



**MSIG Insurance (Vietnam) Company Limited**

Financial Statements for the year ended  
31 December 2019



**MSIG Insurance (Vietnam) Company Limited  
Corporate Information**

<b>Establishment and Operation Licence No.</b>	54/GP/KDBH	18 September 2008
	54/GPDC1/KDBH	2 March 2009
	54/GPDC2/KDBH	1 March 2012
	54/GPDC3/KDBH	29 October 2012
	54/GPDC4/KDBH	22 October 2014
	54/GPDC5/KDBH	28 September 2018
	54/GPDC6/KDBH	5 November 2018

The Establishment and Operation Licence and its updates were issued by the Ministry of Finance and are valid for 50 years from the initial licence date.

<b>Members' Council</b>	Mr. Hideyuki Tanaka	Chairman
	Mr. Alan J. Wilson	Member
	Mr. Yujiro Sobajima	Member
	Mr. Minoru Nakamura	Member
	Ms. Pham Thi Kim Anh	Member
<b>Inspectors</b>	Ms. Nguyen Thi Bich	Chief Inspector
	Mr. Akihiro Yoshikawa	Inspector
	Mr. Richard Da Silva	Inspector
<b>General Director</b>	Mr. Yujiro Sobajima	
<b>Registered Office</b>	10 <sup>th</sup> Floor, CornerStone Building 16 Phan Chu Trinh Hoan Kiem District Hanoi Vietnam	
<b>Auditor</b>	KPMG Limited Vietnam	

## **MSIG Insurance (Vietnam) Company Limited Statement of the General Director**

The General Director of MSIG Insurance (Vietnam) Company Limited (“the Company”) presents this statement and the accompanying financial statements of the Company for the year ended 31 December 2019.

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

- (a) the financial statements set out on pages 5 to 52 give a true and fair view of the financial position of the Company as at 31 December 2019, and of the results of operations and the cash flows of the Company for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises, Circular No. 232/2012/TT-BTC dated 28 December 2012 issued by the Ministry of Finance on the promulgation of accounting guidance for non-life insurance companies, reinsurance companies and branches of foreign non-life insurance companies and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the Company will not be able to pay its debts as and when they fall due.

The Company’s General Director has, on the date of this statement, authorised the accompanying financial statements for issue.



*Yujiro Sobajima*  
General Director

Hanoi, 23 March 2020



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South Tu Liem District, Hanoi, Vietnam  
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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Investor MSIG Insurance (Vietnam) Company Limited**

We have audited the accompanying financial statements of MSIG Insurance (Vietnam) Company Limited ("the Company"), which comprise the balance sheet as at 31 December 2019, the statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Company's General Director on 23 March 2020 as set out on pages 5 to 52.

### **Management's Responsibility**

The Company's General Director is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises, Circular No. 232/2012/TT-BTC dated 28 December 2012 issued by the Ministry of Finance on the promulgation of accounting guidance for non-life insurance companies, reinsurance companies and branches of foreign non-life insurance companies and the relevant statutory requirements applicable to financial reporting, and for such internal control as the General Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's General Director, as well as evaluating the overall presentation of the financial statements.

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



## Auditor's Opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of MSIG Insurance (Vietnam) Company Limited as at 31 December 2019 and of its results of operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises, Circular No. 232/2012/TT-BTC dated 28 December 2012 issued by the Ministry of Finance on the promulgation of accounting guidance for non-life insurance companies, reinsurance companies and branches of foreign non-life insurance companies and the relevant statutory requirements applicable to financial reporting.

**KPMG Limited**

Vietnam

Audit Report No.: 19-02-00389-20-1



Wang Toon Kim  
Practicing Auditor Registration  
Certificate No. 0557-2018-007-1  
*Deputy General Director*

Hanoi, 23 March 2020

Truong Vinh Phuc  
Practicing Auditor Registration  
Certificate No. 1901-2018-007-1

**MSIG Insurance (Vietnam) Company Limited**  
**Balance sheet as at 31 December 2019**

**Form B 01 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

	Code	Note	31/12/2019 VND	31/12/2018 VND
<b>ASSETS</b>				
<b>A. CURRENT ASSETS</b> (100 = 110 + 120 + 130 + 150 + 190)	<b>100</b>		<b>1,842,487,541,104</b>	<b>2,149,719,172,938</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>4</b>	<b>40,134,707,319</b>	<b>71,137,230,167</b>
1 Cash	111		32,434,707,319	19,227,230,167
2 Cash equivalents	112		7,700,000,000	51,910,000,000
<b>II. Short-term financial investments</b>	<b>120</b>	<b>5</b>	<b>975,996,042,446</b>	<b>891,091,520,243</b>
1 Short-term financial investments	121		975,996,042,446	891,091,520,243
<b>III. Accounts receivable – short-term</b>	<b>130</b>	<b>6</b>	<b>100,400,128,068</b>	<b>151,814,010,047</b>
1 Accounts receivable from customers	131		52,753,659,266	108,508,602,955
1.1 <i>Accounts receivable – insurance</i>	<i>131.1</i>		<i>52,753,659,266</i>	<i>108,508,602,955</i>
2 Prepayments to suppliers	132		1,163,010,558	642,225,963
3 Inter-company receivables	133		3,164,609,193	4,871,952,205
4 Other short-term receivables	135		43,336,703,454	37,809,083,327
5 Allowance for doubtful debts	139		(17,854,403)	(17,854,403)
<b>V. Other current assets</b>	<b>150</b>		<b>26,402,343,193</b>	<b>25,806,804,678</b>
1 Short-term prepaid expenses	151	7	25,395,393,506	25,051,132,231
1.1 <i>Deferred commission expenses</i>	<i>151.1</i>		<i>22,799,757,406</i>	<i>22,775,802,088</i>
1.2 <i>Other short-term prepaid expenses</i>	<i>151.2</i>		<i>2,595,636,100</i>	<i>2,275,330,143</i>
2 Deductible value added tax	152		557,834,687	14,778,887
5 Other current assets	158		449,115,000	740,893,560
<b>VIII. Reinsurance assets</b>	<b>190</b>	<b>15(c)</b>	<b>699,554,320,078</b>	<b>1,009,869,607,803</b>
1 Unearned outward reinsurance premium reserve	191		234,858,827,449	248,050,838,626
2 Outward reinsurance claims reserve	192		464,695,492,629	761,818,769,177
<b>B. LONG-TERM ASSETS</b> (200 = 210 + 220 + 250 + 260)	<b>200</b>		<b>162,546,941,685</b>	<b>98,183,360,244</b>
<b>I. Accounts receivable – long-term</b>	<b>210</b>		<b>6,000,000,000</b>	<b>6,000,000,000</b>
4 Other long-term receivables	218	6	6,000,000,000	6,000,000,000
4.1 <i>Statutory security deposit</i>	<i>218.1</i>		<i>6,000,000,000</i>	<i>6,000,000,000</i>
<b>II. Fixed assets</b>	<b>220</b>		<b>8,395,753,130</b>	<b>6,478,609,585</b>
1 Tangible fixed assets	221	8	3,485,277,381	3,979,548,464
<i>Cost</i>	<i>222</i>		<i>15,292,211,579</i>	<i>12,613,751,579</i>
<i>Accumulated depreciation</i>	<i>223</i>		<i>(11,806,934,198)</i>	<i>(8,634,203,115)</i>
3 Intangible fixed assets	227	9	4,910,475,749	2,499,061,121
<i>Cost</i>	<i>228</i>		<i>13,764,800,121</i>	<i>9,522,515,621</i>
<i>Accumulated amortisation</i>	<i>229</i>		<i>(8,854,324,372)</i>	<i>(7,023,454,500)</i>
<b>IV. Long-term financial investments</b>	<b>250</b>		<b>139,244,704,331</b>	<b>77,054,700,000</b>
3 Other long-term financial investments	258	10	139,244,704,331	77,054,700,000
<b>V. Other long-term assets</b>	<b>260</b>		<b>8,906,484,224</b>	<b>8,650,050,659</b>
1 Long-term prepaid expenses	261	11	4,738,088,142	4,529,572,827
3 Other long-term assets	268		4,168,396,082	4,120,477,832
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>2,005,034,482,789</b>	<b>2,247,902,533,182</b>

*The accompanying notes are an integral part of these financial statements*

**MSIG Insurance (Vietnam) Company Limited**  
**Balance sheet as at 31 December 2019**  
**(continued)**

**Form B 01 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

	Code	Note	31/12/2019 VND	31/12/2018 VND
<b>RESOURCES</b>				
<b>A. LIABILITIES (300 = 310 + 330)</b>	<b>300</b>		<b>1,162,660,046,854</b>	<b>1,501,753,924,973</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>1,160,422,563,905</b>	<b>1,499,168,602,145</b>
2 Accounts payable to suppliers	312	12	125,680,421,132	172,993,391,593
2.1 <i>Accounts payable – insurance</i>	312.1		119,745,395,469	170,028,932,876
2.2 <i>Accounts payable – others</i>	312.2		5,935,025,663	2,964,458,717
4 Taxes payable to State Treasury	314	13	12,586,734,274	12,775,446,518
5 Payables to employees	315		113,397,939	59,142,301
6 Accrued expenses	316		23,415,467,528	16,784,574,468
7 Inter-company payables	317		660,065,527	9,120,770,689
8 Other short-term payables	319	14	42,471,795,818	54,734,128,702
8.1 <i>Unearned commission income</i>	319.1		42,082,678,026	52,953,211,048
8.2 <i>Other short-term payables</i>	319.2		389,117,792	1,780,917,654
13 Technical reserves	329	15	955,494,681,687	1,232,701,147,874
13.1 <i>Unearned premium reserve for direct insurance and inward reinsurance</i>	329.1	15(a)	367,798,328,463	365,673,936,358
13.2 <i>Claims reserve for direct insurance and inward reinsurance</i>	329.2	15(a)	527,393,779,719	816,443,142,550
13.3 <i>Catastrophe reserve</i>	329.3	15(b)	60,302,573,505	50,584,068,966
<b>II. Long-term liabilities</b>	<b>330</b>		<b>2,237,482,949</b>	<b>2,585,322,828</b>
3 Other long-term payables	333		583,625,000	113,625,000
5 Deferred tax liabilities	335	23	614,828,841	1,501,732,021
6 Unearned revenue	338		1,039,029,108	969,965,807
<b>B. EQUITY (400 = 410)</b>	<b>400</b>		<b>842,374,435,935</b>	<b>746,148,608,209</b>
<b>I. Owner's equity</b>	<b>410</b>	<b>16</b>	<b>842,374,435,935</b>	<b>746,148,608,209</b>
1 Contributed capital	411		300,000,000,000	300,000,000,000
9 Statutory reserve	419		29,657,692,820	24,147,834,603
11 Retained profits	421		512,716,743,115	422,000,773,606
<b>TOTAL RESOURCES (440 = 300 + 400)</b>	<b>440</b>		<b>2,005,034,482,789</b>	<b>2,247,902,533,182</b>

*The accompanying notes are an integral part of these financial statements*

**MSIG Insurance (Vietnam) Company Limited**  
**Balance sheet as at 31 December 2019**  
**(continued)**

**Form B 01 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

**OFF-BALANCE SHEET ITEMS**

	Unit	31/12/2019	31/12/2018
4 Insurance policies not yet incurred insurance liabilities	VND	1,039,029,108	969,965,807
Premiums from direct insurance	VND	1,039,029,108	969,965,807
5 Foreign currencies (Original currency)			
- United States Dollar (USD)	USD	1,702,459.66	1,591,514.37
- Japanese Yen (JPY)	JPY	3,894,959	1,238,648

23 March 2020

Prepared by



Nguyen Thi Van Anh  
*Chief Accountant*

Approved by



Yujiro Sobajima  
*General Director*



**MSIG Insurance (Vietnam) Company Limited**  
**Statement of income**  
**for the year ended 31 December 2019**

**Form B 02 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

**Part I – Summary statement of income**

	<b>Code</b>	<b>2019 VND</b>	<b>2018 VND</b>
1 Net revenue from insurance activities	10	419,017,836,373	379,446,815,038
3 Financial income	12	74,152,147,919	63,530,728,743
4 Other income	13	7,069,455	54,085,421
5 Total expenses for insurance activities	20	178,449,801,666	164,122,948,927
8 General and administration expenses	23	176,340,049,293	162,256,920,255
<b>10 Accounting profit before tax</b> <b>(50 = 10 + 12 + 13 – 20 – 23)</b>	<b>50</b>	<b>138,387,202,788</b>	<b>116,651,760,020</b>
11 Income tax expense – current	51	29,076,941,632	23,377,263,586
12 Income tax (benefit)/expense – deferred	52	(886,903,180)	132,252,364
<b>13 Net profit after tax</b> <b>(60 = 50 – 51 – 52)</b>	<b>60</b>	<b>110,197,164,336</b>	<b>93,142,244,070</b>

*The accompanying notes are an integral part of these financial statements*

**MSIG Insurance (Vietnam) Company Limited**  
**Statement of income**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 02 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

**Part II – Statement of income by activities**

	Code	Note	2019 VND	2018 VND
<b>1 Premium revenue</b> <b>(01 = 01.1 + 01.2 – 01.3)</b>	<b>01</b>	<b>17</b>	<b>903,755,678,966</b>	<b>730,849,225,141</b>
In which:				
- <i>Gross written premiums from direct insurance</i>	01.1		882,755,309,822	792,194,868,952
- <i>Gross written premiums from inward reinsurance</i>	01.2		23,124,761,249	18,381,080,474
- <i>Increase in unearned premium reserve for direct insurance and inward reinsurance</i>	01.3	15(a)(ii)	2,124,392,105	79,726,724,285
<b>2 Outward reinsurance premiums</b> <b>(02 = 02.1 – 02.2)</b>	<b>02</b>	<b>18</b>	<b>595,121,930,954</b>	<b>444,176,995,991</b>
In which:				
- <i>Outward reinsurance premiums</i>	02.1		581,929,919,777	519,032,307,270
- <i>(Decrease)/increase in unearned premium reserve for outward reinsurance</i>	02.2	15(a)(ii)	(13,192,011,177)	74,855,311,279
<b>3 Net premium revenue</b> <b>(03 = 01 – 02)</b>	<b>03</b>		<b>308,633,748,012</b>	<b>286,672,229,150</b>
<b>4 Commission income from outward reinsurance and other income from insurance activities</b> <b>(04 = 04.1 + 04.2)</b>	<b>04</b>		<b>110,384,088,361</b>	<b>92,774,585,888</b>
In which:				
- <i>Commission income from outward reinsurance</i>	04.1		103,947,963,993	85,996,211,001
- <i>Other income from insurance activities</i>	04.2		6,436,124,368	6,778,374,887
<b>5 Net revenue from insurance activities</b> <b>(10 = 03 + 04)</b>	<b>10</b>		<b>419,017,836,373</b>	<b>379,446,815,038</b>
6.1 Claims paid	11		397,357,887,851	610,587,008,088
6.2 Accrued loss adjustment expenses	11		1,264,932,600	2,809,932,443
7 Claims recovery from outward reinsurance	12		302,045,458,771	491,941,504,583
8 (Decrease)/increase in claims reserve for direct insurance and inward reinsurance	13	15(a)(i)	(289,049,362,831)	432,349,239,757
9 (Decrease)/increase in claims reserve for outward reinsurance	14	15(a)(i)	(297,123,276,548)	445,815,379,358
<b>10 Net claims expense</b> <b>(15 = 11 – 12 + 13 – 14)</b>	<b>15</b>	<b>19</b>	<b>104,651,275,397</b>	<b>107,989,296,347</b>

*The accompanying notes are an integral part of these financial statements*

**MSIG Insurance (Vietnam) Company Limited**  
**Statement of income**  
**for the year ended 31 December 2019 (continued)**

**Form B 02 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

**Part II – Statement of income by activities (continued)**

	Code	Note	2019 VND	2018 VND
11 Increase in catastrophe reserve	16	15(b)	9,718,504,539	8,746,309,264
12 Other operating expenses for insurance activities (17 = 17.1 + 17.2)	17	20	64,080,021,730	47,387,343,316
In which:				
- Commission on insurance activities	17.1		49,789,218,268	34,749,716,759
- Other insurance costs	17.2		14,290,803,462	12,637,626,557
<b>13 Total expenses for insurance activities (18 = 15 + 16 + 17)</b>	<b>18</b>		<b>178,449,801,666</b>	<b>164,122,948,927</b>
<b>14 Gross profit from insurance activities (19 = 10 – 18)</b>	<b>19</b>		<b>240,568,034,707</b>	<b>215,323,866,111</b>
18 Financial income	23	21	74,152,147,919	63,530,728,743
<b>20 Profit from financial activities (25 = 23 )</b>	<b>25</b>		<b>74,152,147,919</b>	<b>63,530,728,743</b>
21 General and administration expenses	26	22	176,340,049,293	162,256,920,255
<b>22 Net operating profit (30 = 19 + 25 – 26)</b>	<b>30</b>		<b>138,380,133,333</b>	<b>116,597,674,599</b>
23 Other income	31		7,069,455	54,085,421
<b>25 Results of other activities (40 = 31)</b>	<b>40</b>		<b>7,069,455</b>	<b>54,085,421</b>
<b>26 Accounting profit before tax (50 = 30 + 40)</b>	<b>50</b>		<b>138,387,202,788</b>	<b>116,651,760,020</b>
27 Income tax expense – current	51	23	29,076,941,632	23,377,263,586
28 Income tax (benefit)/expense – deferred	52	23	(886,903,180)	132,252,364
<b>29 Net profit after tax (60 = 50 – 51 – 52)</b>	<b>60</b>		<b>110,197,164,336</b>	<b>93,142,244,070</b>

23 March 2020

Prepared by



Nguyen Thi Van Anh  
Chief Accountant

Approved by



Yujiro Sobajima  
General Director

*The accompanying notes are an integral part of these financial statements*

**MSIG Insurance (Vietnam) Company Limited**  
**Statement of cash flows for the year ended**  
**31 December 2019 (Indirect method)**

**Form B 03 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

	Code	2019 VND	2018 VND
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1 Profit before tax</b>	<b>01</b>	<b>138,387,202,788</b>	<b>116,651,760,020</b>
<b>2 Adjustments for</b>			
Depreciation and amortisation	02	5,003,600,955	4,692,022,741
Allowances and provisions	03	22,214,333,198	6,017,167,861
Unrealised foreign exchange (gains)/losses	04	(1,067,606,622)	2,546,469,713
Profits from investing activities	05	(72,785,269,920)	(59,603,376,535)
<b>3 Operating profit before changes in working capital</b>	<b>08</b>	<b>91,752,260,399</b>	<b>70,304,043,800</b>
Change in receivables and other assets	09	57,451,209,725	(4,144,372,459)
Change in payables and other liabilities	11	(51,936,079,862)	75,027,180,909
Change in prepayments	12	(528,821,272)	1,193,561,136
		<b>96,738,568,990</b>	<b>142,380,413,386</b>
Income tax paid	14	(29,043,959,500)	(18,551,667,454)
<b>Net cash flows from operating activities</b>	<b>20</b>	<b>67,694,609,490</b>	<b>123,828,745,932</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1 Payments for additions to fixed assets	21	(5,147,622,500)	(4,577,256,848)
3 Payments for term deposits at banks	23	(147,094,526,534)	(141,502,639,173)
7 Receipts of interest	27	66,448,746,684	51,615,965,864
<b>Net cash flows from investing activities</b>	<b>30</b>	<b>(85,793,402,350)</b>	<b>(94,463,930,157)</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
6 Profits distribution to the parent company	36	(13,971,336,610)	(12,910,682,720)
<b>Net cash flows from financing activities</b>	<b>40</b>	<b>(13,971,336,610)</b>	<b>(12,910,682,720)</b>

*The accompanying notes are an integral part of these financial statements*

**MSIG Insurance (Vietnam) Company Limited**  
**Statement of cash flows for the year ended**  
**31 December 2019 (Indirect method - continued)**

**Form B 03 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-  
 BTC dated 28 December 2012 of  
 the Ministry of Finance)*

	Code	2019 VND	2018 VND
Net cash flows during the year (50 = 20 + 30 + 40)	50	(32,070,129,470)	16,454,133,055
Cash and cash equivalents at the beginning of the year	60	71,137,230,167	57,696,625,408
Effect of exchange rate fluctuations on cash and cash equivalents	61	1,067,606,622	(3,013,528,296)
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61) (Note 4)	70	40,134,707,319	71,137,230,167
<b>NON-CASH INVESTING ACTIVITIES</b>			
		2019 VND	2018 VND
Cost of fixed assets acquired but not yet paid		1,773,122,000	-

23 March 2020

Prepared by



Nguyen Thi Van Anh  
 Chief Accountant

Approved by



CÔNG TY  
 TRÁCH NHIỆM HỮU HẠN  
 BẢO HIỂM PHI NHÂN THỌ  
**MSIG**  
 VIỆT NAM  
 Đ. HOÀN KIẾM - TP. HÀ NỘI

Handwritten signature of Fujiro Sobajima

Fujiro Sobajima  
 General Director

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

## **1. Reporting entity**

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

MSIG Insurance (Vietnam) Co., Ltd (“the Company”) is a 100% foreign-owned company established in Vietnam under Establishment and Operation Licence No. 54/GP/KDBH issued by the Ministry of Finance (“MOF”) on 18 September 2008, which was subsequently amended with the latest Establishment and Operation Licence No. 54/GPDC6/KDBH issued by the MOF on 5 November 2018.

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

The principal activities of the Company are to provide non-life insurance and health insurance services in Vietnam including direct insurance services, reinsurance services, claim settling agent services, and carry out investment activities and other related activities.

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

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

### **(d) Company structure**

As at 31 December 2019, the Company had 170 employees (31/12/2018: 166 employees).

## **2. Basis of preparation**

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

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

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

**(b) Basis of measurement**

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

**(c) Annual accounting period**

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

**(d) Accounting and presentation currency**

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

**3. Summary of significant accounting policies**

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

**(a) Foreign currency transactions**

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

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

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

**(b) Cash and cash equivalents**

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

**(c) Investments**

***Held-to-maturity investments***

Held-to-maturity investments are those that the Company's management has the intention and ability to hold until maturity. Held-to-maturity investments comprise term deposits at banks. These investments are stated at cost less allowance for doubtful debts.

**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

**(d) Accounts receivable**

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

Allowance for doubtful debts based on the expected losses of overdue debts is determined by the Company's management after giving consideration to the recovery of these debts.

**(e) Deferred commission expenses**

Commission expenses on direct insurance and inward reinsurance are capitalised and amortised on the same basis as the allocation basis of unearned premium reserve as described in Note 3(k)(i). The balance of deferred commission expenses at the reporting date represents the commission expenses corresponding to the unearned premium.

**(f) Tangible fixed assets**

**(i) Cost**

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after tangible fixed assets have been put into operation, such as repair, maintenance and overhaul cost, is charged to the statement of income in the year in which the cost is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

**(ii) Depreciation**

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

▪ office equipment	3 years
▪ office furniture	3 years
▪ other tangible fixed assets	5 years

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**(g) Intangible fixed assets**

***Computer software***

Cost of acquiring new computer software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Computer software cost is amortised on a straight-line basis over a period ranging from 3 to 10 years.



**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

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

**(i) Golf club memberships**

Golf club memberships are recorded at cost and amortised on a straight-line basis over the term of the memberships of 28 years.

**(ii) Office fitting expenses**

Office fitting expenses are recorded at cost and amortised on a straight-line basis over 5 years.

**(iii) Tools and instruments**

Tools and instruments include assets held for use by the Company in the normal course of business whose costs of individual items are less than VND30 million and therefore not qualified for recognition as fixed assets under the prevailing regulation. Cost of tools and instruments are amortised on a straight-line basis over a period ranging from over 1 to 3 years.

**(i) Insurance and other payables**

Insurance and other payables are stated at their cost.

**(j) Provisions**

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

**(k) Technical reserves**

Technical reserves are established in accordance with regulations and instructions of Circular No. 50/2017/TT-BTC dated 15 May 2017 (“Circular 50”) of the Ministry of Finance providing guidance for implementation of Decree No. 73/2016/ND-CP dated 1 July 2016 (“Decree 73”) issued by the Government of Vietnam on the promulgation of implementation guidance for Laws on insurance business and Official Letter No. 1101/BTC-QLBH dated 24 January 2018 (“OL 1101”) of the Ministry of Finance approving for the Company’s calculation methods of technical reserves.

Technical reserves of the Company include:

**(i) Unearned premium reserve**

Unearned premium reserve is the proportion of written premiums that are related to risk after the reporting date and is included as a liability in the balance sheet.

Unearned premium reserve is calculated based on a coefficient of the term of insurance policies. The unearned premium reserve is calculated using daily method as stipulated in the third dash (-) of sub-item b, item 3.1, clause 3, Article 17 of Circular 50. Accordingly, unearned premium reserve for all types of insurance policies or reinsurance policies is calculated based on the following formula:

$$\text{Unearned premium reserve} = \frac{\text{Insurance premium} \times \text{Remaining insured days of the insurance or reinsurance policy}}{\text{Total insured days under the insurance or reinsurance policy}}$$

Unearned premium reserve is calculated and presented separately for the gross premiums from direct insurance and inward reinsurance and for outward reinsurance premiums.

**(ii) Claims reserve**

Claims reserve is established in accordance with the approval in OL No. 1101/BTC-QLBH dated 24 January 2018 issued by the Ministry of Finance.

Claims reserve includes reserve for outstanding claims and reserve for claims incurred but not reported.

Reserve for outstanding claims is made for each insurance policy by estimating the indemnity to be paid for each claim case which was reported or claimed but not yet settled by the end of the annual accounting period.

Reserve for claims incurred but not yet reported or claimed is made at 5% of the premium for each type of insurance product.

Claims reserve is calculated and presented separately for direct insurance and inward reinsurance and for outward reinsurance.

**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

**(iii) Catastrophe reserve**

Catastrophe reserve is made annually at 3% of the retained premium for all insurance products. Catastrophe reserve is made until this reserve reaches 100% of the retained premium of the current annual accounting period.

**(iv) Technical reserves for health insurance**

*Unearned premium reserve*

Unearned premium reserve for health insurance policies with terms of less than one year is made based on the coefficient of insurance period of insurance. The Company adopts the calculation method of daily basis in accordance with Circular 50 and OL 1101.

*Claims reserve*

Reserve for outstanding claims is established on a case by case basis based on the statistics of the sum insured to be paid for each claim case reported or claimed but not yet settled at the end of the annual accounting period.

Reserve for claims incurred but not yet reported or claimed is made at 5% of the retained premium for each type of insurance product in accordance with the instructions in Circular 50.

*Equalization reserve*

Equalization reserve is made at 3% of the retained premium for each type of insurance product.

**(l) Contributed capital**

Contributed capital is recognised on the contribution date at the actual amount contributed.

**(m) Statutory reserve**

Statutory reserve is appropriated from 5% of profit after tax annually until this reserve reaches 10% of the Company's charter capital. This statutory reserve is non-distributable and is classified as part of equity.

**(n) Classification of financial instruments**

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

**(i) *Financial assets***

***Financial assets at fair value through profit and loss***

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

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

***Held-to-maturity***

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

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

***Loans and receivables***

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

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

***Available-for-sale financial assets***

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

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

**(ii) Financial liabilities**

***Financial liabilities at fair value through profit or loss***

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

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

***Financial liabilities carried at amortised cost***

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

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

**(o) Taxation**

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates at the end of the annual accounting period, and any adjustment to tax payable in respect of previous years.

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

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

**(p) Premium revenue**

Premiums are recognised in accordance with the requirements of Decree 73 and Circular 50.

Accordingly, gross premium from direct insurance is recognised when insurance obligations arise with the insured, specifically as follows:

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

If the Company and its customers mutually agree the term of payment of insurance premium on instalment basis, only the insurance premium which is due shall be recognised as premium revenue and the premium not yet due shall not be recognised as premium revenue for the period. Premium being paid before due date is recorded as “Unearned revenue” in the balance sheet at the end of the annual accounting period.

**(q) Interest income**

Interest income is recognised on a time proportion basis with reference to the principal outstanding and at the applicable interest rate.

**(r) Reinsurance activities**

**(i) Inward reinsurance**

Income and expenses other than commission expenses relating to inward reinsurance are recognised when the reinsurance confirmations and statements of accounts are received from the cedants.

Commission expenses on inward reinsurance are recognised in accordance with accounting policy as described in Note 3(e).

**(ii) Outward reinsurance**

Outward reinsurance premiums under treaty and facultative reinsurance agreements are recognised when gross written premiums within the scope of the treaty and facultative agreements are recognised.

Outward reinsurance recoveries are recognised when there is evidence of liability portion assumed by the reinsurers.

Commission income from outward reinsurance are deferred on the same basis as the allocation basis of unearned premium reserve as described in Note 3(k)(i). The balance of unearned commission income at the reporting date represents the commission income corresponding to the unearned premium.

**(s) Claims expense**

Claims and loss adjustment expenses are recognised in the statement of income when the insured events incur. The charges for claims, loss adjustment expenses incurred for an accounting period are based on the estimated ultimate costs of settling the claims and related loss adjustment expenses.

Changes in estimates of claim costs (claims and loss adjustment expenses) resulting from the continuous review process and differences between estimates and actual payments for claims are recognised in the statement of income of the year in which the estimates are changed or the payments are made.

Recoveries on claims, such as salvage or subrogation, are evaluated based on their actual realisable values and deducted from the claims expense during the year.

**(t) Acquisition costs**

All acquisition costs other than commission expenses incurred on underwriting or renewal of insurance policies (Note 3(e)) are recognised in the statement of income when incurred.

**(u) Operating lease payments**

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

**(v) Related parties**

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

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

**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

**4. Cash and cash equivalents**

	<b>31/12/2019</b>	<b>31/12/2018</b>
	<b>VND</b>	<b>VND</b>
Cash on hand	6,654,100	4,312,114
Cash in banks	32,428,053,219	19,222,918,053
Cash equivalents	7,700,000,000	51,910,000,000
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Cash and cash equivalents in the statement of cash flows	40,134,707,319	71,137,230,167
	<hr/>	<hr/>

Annual interest rates of cash equivalents at reporting date were as follows:

	<b>31/12/2019</b>	<b>31/12/2018</b>
Cash equivalents in VND	0.80%	1.00% - 4.50%
Cash equivalents in USD	0.00%	0.00%
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**5. Short-term financial investments**

As at 31 December 2019 and 2018, short-term financial investments represent term deposits at banks denominated in USD and VND with remaining terms to maturities of more than three months to one year.

Annual interest rates of term deposits at reporting date were as follows:

	<b>31/12/2019</b>	<b>31/12/2018</b>
Term deposits in VND	4,50% - 8,20%	4,50% - 7,80%
Term deposits in USD	0,00%	0,00%
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**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

**Short-term deposits at banks detailed by bank:**

	<b>31/12/2019</b> <b>VND</b>	<b>31/12/2018</b> <b>VND</b>
Vietnam Export Import Commercial Joint Stock Bank	161,282,814,772	141,808,611,328
Joint Stock Commercial Bank for Investment and Development of Vietnam	122,884,479,604	139,717,163,889
Ho Chi Minh City Housing Development Joint Stock Commercial Bank	143,469,316,769	113,122,355,724
Asia Commercial Joint Stock Bank	119,024,527,806	150,952,374,005
Hong Leong Bank Vietnam Limited	88,920,000,000	112,652,767,500
Vietnam Technological and Commercial Joint Stock Bank	63,000,000,000	128,634,468,265
Joint Stock Commercial Bank for Foreign Trade of Vietnam	70,625,000,000	27,000,000,000
Vietnam International Commercial Joint Stock Bank	51,624,303,562	-
CIMB Bank (Vietnam) Limited	50,322,893,151	-
Orient Commercial Joint Stock Bank	46,889,434,247	43,374,377,222
Vietnam Prosperity Joint Stock Commercial Bank	41,378,888,889	-
Sumitomo Mitsui Banking Corporation	14,248,000,000	20,500,000,000
First Commercial Bank	2,326,383,646	2,329,402,310
Standard Chartered Bank (Vietnam) Limited	-	11,000,000,000
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	975,996,042,446	891,091,520,243
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**6. Accounts receivable – short-term**

Accounts receivable – insurance comprised:

	<b>31/12/2019</b> <b>VND</b>	<b>31/12/2018</b> <b>VND</b>
Premiums receivable from direct insurance	6,870,238,614	76,684,472,538
Premiums receivable from inward reinsurance	3,677,441,244	2,096,416,294
Claims recoverable from reinsurers	40,794,560,892	24,569,189,166
Claims recoverable from co-insurers	1,411,418,516	5,158,524,957
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	52,753,659,266	108,508,602,955
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**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

Accounts receivable – insurance include the following amounts due from related companies:

	<b>31/12/2019</b>	<b>31/12/2018</b>
	<b>VND</b>	<b>VND</b>
<b>Amounts due from the parent company</b>		
▪ Insurance	23,460,206,860	3,436,088,321
▪ Other insurance related receivables	3,144,881,178	4,867,218,415
<b>Amounts due from other related companies</b>		
▪ Insurance	6,144,644,960	8,277,653,055

The insurance related amounts due from the parent company and other related companies were unsecured, interest free and are receivable on demand.

Other short-term receivables comprised:

	<b>31/12/2019</b>	<b>31/12/2018</b>
	<b>VND</b>	<b>VND</b>
Interest receivable from term deposits at banks	41,935,926,527	35,599,403,291
Others	1,400,776,927	2,209,680,036
	<b>43,336,703,454</b>	<b>37,809,083,327</b>

Other long-term receivables comprised:

	<b>31/12/2019</b>	<b>31/12/2018</b>
	<b>VND</b>	<b>VND</b>
Statutory security deposit (i)	6,000,000,000	6,000,000,000

- (i) According to Decree No. 73, the Company is required to make a statutory security deposit of 2% of legal capital at an authorised bank in Vietnam. The statutory security deposit is not permitted to be withdrawn until cessation of the business operations or prior approval from the Ministry of Finance has been obtained.

As at 31 December 2019, the Company maintained a statutory security deposit of VND6 billion at Ho Chi Minh City Housing Development Joint Stock Commercial Bank and earns an annual interest rate of 7.6% (31/12/2018: 7.5%).

**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

**7. Short-term prepaid expenses**

	<b>31/12/2019</b> <b>VND</b>	<b>31/12/2018</b> <b>VND</b>
Deferred commission expenses (i)	22,799,757,406	22,775,802,088
Prepaid rental expense	711,644,909	1,232,051,751
Other prepaid expenses	1,883,991,191	1,043,278,392
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	25,395,393,506	25,051,132,231
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(i) Movements of deferred commission expenses during the year were as follows:

	<b>2019</b> <b>VND</b>	<b>2018</b> <b>VND</b>
Opening balance	22,775,802,088	15,209,232,513
Additions during the year	49,813,173,586	42,316,286,334
Amortisation during the year	(49,789,218,268)	(34,749,716,759)
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Closing balance	22,799,757,406	22,775,802,088
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**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

**8. Tangible fixed assets**

<b>2019</b>	<b>Office equipment VND</b>	<b>Office furniture VND</b>	<b>Other tangible fixed assets VND</b>	<b>Total VND</b>
<b>Cost</b>				
Opening balance	10,545,704,481	1,437,120,540	630,926,558	12,613,751,579
Additions	2,458,460,000	-	220,000,000	2,678,460,000
Closing balance	13,004,164,481	1,437,120,540	850,926,558	15,292,211,579
<b>Accumulated depreciation</b>				
Opening balance	7,266,512,433	943,495,814	424,194,868	8,634,203,115
Additions	2,698,370,162	372,558,181	101,802,740	3,172,731,083
Closing balance	9,964,882,595	1,316,053,995	525,997,608	11,806,934,198
<b>Net book value</b>				
Opening balance	3,279,192,048	493,624,726	206,731,690	3,979,548,464
Closing balance	3,039,281,886	121,066,545	324,928,950	3,485,277,381

**8. Tangible fixed assets (continued)**

2018	Office equipment VND	Office furniture VND	Other tangible fixed assets VND	Total VND
<b>Cost</b>				
Opening balance	7,897,125,187	1,437,120,540	371,326,558	9,705,572,285
Additions	2,699,722,848	-	259,600,000	2,959,322,848
Disposals	(51,143,554)	-	-	(51,143,554)
Closing balance	10,545,704,481	1,437,120,540	630,926,558	12,613,751,579
<b>Accumulated depreciation</b>				
Opening balance	4,072,531,061	570,937,633	371,326,558	5,014,795,252
Additions	3,245,124,926	372,558,181	52,868,310	3,670,551,417
Disposals	(51,143,554)	-	-	(51,143,554)
Closing balance	7,266,512,433	943,495,814	424,194,868	8,634,203,115
<b>Net book value</b>				
Opening balance	3,824,594,126	866,182,907	-	4,690,777,033
Closing balance	3,279,192,048	493,624,726	206,731,690	3,979,548,464

Included in tangible fixed assets were assets costing VND8,172 million which were fully depreciated as at 31 December 2019 (31/12/2018: VND3,137 million), but which are still in active use.

## 9. Intangible fixed assets

	<b>Computer software</b>	
	<b>2019</b>	<b>2018</b>
	<b>VND</b>	<b>VND</b>
<b>Cost</b>		
Opening balance	9,522,515,621	7,904,581,621
Additions	4,242,284,500	1,617,934,000
Closing balance	13,764,800,121	9,522,515,621
<b>Accumulated amortisation</b>		
Opening balance	7,023,454,500	6,001,983,176
Charge for the year	1,830,869,872	1,021,471,324
Closing balance	8,854,324,372	7,023,454,500
<b>Net book value</b>		
Opening balance	2,499,061,121	1,902,598,445
Closing balance	4,910,475,749	2,499,061,121

Included in intangible fixed assets were assets costing VND7,191 million which were fully amortised as at 31 December 2019 (31/12/2018: VND4,550 million), but which are still in active use.

## 10. Other long-term financial investments

As at 31 December 2019, other long-term financial investments represent term deposits at banks denominated in VND with remaining terms to maturities of more than one year and earn annual interest rates ranging from 6.30% to 7.80% (31/12/2018: from 4.50% to 7.80%).

## 11. Long-term prepaid expenses

	<b>31/12/2019</b>	<b>31/12/2018</b>
	<b>VND</b>	<b>VND</b>
Office fitting expenses	57,587,437	1,225,598,216
Tools and instruments	2,363,893,058	1,892,530,940
Others	2,316,607,647	1,411,443,671
	4,738,088,142	4,529,572,827

## 12. Accounts payable to suppliers

Accounts payable to suppliers comprised:

	<b>31/12/2019</b>	<b>31/12/2018</b>
	<b>VND</b>	<b>VND</b>
<b>Accounts payable – insurance</b>		
▪ Premiums payable for outward reinsurance	104,553,564,234	149,146,797,560
▪ Premiums payable for co-insurance	8,518,230,524	14,940,029,874
▪ Commissions payable	6,673,600,711	5,942,105,442
	<hr/>	<hr/>
	119,745,395,469	170,028,932,876
	<hr/>	<hr/>
<b>Other payables</b>	5,935,025,663	2,964,458,717
	<hr/>	<hr/>
	125,680,421,132	172,993,391,593
	<hr/>	<hr/>

Accounts payable – insurance include the following amounts due to related companies:

	<b>31/12/2019</b>	<b>31/12/2018</b>
	<b>VND</b>	<b>VND</b>
<b>Amounts due to the parent company</b>		
▪ Insurance	30,955,621,129	48,923,927,024
▪ Other insurance related payables	448,115,000	603,393,568
<b>Amounts due to other related companies</b>		
▪ Insurance	20,889,564,946	28,745,384,712
▪ Other insurance related payables	968,644,211	8,741,877,871
	<hr/>	<hr/>

The insurance related amounts due to the parent company and other related companies were unsecured, interest free and are payable on demand.

**13. Taxes payable to State Treasury**

	<b>1/1/2019 VND</b>	<b>Incurred VND</b>	<b>Paid VND</b>	<b>31/12/2019 VND</b>
Value added tax	4,735,479,513	33,527,345,787	(33,960,086,895)	4,302,738,405
Personal income tax	2,678,536,714	20,168,059,876	(20,200,795,204)	2,645,801,386
Withholding tax	276,917,684	5,270,933,730	(5,027,151,670)	520,699,744
Corporate income tax	5,084,512,607	29,076,941,632	(29,043,959,500)	5,117,494,739
	<b>12,775,446,518</b>	<b>88,043,281,025</b>	<b>(88,231,993,269)</b>	<b>12,586,734,274</b>
	<b>1/1/2018 VND</b>	<b>Incurred VND</b>	<b>Paid VND</b>	<b>31/12/2018 VND</b>
Value added tax	2,340,994,512	29,418,797,346	(27,024,312,345)	4,735,479,513
Personal income tax	2,415,658,749	19,625,773,702	(19,362,895,737)	2,678,536,714
Withholding tax	361,295,943	3,857,100,604	(3,941,478,863)	276,917,684
Corporate income tax	189,869,996	23,446,310,065	(18,551,667,454)	5,084,512,607
	<b>5,307,819,200</b>	<b>76,347,981,717</b>	<b>(68,880,354,399)</b>	<b>12,775,446,518</b>

**14. Other short-term payables**

	<b>31/12/2019 VND</b>	<b>31/12/2018 VND</b>
Unearned commission income (i)	42,082,678,026	52,953,211,048
Other payables	389,117,792	1,780,917,654
	<b>42,471,795,818</b>	<b>54,734,128,702</b>

(i) Movements of unearned commission income during the year were as follows:

	<b>2019 VND</b>	<b>2018 VND</b>
Opening balance	52,953,211,048	39,521,056,281
Additions during the year	93,077,430,971	99,428,365,768
Amortisation during the year	(103,947,963,993)	(85,996,211,001)
Closing balance	<b>42,082,678,026</b>	<b>52,953,211,048</b>



## 15. Technical reserves

### (a) Claims reserve and unearned premium reserve

As at 31 December 2019	Reserves for direct insurance and inward reinsurance VND (1)	Reserves for outward reinsurance VND (2)	Net reserve VND (3) = (1) – (2)
Claims reserve (i)	527,393,779,719	464,695,492,629	62,698,287,090
<i>Outstanding claims reserve</i>	482,099,776,165	435,598,996,640	46,500,779,525
<i>Reserve for claims incurred but not reported</i>	45,294,003,554	29,096,495,989	16,197,507,565
Unearned premium reserve (ii)	367,798,328,463	234,858,827,449	132,939,501,014
	895,192,108,182	699,554,320,078	195,637,788,104
As at 31 December 2018	Reserves for direct insurance and inward reinsurance VND (1)	Reserves for outward reinsurance VND (2)	Net reserve VND (3) = (1) – (2)
Claims reserve (i)	816,443,142,550	761,818,769,177	54,624,373,373
<i>Outstanding claims reserve</i>	775,914,345,078	735,867,153,814	40,047,191,264
<i>Reserve for claims incurred but not reported</i>	40,528,797,472	25,951,615,363	14,577,182,109
Unearned premium reserve (ii)	365,673,936,358	248,050,838,626	117,623,097,732
	1,182,117,078,908	1,009,869,607,803	172,247,471,105

**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

(i) Movements of claims reserve during the year were as follows:

<b>2019</b>	<b>Claims reserve for direct insurance and inward reinsurance VND (1)</b>	<b>Claims reserve for outward reinsurance VND (2)</b>	<b>Net claims reserve VND (3) = (1) – (2)</b>
Opening balance	816,443,142,550	761,818,769,177	54,624,373,373
Decrease in claims reserve during the year	(289,049,362,831)	(297,123,276,548)	8,073,913,717
Closing balance	527,393,779,719	464,695,492,629	62,698,287,090
<b>2018</b>	<b>Claims reserve for direct insurance and inward reinsurance VND (1)</b>	<b>Claims reserve for outward reinsurance VND (2)</b>	<b>Net claims reserve VND (3) = (1) – (2)</b>
Opening balance	384,093,902,793	316,003,389,819	68,090,512,974
Increase in claims reserve during the year	432,349,239,757	445,815,379,358	(13,466,139,601)
Closing balance	816,443,142,550	761,818,769,177	54,624,373,373

(ii) Movements of unearned premium reserve during the year were as follows:

<b>2019</b>	<b>Unearned premium reserve for direct insurance and inward reinsurance VND (1)</b>	<b>Unearned premium reserve for outward reinsurance VND (2)</b>	<b>Net unearned premium reserve VND (3) = (1) – (2)</b>
Opening balance	365,673,936,358	248,050,838,626	117,623,097,732
Increase/(decrease) in unearned premium reserve during the year	2,124,392,105	(13,192,011,177)	15,316,403,282
Closing balance	367,798,328,463	234,858,827,449	132,939,501,014

**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

2018	Unearned premium reserve for direct insurance and inward reinsurance VND (1)	Unearned premium reserve for outward reinsurance VND (2)	Net unearned premium reserve VND (3) = (1) – (2)
Opening balance	285,947,212,073	173,195,527,347	112,751,684,726
Increase in unearned premium reserve during the year	79,726,724,285	74,855,311,279	4,871,413,006
Closing balance	365,673,936,358	248,050,838,626	117,623,097,732

**(b) Catastrophe reserve**

	2019 VND	2018 VND
Opening balance	50,584,068,966	41,837,759,702
Increase of catastrophe reserve during the year	9,718,504,539	8,746,309,264
Closing balance	60,302,573,505	50,584,068,966

**(c) Reinsurance assets**

	31/12/2019 VND	31/12/2018 VND
Unearned outward reinsurance premium reserve	234,858,827,449	248,050,838,626
Outward reinsurance claims reserve	464,695,492,629	761,818,769,177
	699,554,320,078	1,009,869,607,803

**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

**16. Owner's equity**

**(a) Statement of changes in owner's equity**

	Contributed capital VND	Statutory reserve VND	Retained profits VND	Total VND
<b>Balance at 1 January 2018</b>	300,000,000,000	19,490,722,401	346,495,370,940	665,986,093,341
Net profit for the year	-	-	93,142,244,070	93,142,244,070
Appropriation to statutory reserve	-	4,657,112,202	(4,657,112,202)	-
Profits distribution to the parent company	-	-	(12,910,682,720)	(12,910,682,720)
Other decreases	-	-	(69,046,482)	(69,046,482)
<b>Balance at 1 January 2019</b>	300,000,000,000	24,147,834,603	422,000,773,606	746,148,608,209
Net profit for the year	-	-	110,197,164,336	110,197,164,336
Appropriation to statutory reserve	-	5,509,858,217	(5,509,858,217)	-
Profits distribution to the parent company	-	-	(13,971,336,610)	(13,971,336,610)
<b>Balance at 31 December 2019</b>	300,000,000,000	29,657,692,820	512,716,743,115	842,374,435,935

**(b) Contributed capital**

The Company's authorised and contributed charter capital are:

	As at 31/12/2019 and 31/12/2018	
	Authorised and contributed VND	%
Mitsui Sumitomo Insurance Co., Ltd. – the parent company	300,000,000,000	100

The parent company and the ultimate parent company, MS&AD Insurance Group, are incorporated in Japan.

**(c) Profit distribution**

On 23 May 2019, the Members' Council of the Company resolved to distribute a portion of profit after tax of 2018 to the parent company amounting to VND13,971,336,610 (On 17 May 2018: The Members' Council of the Company resolved to distribute a portion of profit after tax of 2017 to the parent company amounting to VND12,910,682,720).

**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

**17. Premium revenue**

	<b>2019</b>	<b>2018</b>
	<b>VND</b>	<b>VND</b>
Gross written premiums from direct insurance	882,755,309,822	792,194,868,952
Personal accident and health insurance	78,230,644,684	51,950,410,765
▪ <i>Personal accident insurance</i>	22,101,899,609	16,998,810,988
▪ <i>Health insurance</i>	56,128,745,075	34,951,599,777
Property and casualty insurance	146,628,838,399	178,292,434,165
Cargo insurance	131,196,976,294	114,896,297,979
Motor vehicle insurance	108,953,711,926	103,762,681,473
▪ <i>Compulsory</i>	1,826,718,909	1,890,317,357
▪ <i>Voluntary</i>	107,126,993,017	101,872,364,116
Fire and explosion insurance	284,344,675,031	222,108,676,739
▪ <i>Compulsory</i>	278,286,773,250	217,807,038,658
▪ <i>Voluntary</i>	6,057,901,781	4,301,638,081
Public liability insurance	85,023,456,793	75,112,424,069
Credit and financial risk insurance	10,707,236,886	6,404,612,424
Business interruption insurance	37,669,769,809	39,667,331,338
Gross written premiums from inward reinsurance	23,124,761,249	18,381,080,474
Personal accident and health insurance	28,275,704	24,687,702
▪ <i>Personal accident insurance</i>	28,275,704	24,687,702
▪ <i>Health insurance</i>	-	-
Property and casualty insurance	6,947,718,070	4,768,511,285
Cargo insurance	612,498,420	583,035,849
Fire and explosion insurance	9,915,998,748	7,919,814,998
▪ <i>Compulsory</i>	9,821,398,853	7,802,685,087
▪ <i>Voluntary</i>	94,599,895	117,129,911
Hull and protection and indemnity ("P&I") insurance	3,898,262,765	3,442,329,636
Public liability insurance	1,386,971,694	1,466,798,378
Business interruption insurance	335,035,848	175,902,626
Increase in unearned premium reserve for direct insurance and inward reinsurance (Note 15(a)(ii))	(2,124,392,105)	(79,726,724,285)
	<hr/>	<hr/>
	903,755,678,966	730,849,225,141
	<hr/>	<hr/>

**18. Outward reinsurance premiums**

	<b>2019</b> <b>VND</b>	<b>2018</b> <b>VND</b>
Total outward reinsurance premiums	581,929,919,777	519,032,307,270
Personal accident and health insurance	6,759,773,699	4,002,401,254
▪ <i>Personal accident insurance</i>	3,756,156,058	2,357,353,048
▪ <i>Health insurance</i>	3,003,617,641	1,645,048,206
Property and casualty insurance	146,122,451,781	165,585,681,057
Cargo insurance	34,031,984,847	25,723,467,800
Motor vehicle insurance	48,379,635,763	39,732,777,441
▪ <i>Compulsory</i>	342,174,185	226,109,012
▪ <i>Voluntary</i>	48,037,461,578	39,506,668,429
Fire and explosion insurance	255,886,190,934	204,197,673,841
▪ <i>Compulsory</i>	252,872,384,941	201,906,417,980
▪ <i>Voluntary</i>	3,013,805,994	2,291,255,861
Hull and protection and indemnity (“P&I”) insurance	3,896,409,890	3,440,861,640
Public liability insurance	39,758,811,402	31,389,588,150
Credit and financial risk insurance	10,122,072,706	5,865,028,860
Business interruption insurance	36,972,588,755	39,094,827,227
Decrease/(increase) in unearned premium reserve for outward reinsurance (Note 15(a)(ii))	13,192,011,177	(74,855,311,279)
	595,121,930,954	444,176,995,991

## 19. Net claims expense

	<b>2019</b> <b>VND</b>	<b>2018</b> <b>VND</b>
Claims paid	397,357,887,851	610,587,008,088
Personal accident and health insurance	24,078,893,373	21,129,437,801
▪ <i>Personal accident insurance</i>	6,042,844,575	5,646,544,485
▪ <i>Health insurance</i>	18,036,048,798	15,482,893,316
Property and casualty insurance	187,806,647,623	154,410,374,460
Cargo insurance	13,593,667,669	50,654,553,061
Motor vehicle insurance	55,201,777,150	72,299,148,359
▪ <i>Compulsory</i>	1,296,772,203	1,844,051,549
▪ <i>Voluntary</i>	53,905,004,947	70,455,096,810
Fire and explosion insurance	97,917,590,220	295,668,648,849
▪ <i>Compulsory</i>	97,912,212,914	295,668,648,849
▪ <i>Voluntary</i>	5,377,306	-
Hull and protection and indemnity ("P&I") insurance	1,092,499,436	735,819,129
Public liability insurance	16,499,829,396	16,085,567,336
Business interruption insurance	1,644,434,281	80,910,390
Credit and financial risk insurance	(477,451,297)	(477,451,297)
Accrued loss adjustment expenses	1,264,932,600	2,809,932,443
Claims recovery from outward reinsurance	(302,045,458,771)	(491,941,504,583)
(Decrease)/increase in claims reserve for direct insurance and inward reinsurance	(289,049,362,831)	432,349,239,757
Decrease/(increase) in claims reserve for outward reinsurance	297,123,276,548	(445,815,379,358)
	104,651,275,397	107,989,296,347

## 20. Other operating expenses for insurance activities

	<b>2019</b> <b>VND</b>	<b>2018</b> <b>VND</b>
Commission on insurance activities	49,789,218,268	34,749,716,759
<i>In which:</i>		
<i>Commissions for direct insurance</i>	44,819,231,914	38,546,660,401
<i>Deferred commission expenses</i>	(23,955,318)	(7,901,314,986)
<i>Commissions for inward reinsurance</i>	4,993,941,672	4,104,371,344
Risk assessment and survey fees	1,513,615,467	1,459,056,680
Other expenses	12,777,187,995	11,178,569,877
	64,080,021,730	47,387,343,316

**21. Financial income**

	<b>2019</b> <b>VND</b>	<b>2018</b> <b>VND</b>
Interest income from deposits at banks	72,785,269,920	59,603,376,535
Realised foreign exchange gains	299,271,377	913,766,472
Unrealised foreign exchange gains, net	1,067,606,622	3,013,585,736
	<hr/> 74,152,147,919	<hr/> 63,530,728,743 <hr/>

**22. General and administration expenses**

	<b>2019</b> <b>VND</b>	<b>2018</b> <b>VND</b>
Salaries and related expenses	89,027,370,754	77,633,832,602
Outside services expenses	54,385,339,448	48,983,966,873
Office rental expenses	16,156,170,235	15,355,524,079
Stationery expenses	1,781,997,766	1,716,246,850
Depreciation and amortisation	5,003,600,955	4,692,022,741
Tax expenses	1,148,739,284	4,042,283,134
Others	8,836,830,851	9,833,043,976
	<hr/> 176,340,049,293	<hr/> 162,256,920,255 <hr/>



## 23. Income tax

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

	<b>2019</b> <b>VND</b>	<b>2018</b> <b>VND</b>
<b>Current tax expense</b>		
Current year	29,076,941,632	23,377,263,586
	<hr/>	<hr/>
	29,076,941,632	23,377,263,586
<b>Deferred tax (benefit)/expense</b>		
Origination and reversal of temporary differences	(886,903,180)	132,252,364
	<hr/>	<hr/>
Income tax expense	28,190,038,452	23,509,515,950
	<hr/>	<hr/>

### (b) Reconciliation of effective tax rate

	<b>2019</b> <b>VND</b>	<b>2018</b> <b>VND</b>
Accounting profit before tax	138,387,202,788	116,651,760,020
	<hr/>	<hr/>
Tax at the Company's tax rate	27,677,440,558	23,330,352,004
Effect of non-deductible expenses and deferred income	512,597,894	179,163,946
	<hr/>	<hr/>
	28,190,038,452	23,509,515,950
	<hr/>	<hr/>

### (c) Applicable tax rates

The Company has obligations to pay income tax at rate of 20% of taxable profits. The income tax computation is subject to the review and approval of the tax authorities.

### (d) Deferred tax liabilities

	<b>31/12/2019</b> <b>VND</b>	<b>31/12/2018</b> <b>VND</b>
<i>Recognised deferred tax liabilities:</i>		
Unrealised foreign exchange gains	614,828,841	1,501,732,021
	<hr/>	<hr/>

## 24. Financial instruments

### (a) Financial risk management

#### *Overview*

The Company has exposure to the following risks from their use of financial instruments:

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

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

Management has overall responsibility for the establishment and oversight of the Company's risk management framework. Management establishes policies to identify and analyse the risks faced by the Company, to set up appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Through training and management standards and procedures, management aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### (b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable, cash in banks and cash equivalents, short-term financial investments, other long-term financial investments, statutory security deposit and other financial assets.

#### *Exposure to credit risk*

The total of carrying amounts of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	31/12/2019 VND	31/12/2018 VND
Cash in banks and cash equivalents	(i)	40,128,053,219	71,132,918,053
Short-term financial investments	(i)	975,996,042,446	891,091,520,243
Other long-term financial investments	(i)	139,244,704,331	77,054,700,000
Statutory security deposit	(i)	6,000,000,000	6,000,000,000
Insurance and other receivables - gross	(ii)	99,254,971,913	151,189,638,487
Prepayments to suppliers	(ii)	1,163,010,558	642,225,963
Other financial assets	(iii)	4,617,511,082	4,861,371,392
		1,266,404,293,549	1,201,972,374,138

**(i) *Cash in banks and cash equivalents, short-term financial investments, other long-term financial investments and statutory security deposit***

Cash in banks and cash equivalents, short-term financial investments, other long-term financial investments and statutory security deposit of the Company are held with well-known financial institutions. Management does not foresee any significant credit risk from these deposits and does not expect that these financial institutions may default and cause losses to the Company.

**(ii) *Insurance and other receivables***

The Company's exposure to credit risk in relation with receivables is mainly influenced by the individual characteristics of each customer.

The Company adopted regulations on the time limit for payment of insurance premium in accordance with Circular 50. For direct insurance business, receivables are due within 30 days from the starting date of the insurance period under insurance policies.

No collateral is collected from the customers.

Insurance and other receivables that are neither past due nor impaired are mostly debtors with good collection track records with the Company. Management believes that those receivables are of high credit quality.

**(iii) *Reinsurance Credit Risks***

The Company has Reinsurance Credit Risk Framework to monitor and manage this exposure, based on Risk Limits, Risk Amounts and Outstanding Receivables.

Rating of Reinsurers is one of the most important criteria to select Reinsurers (regulated in Reinsurance Policy) and further monitoring.

The Company has low appetite for Credit Risks arising from Reinsurance counterparties with a Credit rating of lower than A- by Standard and Poor's or by equivalent recognised rating agencies, except as approved

The Company has the highest exposure to the MS&AD Insurance Group (A+) whilst the rest of the reinsurers are well spread out. Majority of the Company's reinsurers has credit rating of A - and above.

It allows the Company to recover Reinsurance losses promptly.

**(iv) *Other financial assets***

Other financial assets of the Company are security deposits for rentals. Management does not foresee any significant credit risk from these deposits and does not expect that these lessors may default and cause loss to the Company.

**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

**(c) Liquidity risk**

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

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

<b>As at 31 December 2019</b>	<b>Carrying amount VND</b>	<b>Contractual cash flows VND</b>	<b>Up to 1 year VND</b>
Accounts payable to suppliers	125,680,421,132	125,680,421,132	125,680,421,132
Accrued expenses	23,415,467,528	23,415,467,528	23,415,467,528
Inter-company payables	660,065,527	660,065,527	660,065,527
Other payables	389,117,792	389,117,792	389,117,792
	150,145,071,979	150,145,071,979	150,145,071,979
<b>As at 31 December 2018</b>	<b>Carrying amount VND</b>	<b>Contractual cash flows VND</b>	<b>Up to 1 year VND</b>
Accounts payable to suppliers	172,993,391,593	172,993,391,593	172,993,391,593
Accrued expenses	16,784,574,468	16,784,574,468	16,784,574,468
Inter-company payables	9,120,770,689	9,120,770,689	9,120,770,689
Other payables	1,780,917,654	1,780,917,654	1,780,917,654
	200,679,654,404	200,679,654,404	200,679,654,404

**(d) Market risk**

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

**(i) Currency risk**

The Company is exposed to currency risk on transactions that are denominated in foreign currencies other than VND, the Company's accounting currency. The currencies giving rise to this risk are primarily USD, JPY, SGD and THB.

The Company underwrites insurance policies and makes investments in Vietnam. The Company invests in assets denominated in the same currency as their related liabilities, which eliminates the foreign exchange rate risk for these activities.

**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019 (continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

At the reporting date, the Company had the following net currency positions:

As at 31 December 2019	Original currency			THB	VND Equivalent
	USD	JPY	SGD		
Cash and cash equivalents	1,201,837.53	3,894,959.00	-	-	28,605,048,277
Short-term financial investments	500,622.13	-	-	-	11,574,383,646
Accounts receivable – insurance	44,121.83	-	-	-	1,020,096,710
<b>Total exposed assets (1)</b>	<b>1,746,581.49</b>	<b>3,894,959.00</b>	<b>-</b>	<b>-</b>	<b>41,199,528,633</b>
Accounts payable – insurance	51,471.40	249,441.05	-	-	1,242,441,299
Other payables	-	-	2,722.05	208,387.00	211,950,354
<b>Total exposed liabilities (2)</b>	<b>51,471.40</b>	<b>249,441.05</b>	<b>2,722.05</b>	<b>208,387.00</b>	<b>1,454,391,653</b>
<b>Net asset/(liability) position [(1) - (2)]</b>	<b>1,695,110.09</b>	<b>3,645,517.95</b>	<b>(2,722.05)</b>	<b>(208,387.00)</b>	<b>39,745,136,980</b>
As at 31 December 2018	Original currency			THB	VND Equivalent
	USD	JPY	SGD		
Cash and cash equivalents	90,892.24	1,238,648.00	-	-	2,360,047,646
Short-term financial investments	1,500,622.13	-	-	-	34,739,402,310
Accounts receivable – insurance	3,997.67	-	-	-	92,546,061
<b>Total exposed assets (1)</b>	<b>1,595,512.04</b>	<b>1,238,648.00</b>	<b>-</b>	<b>-</b>	<b>37,191,996,017</b>
Accounts payable	746,986.30	53,086.63	-	-	17,303,700,012
Other payables	-	177,929.00	501,868.86	-	8,624,236,416
<b>Total exposed liabilities (2)</b>	<b>746,986.30</b>	<b>231,015.63</b>	<b>501,868.86</b>	<b>-</b>	<b>25,927,936,428</b>
<b>Net asset/(liability) position [(1) - (2)]</b>	<b>848,525.74</b>	<b>1,007,632.37</b>	<b>(501,868.86)</b>	<b>-</b>	<b>11,264,059,589</b>

**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

The following are the significant exchange rates applied by the Company:

	Exchange rate as at	
	31/12/2019	31/12/2018
USD/VND	23,120	23,150
JPY/VND	210.16	206.59
SGD/VND	17,378	17,111
TBH/VND	790.10	728.60

Below is an analysis of the possible impact on the net profit after tax of the Company, after taking into account the current level of exchange rates and the historical volatility as well as market expectations as at the reporting date. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted premiums and claims:

**As at 31 December 2019**

	Effect to net profit after tax Increase/(decrease) VND
USD (0% weakening)	-
JPY (2% strengthening)	12,258,273
SGD (2% strengthening)	(756,861)
THB (2% strengthening)	(10,537,380)

**As at 31 December 2018**

	Effect to net profit after tax Increase/(decrease) VND
USD (2% strengthening)	314,293,934
JPY (4% strengthening)	6,661,337
SGD (2% strengthening)	(137,399,649)

The opposite movement of the currencies would have the equal but opposite effect to the net profit after tax of the Company.

**(ii) Interest rate risk**

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

	Carrying amount	
	31/12/2019 VND	31/12/2018 VND
<i>Fixed rate instruments</i>		
Cash in banks and cash equivalents	40,128,053,219	71,132,918,053
Short-term financial investments	975,996,042,446	891,091,520,243
Other long-term financial investments	139,244,704,331	77,054,700,000
Statutory security deposit	6,000,000,000	6,000,000,000

**25. Insurance risks and policies to manage**

The Company has low appetite for underwriting losses, on both gross and net of reinsurance bases, from individual classes of business, where: frequency of losses will be reduced through appropriate pricing and underwriting; and severity of losses will be reduced by excess of loss reinsurance.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. 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 and geography. For natural catastrophe risk, the Company will write carefully controlled and selected risks. Furthermore, 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 Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business.

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., hurricanes, earthquakes and flood damage).

The underwriting and claims manuals are reviewed and updated on an annual basis. Reinsurance scheme is reviewed and approved by the Members' Council annually.

**(a) Sensitivity analysis**

Estimates of claim liabilities and premium liabilities may be affected by future events, which cannot be predicted with certainty. The assumptions made may vary from actual experience so that the actual liability may vary considerably from the best estimates of loss.

**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

An analysis of sensitivity around various scenarios provides an indication of the reasonableness of the Company's estimation for insurance policies. The table presented below demonstrates the sensitivity of insurance liability estimates under various scenarios as a result of movements in key assumptions used in the estimation process. Certain assumptions can be expected to impact the liabilities more than others, and consequently a greater degree of sensitivity to these variables may be expected.

The analysis below has been prepared for a change in one variable with all other variables remaining constant and ignores changes in values of the related assets. The Company recognised that some of the assumptions are interdependent but it will be difficult to analyse such interdependencies.

The key driver considered in the sensitivity analysis is the Ultimate Loss Ratio ("ULR"). The ULR is the ratio of the total estimated pay-out (total claim payment plus estimated claim reserve) to the earned premium. The estimated claims reserve is calculated in accordance with the instructions of Circular 50.

The sensitivity test is performed by changing the ULR for the latest year of indemnity by 10% with all other variables remaining constant. The impact on profit after tax and owner's equity are shown before and after reinsurance:

	Before outward reinsurance change of ULR by		After outward reinsurance change of ULR by	
	+10,0%	-10,0%	+10,0%	-10,0%
	VND million	VND million	VND million	VND million
<b>2019</b>				
Change in profit after tax	(23,587)	23,587	(9,669)	9,669
Change in equity	(23,587)	23,587	(9,669)	9,669

The sensitivity analysis does not include any impact of catastrophe reserve. Under Circular 50, the Company is not required to establish claims handling expenses and risk margins as part of claims reserves. These expenses are excluded in the sensitivity analysis as well.

**b) Concentration risk**

The Company has purchased Reinsurance Treaties to protect for the concentration of sum insureds and/or its liability across the country against catastrophic events.

The Company's Property and Engineering Event XOL limit is sufficient to cover the estimated 1-in-200 catastrophe losses.

The event limits under the 2019 Property surplus and Engineering quota share treaties are sufficient to cover the estimated 1-in-200 catastrophe losses.

In the event of a 1-in-200 year catastrophe event, the Company may face liquidity strain. However, it is expected that the Company will receive prompt recoveries from Head Office and exercise cash call from the reinsurers in the event of a large loss.



**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

**c) Claim data table**

The below table of claims data, after outward reinsurance, are prepared to compare the actual claims payments with the previous estimates from 1 January 2015.

**After outward reinsurance**

**Unit: VND million**

Actual claims compared with previous estimates	Years of indemnity					Total
	2015	2016	2017	2018	2019	
Estimate of cumulative claims						
2015	49,086	90,773	129,223	106,448	104,670	
2016	54,447	97,119	131,787	108,011		
2017	54,567	98,021	127,888			
2018	54,538	97,945				
2019	54,536					
Estimate of cumulative claims up to current year (1)	54,536	97,945	127,888	108,011	104,670	493,050
Cumulative claims payment						
2015	37,100	62,580	79,939	77,694	62,076	
2016	54,194	93,203	122,817	105,134		
2017	54,482	95,732	126,964			
2018	54,535	97,850				
2019	54,535					
Cumulative claims payment up to current year (2)	54,535	97,850	126,964	105,134	62,076	446,559
Total claims reserve not yet settled (3) = (1) - (2)	1	95	924	2,877	42,594	46,491
Estimate of redundancy or deficiency of claims reserve (4)						16,198
Cumulative redundancy or deficiency as a percentage of estimated claim payments (5) = (4)/(1)*100%						3.3%

**26. Significant transactions and balances with related parties**

**(a) Balances with related parties**

	<b>31/12/2019</b>	<b>31/12/2018</b>
	<b>VND</b>	<b>VND</b>
<i>The parent company</i>		
<b>Mitsui Sumitomo Insurance Co., Ltd.</b>		
Receivables:		
<i>Claims recoverable on outward reinsurance</i>	23,460,206,860	3,436,088,321
<i>Other receivables</i>	3,144,881,178	4,867,218,415
Payables:		
<i>Premiums payable for outward reinsurance</i>	30,955,621,129	48,923,927,024
<i>Other payables</i>	448,115,000	603,393,568
<i>Other related companies (Subsidiaries of the parent company)</i>		
<b>MS Amlin, Plc and its subsidiaries</b>		
Receivables:		
<i>Claims recoverable on outward reinsurance</i>	205,057,745	942,947
Payables:		
<i>Premiums payable for outward reinsurance</i>	10,622,386,944	5,667,477,315
<b>MSIG Holdings (Asia) Pte., Ltd.</b>		
Other receivables	4,698,375	4,733,790
Other payables	47,069,689	8,741,877,871
Expense accrual	3,669,996,911	-
<b>Aioi Nissay Dowa Insurance Co., Ltd.</b>		
Receivables:		
<i>Claims recoverable on outward reinsurance</i>	5,884,378,958	8,274,824,215
<i>Other receivables</i>	-	-
Payables:		
<i>Premiums payable for outward reinsurance</i>	6,113,670,968	11,329,548,907
<b>MSIG Insurance (Singapore) Pte. Ltd.</b>		
Receivables:		
<i>Claims recoverable on outward reinsurance</i>	3,532,282	-
Payables:		
<i>Premiums payable for outward reinsurance</i>	3,219,817,629	3,959,022,816
<b>MSIG Insurance (Thailand) Public Co., Ltd.</b>		
Other receivables	13,941,847	-
Other payables	757,886,533	-
<b>MS First Capital Insurance Limited</b>		
Receivables:		
<i>Claims recoverable on outward reinsurance</i>	51,675,975	1,885,893
Payables:		
<i>Premiums payable for outward reinsurance</i>	933,689,405	7,789,335,674

**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

	31/12/2019 VND	31/12/2018 VND
<b>InterRisk Asia (Thailand) Company Limited</b>		
Other receivables	1,482,855	-
Other payables	163,687,989	-

**(b) Transactions with related parties**

	2019 VND	2018 VND
<i>The parent company</i>		
<b>Mitsui Sumitomo Insurance Co., Ltd.</b>		
Outward reinsurance premiums	207,372,922,139	192,131,907,076
Commission income from outward reinsurance	32,423,684,878	40,130,953,669
Claims recovery from outward reinsurance	220,679,225,557	295,411,975,664
Commission income from claim settlement agency	3,864,616,585	4,527,916,479
Commission expenses for claim settlement agency	135,376,162	841,149,180
Other expenses	616,066,655	70,501,750
Payment/receipt on behalf	45,692,398	152,914,981
<i>Other related companies (Subsidiaries of the parent company)</i>		
<b>MSIG Holdings (Asia) Pte., Ltd.</b>		
Services costs	26,118,510,729	25,789,937,480
Payment/receipt on behalf	979,705,669	586,629,669
<b>MSIG Insurance (Hong Kong) Co., Ltd.</b>		
Outward reinsurance premiums	693,482,957	632,683,242
Commission income from outward reinsurance	21,653,047	20,022,863
Commission income from claim settlement agency	95,783,145	79,801,381
Commission expenses for claim settlement agency	6,603,325	28,174,696
<b>MSIG Insurance (Malaysia) Bhd.</b>		
Commission income from claim settlement agency	725,422,053	544,765,322
Commission expenses for claim settlement agency	-	103,738,053
Other expenses	-	1,252,177
<b>MSIG Insurance (Singapore) Pte., Ltd.</b>		
Outward reinsurance premiums	4,018,518,792	8,828,924,331
Commission income from outward reinsurance	493,600,531	515,791,257
Claims recovery from outward reinsurance	1,525,796,748	-
Commission income from claim settlement agency	544,555,579	626,850,603
Commission expenses for claim settlement agency	11,328,387	38,661,367
Payment/receipt on behalf	-	22,617,159
<b>MSIG Insurance (Thailand) Public Co., Ltd.</b>		
Commission income from claim settlement agency	65,188,559	76,321,920
Other expenses	5,289,486,150	-
<b>PT. Asuransi MSIG Indonesia</b>		
Commission income from claim settlement agency	11,388,780	15,357,966
Commission expenses for claim settlement agency	7,513,249	11,159,052

**MSIG Insurance (Vietnam) Company Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2019**  
**(continued)**

**Form B 09 – DNPNT**  
*(Issued under Circular No. 232/2012/TT-BTC*  
*dated 28 December 2012 of*  
*the Ministry of Finance)*

**(b) Transactions with related parties (continued)**

	<b>2019</b>	<b>2018</b>
	<b>VND</b>	<b>VND</b>
<i>Other related companies (continued)</i>		
<b>MSIG Mingtai Insurance Co., Ltd.</b>		
Commission income from claim settlement agency	14,955,128	19,319,638
<b>Aioi Nissay Dowa Insurance Co., Ltd.</b>		
Outward reinsurance premiums	69,819,160,552	62,166,327,474
Commission income from outward reinsurance	20,322,212,499	18,495,326,763
Claims recovery from outward reinsurance	24,362,643,384	27,666,272,889
<b>InterRisk Asia (Thailand) Co., Ltd.</b>		
Risk survey fee	1,473,702,730	1,220,166,508
Payment/receipt on behalf	1,482,855	-
<b>Mitsui Sumitomo Insurance (China) Co., Ltd.</b>		
Commission income from claim settlement agency	62,857,235	89,838,471
<b>MS Amlin, Plc. and its subsidiaries</b>		
Outward reinsurance premiums	24,006,978,473	10,989,560,455
Commission income from outward reinsurance	4,417,363,714	2,051,401,971
Claims recovery from outward reinsurance	1,255,211,162	736,725,285
<b>MS First Capital Insurance Limited</b>		
Outward reinsurance premiums	11,326,871,795	14,372,566,962
Commission income from outward reinsurance	2,185,182,386	2,496,856,047
Claims recoverable on outward reinsurance	130,376,220	1,885,893
<b>BPI/MS Insurance Corporation</b>		
Commission expenses for claim settlement agency	4,265,910	318,758,994
<b>Mitsui Sumitomo Marine Management (U.S.A)</b>		
Commission income from outward reinsurance	76,295,805	-
Commission expenses for claim settlement agency	-	4,343,100
<b>MSIG Service and Adjusting (Thailand) Co., Ltd</b>		
Commission expenses for claim settlement agency	12,393,186	165,618,074
<b>MSIG Insurance Europe AG</b>		
Outward reinsurance premiums	72,858,134	73,388,091
Commission income from outward reinsurance	12,750,069	12,842,893
Commission income from claim settlement agency	-	33,668,875
<b>Members' Council, Inspectors and Board of Directors</b>		
Salaries and allowances	10,607,963,686	9,792,781,291

## 27. Key financial ratios

	Unit	31/12/2019	31/12/2018
<b>Structure of assets and resources</b>			
Structure of assets			
<i>Current assets/Total assets</i>	%	91.89%	95.63%
<i>Long-term assets/Total assets</i>	%	8.11%	4.37%
Structure of resources			
<i>Liabilities/Total resources</i>	%	57.99%	66.81%
<i>Owner's equity/Total resources</i>	%	42.01%	33.19%
<b>Liquidity ratios</b>			
Current ratio			
<i>Total assets/Total liabilities</i>	times	1.72	1.50
Current liabilities settlement ratio			
<i>Current assets/Current liabilities</i>	times	1.59	1.43
<i>Current assets (excluding reinsurance assets)/</i> <i>Current liabilities (excluding technical reserves)</i>	times	5.58	4.28
Quick ratio			
<i>Cash and cash equivalents/Current liabilities</i> <i>(excluding technical reserves)</i>	times	0.20	0.27
	<b>Unit</b>	<b>2019</b>	<b>2018</b>
<b>Profitability ratios</b>			
Profit before tax/Net revenue ratio	%	33.03%	30.74%
Profit after tax/Net revenue ratio	%	26.30%	24.55%
Profit before tax/Total assets ratio	%	6.90%	5.19%
Profit after tax/Total assets ratio	%	5.50%	4.14%
Profit after tax/Owner's equity ratio	%	13.08%	12.48%

23 March 2020

Prepared by



Nguyen Thi Van Anh  
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Approved by




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