From 1 to 5 years | 21,050,265,600 | 5,225,603,040 |
| | 37,365,656,820 | 17,650,777,862 |

Other off-balance sheet items

| <i>ITEMS</i> | <i>Ending balance</i> | <i>Beginning balance</i> |
|---|-----------------------|--------------------------|
| Insurance policies signed but not yet effective (VND) | 49,822,877,145 | 51,831,380,887 |
| Ceded Insurance policies signed but for which no obligations have arisen on the part of the Company (VND) | 27,979,742,999 | 30,722,537,400 |
| Foreign currency (USD) | 3,679,467 | 3,816,722 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

29. TRANSACTIONS WITH RELATED PARTIES

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

| | | | Currency: VND | |
|---|--|--|---------------------|----------------------|
| <i>Related parties</i> | <i>Relationship</i> | <i>Transactions</i> | <i>Current year</i> | <i>Previous year</i> |
| Tokio Marine Asia Pte. Ltd | Joint-Owner | Profit distributed in the year | (39,653,951,163) | (45,432,542,404) |
| | | IT consultancy fee | (4,016,895,567) | (3,570,126,495) |
| | | Consultancy fee for internal audit, compliance and risk management | (172,711,614) | (124,525,880) |
| | | Underwriting risk survey fee | (483,803,069) | (1,171,293,988) |
| | | | | |
| Bao Viet Holdings | Joint-Owner | Profit distributed in the year | (38,098,894,254) | (43,650,874,075) |
| Bao Viet General Insurance Corporation | Owned by Bao Viet Holdings | Co-insurance premium | 4,289,436,404 | 4,317,519,454 |
| | | Inward reinsurance premiums | 300,784,696 | 189,076,377 |
| | | Inward reinsurance commission | (76,223,457) | (51,050,622) |
| | | Inward reinsurance claim expense | (4,028,319,467) | (266,559,727) |
| | | Outward reinsurance premiums | (39,097,585,564) | (24,772,267,247) |
| | | Outward reinsurance Commission | 10,016,819,991 | 5,655,929,813 |
| | | Outward reinsurance claim recovery | 10,647,117,865 | 86,795,617,333 |
| | | Policies handling charge | (83,475) | - |
| | | | | |
| | | | | |
| The Tokio Marine and Nichido Fire Insurance Co., Ltd. | Indirect investment via Tokio Marine Asia Pte. Ltd | Claims Settling Agent Fee | 9,672,185,073 | 9,145,834,087 |
| | | Outward reinsurance premiums | (110,968,458,691) | (125,104,629,107) |
| | | Outward reinsurance Commission | 25,860,587,076 | 24,369,418,196 |
| | | Outward reinsurance claim recovery | 49,916,656,949 | 20,832,798,783 |
| | | | | |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

29. TRANSACTIONS WITH RELATED PARTIES (continued)

Amounts due to and due from related parties as at 31 December 2020 and 2019 were as follows:

| | | | Currency: VND | |
|---|--|---------------------------------------|---|--|
| <i>Related parties</i> | <i>Relationship</i> | <i>Transactions</i> | <i>Ending balance Receivables/ (Payables)</i> | <i>Beginning balance Receivables/ (Payables)</i> |
| Tokio Marine Asia Pte. Ltd | Joint-Owner | IT consultancy fee payables | (1,827,468,043) | (1,795,405,858) |
| Bao Viet General Insurance Corporation | Owned by Bao Viet Holdings | Outward reinsurance payables | (11,343,402,574) | (6,581,070,835) |
| | | Outward reinsurance receivables | 4,756,362,354 | 3,149,726,725 |
| | | Co-insurance payables | (8,584,016,818) | (12,168,993,445) |
| The Tokio Marine and Nichido Fire Insurance Co., Ltd. | Indirect investment via Tokio Marine Asia Pte. Ltd | Claims Settling Agent Fee receivables | 5,492,332,639 | 7,996,287,838 |
| | | Outward reinsurance payables | (24,532,115,430) | (23,662,739,325) |
| | | Outward reinsurance receivables | 4,323,243,881 | 2,134,115,294 |

Remuneration of the Members' Council in 2020: VND 992,252,300 (in 2019: VND 995,070,421).

The policies for the Members' Council remuneration are in accordance with the decision of Members' Council and in consistency with those applied in the financial year ended as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. RISK MANAGEMENT FRAMEWORK

30.1 Governance framework

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

The Company has established a risk management function with clear terms of reference agreed by the Members' Council and other committees. This function is supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the Members' Council to the Board of Management and other senior management. A policy framework has been developed and implemented which sets out the Company's risk profiles; risk management; control and business conduct standards for the Company's operations. Each policy will be overseen by a member of the Board of Management on its compliance throughout the Company.

30.2 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 insurable 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.

30.3 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 recognises the impact on shareholders 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 that apply to the Company are those set out in Circular No. 50.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. RISK MANAGEMENT FRAMEWORK (continued)

30.3 Capital management and regulatory framework (continued)

The tables below summarise the minimum regulatory solvency margin for the Company and the solvency capital:

Currency: VND million

| | <i>Company Solvency Capital</i> | <i>Minimum Solvency Margin</i> | <i>Solvency Margin Ratio</i> |
|------------------|-------------------------------------|------------------------------------|----------------------------------|
| 31 December 2020 | 509,824 | 91,909 | 554.71% |
| 31 December 2019 | 450,745 | 82,950 | 543.39% |

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

30.4 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.

30.5 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 each insured. The amount of each risk retained depends on the Company's evaluation of the specific risk, subject in certain circumstances, to maximize limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the reinsurer agrees to pay the claim amount in the event the claim is paid. However, the Company remains liable to its policyholders 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 Company's credit rating standard, either assessed from public rating information or internal investigations, will be used.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

31. 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.

31.1 Insurance risk

31.1.1 General insurance contracts

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 separate 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 items affecting the ultimate costs of the 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 is based on Circular No. 50 of such reserving methodologies are as follows: Claim reserve includes the reserve for outstanding claims and for claims incurred but not reported.

- ▶ Outstanding 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 fiscal year, in accordance to the Circular No. 50; and
- ▶ Reserve for incurred but not reported claims for which the insurer is liable (IBNR).

The Company is calculating the reserve for incurred but not reported claims based on the following formula:

$$\begin{array}{ccccccc}
 \text{Reserve for payment of losses which have incurred but not yet reported for the current fiscal year} & = & \frac{\text{Total indemnity for claims incurred but not reported at the end of the last three years}}{\text{Total indemnity for losses arising in the last three years}} & \times & \text{Indemnity for losses arising in the current fiscal year} & \times & \frac{\text{Net operating revenue of current fiscal year}}{\text{Net operating revenue of the previous fiscal year}} & \times & \frac{\text{Average delay in reporting claims of current fiscal year}}{\text{Average delay in reporting claims of previous fiscal year}}
 \end{array}$$

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

31. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

31.1 Insurance risk (continued)

31.1.1 General insurance contracts (continued)

Assumptions, changes in assumptions and sensitivity analysis (continued)

The Company issues general insurance contracts such as Health and Personal accident insurance, Property and Damages insurance, Cargo insurance, Automobile insurance, Fire insurance, Liability insurance, Business risk insurance, Marine hull and P&I insurance, Financial risk, and Credit insurance. Risks under general insurance contracts usually cover twelve-month duration.

The Company is exposed to risk of accumulation in view of the economic development across the country and flow of foreign investment in manufacturing and real estates, especially in the major economic hubs such as Ho Chi Minh City, Hanoi, and Da Nang.

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

For longer tail claims that take over a year to settle; there is also inflation risk. These risks do not vary significantly in relation to the location of the risk insured by the general insurance, type of risk insured and by industry.

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 managing activity 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).

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

31. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

31.1 Insurance risk (continued)

31.1.1 General insurance contracts (continued)

Assumptions, changes in assumptions and sensitivity analysis (continued)

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

Claim development table

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

Currency: VND million

| ITEMS | Accident year | | | | | Total |
|--|---------------|--------|--------|---------|--------|---------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | |
| At end of accident year | 1 | 2 | 3 | 4 | 5 | |
| I. Estimate of cumulative claims incurred | | | | | | |
| 1 | 72,038 | 81,789 | 97,352 | 97,936 | 89,640 | |
| 2 | 72,569 | 83,383 | 97,220 | 98,652 | | |
| 3 | 70,162 | 79,354 | 95,819 | | | |
| 4 | 70,755 | 78,892 | | | | |
| 5 | 70,630 | | | | | |
| Current estimate of cumulative claims incurred (1) | 70,630 | 78,892 | 95,819 | 98,652 | 89,640 | 433,633 |
| II. Cumulative claim payment | | | | | | |
| 1 | 33,442 | 39,718 | 47,835 | 55,639 | 47,983 | |
| 2 | 62,803 | 73,745 | 74,528 | 81,428 | | |
| 3 | 66,545 | 77,037 | 80,533 | | | |
| 4 | 70,111 | 78,023 | | | | |
| 5 | 70,215 | | | | | |
| Cumulative claim payment to date (2) | 70,215 | 78,023 | 80,533 | 81,428 | 47,983 | 358,182 |
| III. Net outstanding claim reserve (3) = (1) - (2) | 415 | 869 | 15,286 | 17,224 | 41,657 | 75,451 |
| IV. Current estimate of surplus (4) | 1,408 | 2,897 | 1,533 | (716) | - | 5,122 |
| V. Percentage of current estimate of surplus over current estimate of cumulative claims incurred (5) = (4)/(1)*100% | 1.99% | 3.67% | 1.60% | (0.73%) | 0.00% | 1.18% |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

31. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

31.2 Financial risk

Transactions in financial instruments may result in the Company assuming financial risks. These include market risk, credit risk and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the Company manages these risks.

31.2.1 Market risk

Market risk can be described as the risk of change in fair value of a financial instrument due to changes in interest rates, equity prices and foreign currency exchange rates.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rate relates primarily to the Company's term deposits and bonds. These investments are mainly short term in nature and they are not held for speculative purposes.

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

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

Equity price risk

The Company's listed equity securities are susceptible to market price risk arising from uncertainty about future values of the investment securities. The Company manages equity price risk by placing a limit on equity investments. The Company's Board of Management reviews and approves all equity investment decisions.

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 currency risk facing the Company mainly comes from movements in the USD/VND exchange rates. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

31. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

31.2 Financial risk (continued)

31.2.1 Market risk (continued)

Foreign currency risk (continued)

The effect of a reasonably possible movement of the foreign currency exchange rate against the VND on the income statement and statement of financial position of the Company with all other variables held constant is indicated in the table below:

| Currency: VND | | |
|---------------------------|--|-----------------------------|
| <i>Change in variance</i> | <i>Impact on profit before tax</i> | <i>Impact on equity</i> |
| 31 December 2020 | | |
| +5% | 3,806,620,561 | 3,045,296,449 |
| -5% | (3,806,620,561) | (3,045,296,449) |
| 31 December 2019 | | |
| +5% | 4,052,728,284 | 3,242,182,627 |
| -5% | (4,052,728,284) | (3,242,182,627) |

31.2.2 Credit risk

The Company's portfolio of fixed maturity investments (included its deposit arrangement with commercial banks) is subject to credit risk. This risk is defined as the potential loss in market value resulting from adverse changes in borrowers or counterparties' ability to repay the debts. The Company's objective is to earn competitive relative returns by investing in a diversified portfolio of investments. Management has a credit policy in place. Limits are established to manage credit quality and concentration risk.

The Company also has insurance and reinsurance receivables, and other receivable amounts subject to credit risk. The most significant of these 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

31. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

31.2 Financial risk (continued)

31.2.2 Credit risk (continued)

Details on credit quality by classes of assets for all financial assets exposed to credit risk as at 31 December 2020 are as follows:

Currency: VND

| | Not yet due | Past-due but not individually impaired | Individually impaired | Total |
|-------------------------------------|--------------------------|--|--------------------------|--------------------------|
| Financial instruments | | | | |
| Available-for-sale | 115,532,062,310 | - | - | 115,532,062,310 |
| Listed share | 8,430,000,000 | - | - | 8,430,000,000 |
| Treasury bonds | 107,102,062,310 | - | - | 107,102,062,310 |
| Loans and receivables | 913,024,881,813 | - | 573,047,993 | 913,597,929,806 |
| Term deposits | 821,512,881,463 | - | - | 821,512,881,463 |
| Statutory deposit | 8,638,125,000 | - | - | 8,638,125,000 |
| Insurance receivables | 43,501,858,176 | - | 573,047,993 | 44,074,906,169 |
| Other receivables from customers | 6,755,342,010 | - | - | 6,755,342,010 |
| Other assets | 32,616,675,164 | - | - | 32,616,675,164 |
| Cash | 19,515,187,964 | - | - | 19,515,187,964 |
| | 1,048,172,132,087 | - | 573,047,993 | 1,048,745,180,080 |

Not yet due: financial assets or the loans with interest or principal payments not yet past due and there is no evidence of impairment.

Past due but not individually impaired: financial assets with past due interest and principal payments but the Company believes that these assets are not impaired as they are secured by collaterals and has confidence in the customer's creditworthiness and other credit enhancements.

Individually impaired: debt instruments and loans to customers for which the Company considers that interests and principals are not able to be recovered under the terms of the contracts.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

31. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

31.2 Financial risk (continued)

31.2.2 Credit risk (continued)

Details on credit quality by classes of assets for all financial assets exposed to credit risk as at 31 December 2019 are as follows:

| | | Past-due but not individually impaired | Individually impaired | Currency: VND Total |
|------------------------------|------------------------|--|--------------------------|------------------------|
| | Not yet due | | | |
| Financial instruments | | | | |
| Available-for-sale | 116,098,437,543 | - | - | 116,098,437,543 |
| Listed share | 8,430,000,000 | - | - | 8,430,000,000 |
| Treasury bonds | 107,668,437,543 | - | - | 107,668,437,543 |
| Loans and receivables | 821,067,165,750 | - | 1,152,602,666 | 822,219,768,416 |
| Term deposits | 725,014,965,020 | - | - | 725,014,965,020 |
| Statutory deposit | 8,666,250,000 | - | - | 8,666,250,000 |
| insurance | | | | |
| receivables | 48,805,027,013 | - | 1,152,602,666 | 49,957,629,679 |
| Other receivables | | | | |
| from customers | 9,195,037,412 | - | - | 9,195,037,412 |
| Other assets | 29,385,886,305 | - | - | 29,385,886,305 |
| Cash | 11,467,300,809 | - | - | 11,467,300,809 |
| | 948,632,904,102 | - | 1,152,602,666 | 949,785,506,768 |

31.2.3 Liquidity risk

The Company has to meet daily calls on its cash resources, notably from claims arising on its insurance contracts and early surrender of policies for surrender value. There is, therefore, a risk that cash will not be available to settle liabilities when due at a reasonable cost.

Contractual maturity

The following table indicates contractual maturity of the income-earning financial assets and financial liabilities based on contractual undiscounted payments not including insurance contract liabilities:

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

31. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

31.2 Financial risk (continued)

31.2.3 Liquidity risk (continued)

Contractual maturity (continued)

| | Overdue | Up to one year | More than one year | No maturity date | Currency: VND Total |
|----------------------------------|--------------------|------------------------|------------------------|----------------------|--------------------------|
| Ending balance | | | | | |
| Financial assets | | | | | |
| Available-for-sale | - | - | 107,102,062,310 | 8,430,000,000 | 115,532,062,310 |
| Listed share | - | - | - | 8,430,000,000 | 8,430,000,000 |
| Treasury bond | - | - | 107,102,062,310 | - | 107,102,062,310 |
| Loans and receivables | 573,047,993 | 913,024,881,813 | - | - | 913,597,929,806 |
| Term deposits | - | 821,512,881,463 | - | - | 821,512,881,463 |
| Statutory deposit | - | 8,638,125,000 | - | - | 8,638,125,000 |
| Insurance receivables | 573,047,993 | 43,501,658,176 | - | - | 44,074,906,169 |
| Other receivables from customers | - | 6,755,342,010 | - | - | 6,755,342,010 |
| Other assets | - | 32,616,675,164 | - | - | 32,616,675,164 |
| Cash | - | 19,615,187,964 | - | - | 19,615,187,964 |
| | 573,047,993 | 932,640,069,777 | 107,102,062,310 | 8,430,000,000 | 1,048,745,180,080 |
| Financial liabilities | | | | | |
| Trade payables | - | 152,115,386,221 | - | - | 152,115,386,221 |
| Other payables | - | 176,439,683 | - | - | 176,439,683 |
| | - | 152,291,825,904 | - | - | 152,291,825,904 |
| Net liquidity | 573,047,993 | 780,348,243,873 | 107,102,062,310 | 8,430,000,000 | 896,453,354,176 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

31. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

31.2 Financial risk (continued)

31.2.3 Liquidity risk (continued)

Contractual maturity (continued)

| | Overdue | Up to one year | More than one year | No maturity date | Currency: VND Total |
|----------------------------------|----------------------|------------------------|------------------------|----------------------|------------------------|
| Beginning balance | | | | | |
| Financial assets | | | | | |
| Available-for-sale | - | - | 107,668,437,543 | 8,430,000,000 | 116,098,437,543 |
| Listed share | - | - | - | 8,430,000,000 | 8,430,000,000 |
| Treasury bond | - | - | 107,668,437,543 | - | 107,668,437,543 |
| Loans and receivables | 1,152,602,666 | 821,067,165,750 | - | - | 822,219,768,416 |
| Term deposits | - | 725,014,965,020 | - | - | 725,014,965,020 |
| Statutory deposit | - | 8,666,250,000 | - | - | 8,666,250,000 |
| Insurance receivables | 1,152,602,666 | 48,805,027,013 | - | - | 49,957,629,679 |
| Other receivables from customers | - | 9,195,037,412 | - | - | 9,195,037,412 |
| Other assets | - | 29,385,886,305 | - | - | 29,385,886,305 |
| Cash | - | 11,467,300,809 | - | - | 11,467,300,809 |
| | 1,152,602,666 | 832,534,466,559 | 107,668,437,543 | 8,430,000,000 | 949,785,506,768 |
| Financial liabilities | | | | | |
| Trade payables | - | 137,859,667,938 | - | - | 137,859,667,938 |
| Other payables | - | 170,985,648 | - | - | 170,985,648 |
| | - | 138,030,653,586 | - | - | 138,030,653,586 |
| Net liquidity | 1,152,602,666 | 694,503,812,973 | 107,668,437,543 | 8,430,000,000 | 811,754,853,182 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

32. 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 instruments that are carried in the financial statements as at 31 December 2020:

| | Carrying amount | | | Provision | Total | Fair value |
|----------------------------------|--------------------------|-----------------------|----------------------|-----------|--------------------------|----------------|
| | Cost | Accrued interest | | | | |
| Currency: VND | | | | | | |
| 31 December 2020 | | | | | | |
| Financial assets | | | | | | |
| Available for sale | 110,407,404,776 | 5,124,657,534 | - | - | 115,532,062,310 | (*) |
| Listed shares | 8,430,000,000 | - | - | - | 8,430,000,000 | 21,451,199,040 |
| Treasury bonds | 101,977,404,776 | 5,124,657,534 | - | - | 107,102,062,310 | (*) |
| Loan and receivables | 891,645,048,343 | 21,952,881,463 | (184,331,390) | - | 913,413,598,416 | (*) |
| Term deposits | 799,560,000,000 | 21,952,881,463 | - | - | 821,512,881,463 | (*) |
| Statutory deposit | 8,638,125,000 | - | - | - | 8,638,125,000 | 8,638,125,000 |
| Insurance receivables | 44,074,906,169 | - | (184,331,390) | - | 43,890,574,779 | (*) |
| Other receivables from customers | 6,755,342,010 | - | - | - | 6,755,342,010 | (*) |
| Other assets | 32,616,675,164 | - | - | - | 32,616,675,164 | (*) |
| Cash | 19,615,187,964 | - | - | - | 19,615,187,964 | 19,615,187,964 |
| | 1,021,667,641,083 | 27,077,538,997 | (184,331,390) | | 1,048,560,848,690 | |
| Financial liabilities | | | | | | |
| Trade payables | 152,115,386,221 | - | - | - | 152,115,386,221 | (*) |
| Other payables | 176,439,683 | - | - | - | 176,439,683 | (*) |
| | 152,291,825,904 | - | - | - | 152,291,825,904 | |

(*) The fair value of those financial assets and liabilities cannot be determined because there is no specific guidance from Vietnamese Accounting Standards and Accounting System on determination of fair value

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

32. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements as at 31 December 2019:

| | Carrying amount | | | Fair value |
|----------------------------------|-----------------|------------------|---------------|---------------------|
| | Cost | Accrued interest | Provision | |
| Currency: VND | | | | |
| 31 December 2019 | | | | |
| Financial assets | | | | |
| Available for sale | 110,987,781,805 | 5,110,655,738 | - | 116,098,437,543 (*) |
| Listed shares | 8,430,000,000 | - | - | 8,430,000,000 (*) |
| Treasury bonds | 102,557,781,805 | 5,110,655,738 | - | 107,668,437,543 (*) |
| Loan and receivables | 802,624,803,396 | 19,594,965,020 | (363,493,081) | 821,856,275,335 (*) |
| Term deposits | 705,420,000,000 | 19,594,965,020 | - | 725,014,965,020 (*) |
| Statutory deposit | 8,666,250,000 | - | - | 8,666,250,000 (*) |
| Insurance receivables | 49,957,629,679 | - | (363,493,081) | 49,594,136,598 (*) |
| Other receivables from customers | 9,195,037,412 | - | - | 9,195,037,412 (*) |
| Other assets | 29,385,886,305 | - | - | 29,385,886,305 (*) |
| Cash | 11,467,300,809 | - | - | 11,467,300,809 |
| | 925,079,886,010 | 24,705,620,758 | (363,493,081) | 949,422,013,687 |
| Financial liabilities | | | | |
| Trade payables | 137,859,667,938 | - | - | 137,859,667,938 (*) |
| Other payables | 170,985,648 | - | - | 170,985,648 (*) |
| | 138,030,653,586 | - | - | 138,030,653,586 |

(*) The fair value of those financial assets and liabilities cannot be determined because there is no specific guidance from Vietnamese Accounting Standards and Accounting System on determination of fair value

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

32. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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.

The following methods and assumption are used to estimate fair values:

- ▶ Fair value of cash and cash equivalents, short-term deposits, trade and other receivables, trade and other payables approximate their carrying amounts largely due to the short-term maturities.
- ▶ Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.

Where there is no observable market value, and it is not possible to determine the fair value, the financial assets and liabilities are carried at cost.

33. EVENTS AFTER THE BALANCE SHEET DATE

There is no matter or circumstance that has arisen since 31 December 2020 that requires adjustment or disclosure to be made in the financial statements of the Company.



Ms. Pham Thu Trang
Chief Accountant



Mr. Hideaki Maeomote
General Director

25 March 2021