KPMG

MSIG Insurance (Vietnam) Company Limited

Financial Statements for the year ended
31 December 2020

MSIG Insurance (Vietnam) Company Limited
Corporate Information

Establishment and Operation Licence No.	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
	54/GPDC7/KDBH	12 November 2020

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.

Members' Council	Mr. Hideyuki Tanaka	Chairman *(until 10 June 2020)*
	Mr. Alan J. Wilson	Chairman *(from 11 June 2020)* Member *(until 10 June 2020)*
	Mr. Yujiro Sobajima	Member
	Mr. Minoru Nakamura	Member
	Ms. Pham Thi Kim Anh	Member
	Mr. Jun Urakami	Member *(from 11 June 2020)*
Inspectors	Ms. Nguyen Thi Bich	Chief Inspector
	Mr. Akihiro Yoshikawa	Inspector
	Mr. Richard Da Silva	Inspector
General Director	Mr. Yujiro Sobajima	
Registered Office	10th Floor, CornerStone Building 16 Phan Chu Trinh Hoan Kiem District Hanoi Vietnam	
Auditor	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 2020.

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 55 give a true and fair view of the financial position of the Company as at 31 December 2020, and of its results of operations and 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; 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.

CÔNG TY TRÁCH NHIỆM HỮU HẠN BẢO HIỂM PHI NHÂN THỌ MSIG VIỆT NAM

Yujiro Sobajima
General Director

Hanoi, 22 March 2021

KPMG Limited
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E6 Pham Hung Road, Me Tri Ward
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 2020, 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 22 March 2021 as set out on pages 5 to 55.

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.

KPMG Limited, a Vietnamese one member limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

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 2020 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.: 20-02-00396-21-1

M.S.D.N: 0100112042-C.T.N.H.H. CÔNG TY TRÁCH NHIỆM HỮU HẠN KPMG Q. NAM TỪ LIÊM - T.P HÀ NỘI

Doan Thanh Toan
Practicing Auditor Registration
Certificate No. 3073-2019-007-1
Deputy General Director

Nguyen Ho Khanh Tan
Practicing Auditor Registration
Certificate No. 3458-2020-007-1

Hanoi, 22 March 2021

MSIG Insurance (Vietnam) Company Limited
Balance sheet as at 31 December 2020

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

		Code	Note	31/12/2020 VND	31/12/2019 VND
ASSETS					
A.	**CURRENT ASSETS (100 = 110 + 120 + 130 + 150 + 190)**	**100**		**1,678,646,262,239**	**1,842,487,541,104**
I.	**Cash and cash equivalents**	**110**	**4**	**35,361,410,668**	**40,134,707,319**
1	Cash	111		16,081,410,668	32,434,707,319
2	Cash equivalents	112		19,280,000,000	7,700,000,000
II.	**Short-term financial investments**	**120**	**5**	**1,045,112,186,174**	**975,996,042,446**
1	Short-term financial investments	121		1,045,112,186,174	975,996,042,446
III.	**Accounts receivable – short-term**	**130**	**6**	**131,368,581,618**	**100,400,128,068**
1	Accounts receivable from customers	131		78,117,325,594	52,753,659,266
1.1	*Accounts receivable – insurance*	*131.1*		*78,117,325,594*	*52,753,659,266*
2	Prepayments to suppliers	132		1,915,511,647	1,163,010,558
3	Inter-company receivables	133		1,863,590,058	3,164,609,193
4	Other short-term receivables	135		49,490,008,722	43,336,703,454
5	Allowance for doubtful debts	139		(17,854,403)	(17,854,403)
V.	**Other current assets**	**150**		**31,819,016,053**	**26,402,343,193**
1	Short-term prepaid expenses	151	7	31,118,471,790	25,395,393,506
1.1	*Deferred commission expenses*	*151.1*		*25,557,719,206*	*22,799,757,406*
1.2	*Other short-term prepaid expenses*	*151.2*		*5,560,752,584*	*2,595,636,100*
2	Deductible value added tax	152		332,544,263	557,834,687
5	Other current assets	158		368,000,000	449,115,000
VIII.	**Reinsurance assets**	**190**	**14(c)**	**434,985,067,726**	**699,554,320,078**
1	Unearned outward reinsurance premium reserve	191	14(a)	252,239,984,934	234,858,827,449
2	Outward reinsurance claims reserve	192	14(a)	182,745,082,792	464,695,492,629

The accompanying notes are an integral part of these financial statements

		Code	Note	31/12/2020 VND	31/12/2019 VND
B.	**LONG-TERM ASSETS (200 = 210 + 220 + 250 + 260)**	**200**		**181,004,190,679**	**162,546,941,685**
I.	**Accounts receivable – long-term**	**210**		**6,000,000,000**	**6,000,000,000**
4	Other long-term receivables	218	6	6,000,000,000	6,000,000,000
4.1	*Statutory security deposit*	*218.1*		*6,000,000,000*	*6,000,000,000*
II.	**Fixed assets**	**220**		**7,184,812,137**	**8,395,753,130**
1	Tangible fixed assets	221	8	2,282,986,278	3,485,277,381
	Cost	*222*		*15,712,845,578*	*15,292,211,579*
	Accumulated depreciation	*223*		*(13,429,859,300)*	*(11,806,934,198)*
3	Intangible fixed assets	227	9	4,901,825,859	4,910,475,749
	Cost	*228*		*15,766,785,467*	*13,764,800,121*
	Accumulated amortisation	*229*		*(10,864,959,608)*	*(8,854,324,372)*
IV.	**Long-term financial investments**	**250**	**5**	**158,960,000,000**	**139,244,704,331**
3	Other long-term financial investments	258		158,960,000,000	139,244,704,331
V.	**Other long-term assets**	**260**		**8,859,378,542**	**8,906,484,224**
1	Long-term prepaid expenses	261	10	3,997,898,336	4,738,088,142
3	Other long-term assets	268		4,861,480,206	4,168,396,082
TOTAL ASSETS (270 = 100 + 200)		**270**		**1,859,650,452,918**	**2,005,034,482,789**

		Code	Note	31/12/2020 VND	31/12/2019 VND
RESOURCES					
A.	**LIABILITIES (300 = 310 + 330)**	**300**		**939,043,548,724**	**1,162,660,046,854**
I.	**Current liabilities**	**310**		**932,687,580,828**	**1,160,422,563,905**
2	Accounts payable to suppliers	312	11	134,574,749,143	125,680,421,132
2.1	*Accounts payable – insurance*	*312.1*		*130,862,393,283*	*119,745,395,469*
2.2	*Accounts payable – others*	*312.2*		*3,712,355,860*	*5,935,025,663*
4	Taxes payable to State Treasury	314	12	13,024,270,730	12,586,734,274
5	Payables to employees	315		70,733,574	113,397,939
6	Accrued expenses	316		20,104,529,455	23,415,467,528
7	Inter-company payables	317		2,271,699,901	660,065,527
8	Other short-term payables	319	13	46,736,618,425	42,471,795,818
8.1	*Unearned commission income*	*319.1*		*44,750,467,498*	*42,082,678,026*
8.2	*Other short-term payables*	*319.2*		*1,986,150,927*	*389,117,792*
13	Technical reserves	329		715,904,979,600	955,494,681,687
13.1	*Unearned premium reserve for direct insurance and inward reinsurance*	*329.1*	*14(a)*	*398,242,761,503*	*367,798,328,463*
13.2	*Claims reserve for direct insurance and inward reinsurance*	*329.2*	*14(a)*	*246,904,849,634*	*527,393,779,719*
13.3	*Catastrophe reserve*	*329.3*	*14(b)*	*70,757,368,463*	*60,302,573,505*
II.	**Long-term liabilities**	**330**		**6,355,967,896**	**2,237,482,949**
3	Other long-term payables	333		843,625,000	583,625,000
5	Deferred tax liabilities	335	22	115,288,990	614,828,841
6	Unearned revenue	338		5,397,053,906	1,039,029,108
B.	**EQUITY (400 = 410)**	**400**		**920,606,904,194**	**842,374,435,935**
I	**Owner's equity**	**410**	**15**	**920,606,904,194**	**842,374,435,935**
1	Contributed capital	411		300,000,000,000	300,000,000,000
9	Statutory reserve	419		36,324,245,341	29,657,692,820
11	Retained profits	421		584,282,658,853	512,716,743,115
TOTAL RESOURCES (440 = 300 + 400)		**440**		**1,859,650,452,918**	**2,005,034,482,789**

The accompanying notes are an integral part of these financial statements

OFF-BALANCE SHEET ITEMS

		Unit	31/12/2020 VND	31/12/2019 VND
4	Insurance policies not yet incurred insurance liabilities – Premiums from direct insurance	VND	5,397,053,906	1,039,029,108
5	Foreign currencies (Original currency)			
	- United States Dollar (USD)	USD	330,091,75	1,702,459,66
	- Japanese Yen (JPY)	JPY	1,774,091,00	3,894,959

22 March 2021

Prepared by	Approved by
Nguyen Thi Van Anh	Yujiro Sobajima
Chief Accountant	*General Director*

MSIG Insurance (Vietnam) Company Limited
Statement of income for the year ended 31 December 2020

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

		Code	2020 VND	2019 VND (Reclassified)
1	Net revenue from insurance activities	10	442,823,405,079	419,017,836,373
3	Financial income	12	84,965,067,170	74,825,337,842
4	Other income	13	198,085,479	7,069,455
5	Total expenses for insurance activities	20	187,383,432,841	178,449,801,666
7	Financial expenses	22	767,336,707	673,189,923
8	General and administration expenses	23	173,007,895,434	176,340,049,293
9	Other expenses	24	28,243,295	-
10	**Accounting profit before tax (50 = 10 + 12 + 13 – 20 – 22 – 23 – 24)**	**50**	**166,799,649,451**	**138,387,202,788**
11	Income tax expense – current	51	33,968,138,876	29,076,941,632
12	Income tax benefit – deferred	52	(499,539,852)	(886,903,180)
13	**Net profit after tax (60 = 50 – 51 – 52)**	**60**	**133,331,050,427**	**110,197,164,336**

The accompanying notes are an integral part of these financial statements

Part II – Statement of income by activities

	Code	Note	2020 VND	2019 VND (Reclassified)
1 Premium revenue (01 = 01.1 + 01.2 – 01.3)	01	16	943,673,508,180	903,755,678,966
In which:				
- *Gross written premiums from direct insurance*	*01.1*		*938,880,267,513*	*882,755,309,822*
- *Gross written premiums from inward reinsurance*	*01.2*		*35,237,673,707*	*23,124,761,249*
- *Increase in unearned premium reserve for direct insurance and inward reinsurance*	*01.3*	*14(a)(ii)*	*30,444,433,040*	*2,124,392,105*
2 Outward reinsurance premiums (02 = 02.1 – 02.2)	02	17	608,243,618,461	595,121,930,954
In which:				
- *Outward reinsurance premiums*	*02.1*		*625,624,775,946*	*581,929,919,777*
- *Increase/(decrease) in unearned premium reserve for outward reinsurance*	*02.2*	*14(a)(ii)*	*17,381,157,485*	*(13,192,011,177)*
3 Net premium revenue (03 = 01 – 02)	**03**		**335,429,889,719**	**308,633,748,012**
4 Commission income from outward reinsurance and other income from insurance activities (04 = 04.1 + 04.2)	04		107,393,515,360	110,384,088,361
In which:				
- *Commission income from outward reinsurance*	*04.1*	*13*	*101,026,474,324*	*103,947,963,993*
- *Other income from insurance activities*	*04.2*		*6,367,041,036*	*6,436,124,368*
5 Net revenue from insurance activities (10 = 03 + 04)	**10**		**442,823,405,079**	**419,017,836,373**
6.1 Claims paid	11		327,347,093,125	397,357,887,851
6.2 Accrued loss adjustment expenses	11		-	1,264,932,600
7 Claims recovery from outward reinsurance	12		228,536,051,644	302,045,458,771
8 Decrease in claims reserve for direct insurance and inward reinsurance	13	14(a)(i)	(281,989,667,750)	(289,049,362,831)
9 Decrease in claims reserve for outward reinsurance	14	14(a)(i)	(283,290,432,396)	(297,123,276,548)
7 Net claims expense (15 = 11 – 12 + 13 – 14)	**15**	**18**	**100,111,806,127**	**104,651,275,397**

The accompanying notes are an integral part of these financial statements

Part II – Statement of income by activities (continued)

		Code	Note	2020 VND	2019 VND (Reclassified)
11	Increase in catastrophe reserve	16	14(b)	10,454,794,958	9,718,504,539
12	Other operating expenses for insurance activities (17 = 17.1 +17.2)	17	19	76,816,831,756	64,080,021,730
	In which:				
	- *Commission on insurance activities*	*17.1*	*7(i)*	*58,478,473,760*	*49,789,218,268*
	- *Other insurance costs*	*17.2*		*18,338,357,996*	*14,290,803,462*
13	**Total expenses for insurance activities (18 = 15 + 16 + 17)**	**18**		**187,383,432,841**	**178,449,801,666**
14	**Gross profit from insurance activities (19 = 10 – 18)**	**19**		**255,439,972,238**	**240,568,034,707**
18	Financial income	23	20	84,965,067,170	74,825,337,842
19	Financial expenses	24		767,336,707	673,189,923
20	**Profit from financial activities (25 = 23)**	**25**		**84,197,730,463**	**74,152,147,919**
21	General and administration expenses	26	21	173,007,895,434	176,340,049,293
22	**Net operating profit (30 = 19 + 25 – 26)**	**30**		**166,629,807,267**	**138,380,133,333**
23	Other income	31		198,085,479	7,069,455
23	Other expenses	32		28,243,295	-
25	**Results of other activities (40 = 31 -32)**	**40**		**169,842,184**	**7,069,455**
26	**Accounting profit before tax (50 = 30 + 40)**	**50**		**166,799,649,451**	**138,387,202,788**
27	Income tax expense – current	51	22	33,968,138,876	29,076,941,632
28	Income tax benefit – deferred	52	22	(499,539,852)	(886,903,180)
29	**Net profit after tax (60 = 50 – 51 – 52)**	**60**		**133,331,050,427**	**110,197,164,336**

22 March 2021

Prepared by

Nguyen Thi Van Anh
Chief Accountant

Approved by

CÔNG TY TRÁCH NHIỆM HỮU HẠN BẢO HIỂM PHI NHÂN THỌ MSIG VIỆT NAM

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 2020 (Indirect method)

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

		Code	2020 VND	2019 VND
I.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1	**Profit before tax**	**01**	**166,799,649,451**	**138,387,202,788**
2	**Adjustments for**			
	Depreciation and amortisation	02	3,794,362,939	5,003,600,955
	Allowances and provisions	03	24,889,377,937	22,214,333,198
	Unrealised foreign exchange gains	04	(529,664,539)	(1,067,606,622)
	Profits from investing activities	05	(83,930,236,570)	(72,785,269,920)
3	**Operating profit before changes in working capital**	**08**	**111,023,489,218**	**91,752,260,399**
	Change in receivables and other assets	09	(24,385,594,922)	57,451,209,725
	Change in payables and other liabilities	11	13,791,032,418	(51,936,079,862)
	Change in prepayments	12	(2,224,926,678)	(528,821,272)
			98,204,000,036	**96,738,568,990**
	Income tax paid	14	(32,181,094,957)	(29,043,959,500)
Net cash flows from operating activities		**20**	**66,022,905,079**	**67,694,609,490**
II.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
1	Payments for additions to fixed assets	21	(4,384,953,163)	(5,147,622,500)
2	Proceeds from disposals of fixed assets	22	13,853,799	-
3	Payments for term deposits at banks	23	(88,831,439,397)	(147,094,526,534)
7	Receipts of interest	27	76,975,254,660	66,448,746,684
Net cash flows from investing activities		**30**	**(16,227,284,101)**	**(85,793,402,350)**
III.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
6	Profits distribution to the parent company	36	(55,098,582,168)	(13,971,336,610)
Net cash flows from financing activities		**40**	**(55,098,582,168)**	**(13,971,336,610)**

The accompanying notes are an integral part of these financial statements

	Code	2020 VND	2019 VND
Net cash flows during the year (50 = 20 + 30 + 40)	**50**	**(5,302,961,190)**	**(32,070,129,470)**
Cash and cash equivalents at the beginning of the year	**60**	**40,134,707,319**	**71,137,230,167**
Effect of exchange rate fluctuations on cash and cash equivalents	**61**	**529,664,539**	**1,067,606,622**
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61) (Note 4)	**70**	**35,361,410,668**	**40,134,707,319**

NON-CASH INVESTING ACTIVITIES

	2020 VND	2019 VND
Cost of fixed assets acquired but not yet paid	-	1,773,122,000

22 March 2021

Prepared by	Approved by
Nguyen Thi Van Anh	Yujiro Sobajima
Chief Accountant	*General Director*

CÔNG TY TRÁCH NHIỆM HỮU HẠN BẢO HIỂM PHI NHÂN THỌ MSIG VIỆT NAM

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 by the latest Establishment and Operation Licence No. 54/GPDC7/KDBH issued by the MOF on 12 November 2020.

(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) The Company's headcounts

As at 31 December 2020, the Company had 168 employees (31/12/2019: 166 employees).

2. Basis of preparation

(a) Statement of compliance

These 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 of the Company 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 statements 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.

(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(l)(i). The balance of deferred commission expenses at the reporting date represents the commission expenses corresponding to the unearned premium.

(f) Statutory security deposit

According to 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, the Company is required to make a statutory security deposit of 2% of legal capital. This deposit earns interest at a rate agreed with the bank where the deposit is placed and is withdrawn until cessation of the business operations. The statutory security deposit is only used to meet any commitments made to the policyholders when the Company is unable to meet its financial obligations and the approval from the Ministry of Finance has been obtained.

(g) 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

(h) 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.

(i) 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.

(j) Insurance and other payables

Insurance and other payables are stated at their cost.

(k) 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.

(l) 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 73 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 technical reserves for non-life insurance policies and technical reserves for health insurance:

(i) Technical reserves for non-life insurance policies

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:

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

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

Claims reserve

Claims reserve is established in accordance with the calculation methods as approved in OL 1101.

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 ("IBNR") 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.

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.

(ii) 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 health insurance product and is recorded in catastrophe reserve in the balance sheet.

(m) Contributed capital

Contributed capital is recognised on the contribution date at the actual amount contributed less any directly attributable transaction costs.

(n) 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.

(o) 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 by Board of Directors 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 by Board of Directors 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.

(p) 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.

(q) 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; or
- there are evidences that the insurance policy has been entered into and the insured has paid the premium; or
- 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.

(r) Interest income

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

(s) 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 in the statement of income on the same basis as the allocation basis of unearned premium reserve as described in Note 3(l)(i). The balance of unearned commission income at the reporting date represents the commission income corresponding to the unearned premium.

(t) 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.

(u) 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.

(v) Leases

(i) Leased assets

Assets held under other leases are classified as operating leases and are not recognised in the Company's balance sheet.

(ii) 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, over the term of the lease.

(w) 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.

(x) Comparative infomation

Comparative information in these financial statements is presented as corresponding figures. Under this method, comparative information for the prior year are included as an integral part of the current period financial statements and are intended to be read only in relation to the amounts and other disclosures relating to the current year. Accordingly, the comparative information included in these financial statements is not intended to present the Company financial position, results of operation or cash flows for the prior year.

(y) Nil balances

Items or balances required by 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 that are not shown in these financial statements indicate nil balances.

4. Cash and cash equivalents

	31/12/2020 VND	31/12/2019 VND
Cash on hand	8,520,500	6,654,100
Cash in banks	16,072,890,168	32,428,053,219
Cash equivalents	19,280,000,000	7,700,000,000
Cash and cash equivalents in the statement of cash flows	35,361,410,668	40,134,707,319

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

	31/12/2020	31/12/2019
Cash equivalents in VND	0.1% - 8.00%	0.80%
Cash equivalents in USD	0.00%	0.00%

5. Financial investments

(a) Short-term financial investments

As at 31 December 2020, 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 from the end of the annual accounting period.

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

	31/12/2020	31/12/2019
Term deposits in VND	4.50% - 8.00%	4.50% - 8.20%
Term deposits in USD	0.00%	0.00%

Short-term deposits at banks detailed by banks:

	31/12/2020 VND	31/12/2019 VND
Vietnam Export Import Commercial Joint Stock Bank	164,008,431,834	161,282,814,772
Vietnam Technological and Commercial Joint Stock Bank	141,845,027,397	63,000,000,000
Vietnam Prosperity Joint Stock Commercial Bank	137,794,211,067	41,378,888,889
Ho Chi Minh City Housing Development Joint Stock Commercial Bank	136,588,718,212	143,469,316,769
Hong Leong Bank Vietnam Limited	120,850,270,552	88,920,000,000
Asia Commercial Joint Stock Bank	106,756,533,920	119,024,527,806
Vietnam International Commercial Joint Stock Bank	90,704,635,629	51,624,303,562
Orient Commercial Joint Stock Bank	52,251,054,794	46,889,434,247
CIMB Bank (Vietnam) Limited	48,500,000,000	50,322,893,151
Joint Stock Commercial Bank for Investment and Development of Vietnam	43,500,000,000	122,884,479,604
First Commercial Bank	2,313,302,769	2,326,383,646
Joint Stock Commercial Bank for Foreign Trade of Vietnam	-	70,625,000,000
Sumitomo Mitsui Banking Corporation	-	14,248,000,000
	1,045,112,186,174	975,996,042,446

(b) Long-term financial investments

As at 31 December 2020, other long-term financial investments represent term deposits at banks denominated in VND with remaining terms to maturities of more than one year and have annual interest rate from 5.8% to 6.7% (31/12/2019: from 6.3% to 7.8%).

Long-term deposits at banks detailed by bank:

	31/12/2020 VND	31/12/2019 VND
Vietnam Prosperity Joint Stock Commercial Bank	43,500,000,000	-
Ho Chi Minh City Housing Development Joint Stock Commercial Bank	39,000,000,000	10,100,000,000
CIMB Bank (Vietnam) Limited	35,000,000,000	-
Hong Leong Bank Vietnam Limited	19,200,000,000	51,200,000,000
Vietnam Export Import Commercial Joint Stock Bank	15,260,000,000	-
Orient Commercial Joint Stock Bank	7,000,000,000	-
Asia Commercial Joint Stock Bank	-	37,944,704,331
Joint Stock Commercial Bank for Investment and Development of Vietnam	-	25,000,000,000
Vietnam Technological and Commercial Joint Stock Bank	-	15,000,000,000
	158,960,000,000	139,244,704,331

6. Accounts receivables

(a) Account receivables – short-term

Accounts receivable – insurance comprised:

	31/12/2020 VND	31/12/2019 VND
Premiums receivable from direct insurance	32,698,271,521	6,870,238,614
Premiums receivable from inward reinsurance	1,925,562,311	3,677,441,244
Claims recoverable from reinsurers	39,906,747,609	40,794,560,892
Claims recoverable from co-insurers	3,586,744,153	1,411,418,516
	78,117,325,594	52,753,659,266

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

	31/12/2020 VND	31/12/2019 VND
Amounts due from the parent company		
▪ Insurance	9,947,756,515	23,460,206,860
▪ Other insurance related receivables	1,863,590,058	3,144,881,178
Amounts due from other related companies		
▪ Insurance	8,017,946,237	6,144,644,960

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:

	31/12/2020 VND	31/12/2019 VND
Interest receivable from term deposits at banks	48,905,463,855	41,935,926,527
Others	584,544,867	1,400,776,927
	49,490,008,722	43,336,703,454

(b) Account receivables – long-term

	31/12/2020 VND	31/12/2019 VND
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. However, interest earned from the statutory security deposit can be withdrawn at any time.

As at 31 December 2020, the Company maintained a statutory security deposit of VND6 billion at Ho Chi Minh City Development Joint Stock Commercial Bank and earns an annual interest rate of 7.80% (31/12/2019: 7.5%).

7. Short-term prepaid expenses

	31/12/2020 VND	31/12/2019 VND
Deferred commission expenses (i)	25,557,719,206	22,799,757,406
Prepaid rental expense	3,041,066,335	711,644,909
Other prepaid expenses	2,519,686,249	1,883,991,191
	31,118,471,790	25,395,393,506

(i) Movements of deferred commission expenses during the year were as follows:

	2020 VND	2019 VND
Opening balance	22,799,757,406	22,775,802,088
Additions during the year	61,236,435,560	49,813,173,586
Amortisation during the year	(58,478,473,760)	(49,789,218,268)
Closing balance	25,557,719,206	22,799,757,406

8. Tangible fixed assets

2020	Office equipment VND	Office furniture VND	Other tangible fixed assets VND	Total VND
Cost				
Opening balance	13,004,164,481	1,437,120,540	850,926,558	15,292,211,579
Additions	322,614,000	-	287,231,817	609,845,817
Disposals	(156,820,000)	-	(32,391,818)	(189,211,818)
Closing balance	13,169,958,481	1,437,120,540	1,105,766,557	15,712,845,578
Accumulated depreciation				
Opening balance	9,964,882,595	1,316,053,995	525,997,608	11,806,934,198
Additions	1,448,619,249	121,066,545	214,041,909	1,783,727,703
Disposals	(156,820,000)	-	(3,982,601)	(160,802,601)
Closing balance	11,256,681,844	1,437,120,540	736,056,916	13,429,859,300
Net book value				
Opening balance	3,039,281,886	121,066,545	324,928,950	3,485,277,381
Closing balance	1,913,276,637	-	369,709,641	2,282,986,278

8. Tangible fixed assets (continued)

2019	Office equipment VND	Office furniture VND	Other tangible fixed assets VND	Total VND
Cost				
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
Accumulated depreciation				
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
Net book value				
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

Included in tangible fixed assets were assets costing VND11,539 million which were fully depreciated as at 31 December 2020 (31/12/2019: VND8,172 million), but which are still in active use.

9. Intangible fixed assets

	Computer software	
	2020 VND	**2019 VND**
Cost		
Opening balance	13,764,800,121	9,522,515,621
Additions	2,001,985,346	4,242,284,500
Closing balance	15,766,785,467	13,764,800,121
Accumulated amortisation		
Opening balance	8,854,324,372	7,023,454,500
Charge for the year	2,010,635,236	1,830,869,872
Closing balance	10,864,959,608	8,854,324,372
Net book value		
Opening balance	4,910,475,749	2,499,061,121
Closing balance	4,901,825,859	4,910,475,749

Included in intangible fixed assets were assets costing VND7,801 million which were fully amortised as at 31 December 2020 (31/12/2019: VND7,191 million), but which are still in active use.

10. Long-term prepaid expenses

	31/12/2020 VND	**31/12/2019 VND**
Office fitting expenses	2,287,993	57,587,437
Tools and instruments	2,434,239,430	2,363,893,058
Others	1,561,370,913	2,316,607,647
	3,997,898,336	4,738,088,142

11. Accounts payable to suppliers

Accounts payable to suppliers comprised:

	31/12/2020 VND	31/12/2019 VND
Accounts payable – insurance		
▪ Premiums payable for outward reinsurance	120,770,936,387	104,553,564,234
▪ Premiums payable for co-insurance	690,487,268	8,518,230,524
▪ Commissions payable	9,400,969,628	6,673,600,711
	130,862,393,283	119,745,395,469
Other payables to suppliers	3,712,355,860	5,935,025,663
	134,574,749,143	125,680,421,132

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

	31/12/2020 VND	31/12/2019 VND
Amounts due to the parent company		
▪ Insurance	51,321,129,171	30,955,621,129
▪ Other insurance related payables	54,720,000	448,115,000
Amounts due to other related companies		
▪ Insurance	17,009,166,251	20,889,564,946
▪ Other insurance related payables	1,849,979,901	968,644,211

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

12. Taxes payable to State Treasury

	1/1/2020 VND	Incurred VND	Paid VND	31/12/2020 VND
Value added tax	4,302,738,405	29,941,280,081	(30,871,095,002)	3,372,923,484
Personal income tax	2,645,801,386	20,851,309,200	(21,171,031,475)	2,326,079,111
Withholding tax	520,699,744	3,935,692,280	(4,035,662,547)	420,729,477
Corporate income tax	5,117,494,739	33,968,138,876	(32,181,094,957)	6,904,538,658
	12,586,734,274	88,696,420,437	(88,258,883,981)	13,024,270,730

	1/1/2019 VND	Incurred VND	Paid VND	31/12/2019 VND
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
	12,775,446,518	88,043,281,025	(88,231,993,269)	12,586,734,274

13. Other short-term payables

	31/12/2020 VND	31/12/2019 VND
Unearned commission income (i)	44,750,467,498	42,082,678,026
Other payables	1,986,150,927	389,117,792
	46,736,618,425	42,471,795,818

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

	2020 VND	2019 VND
Opening balance	42,082,678,026	52,953,211,048
Additions during the year	103,694,263,796	93,077,430,971
Amortisation during the year	(101,026,474,324)	(103,947,963,993)
Closing balance	44,750,467,498	42,082,678,026

14. Technical reserves

(a) Claims reserve and unearned premium reserve

As at 31 December 2020	Reserves for direct insurance and inward reinsurance VND (1)	Reserves for outward reinsurance VND (2)	Net reserve VND (3) = (1) – (2)
Claims reserve (i)	246,904,849,634	182,745,082,792	64,159,766,842
▪ *Outstanding claims reserve*	*198,198,952,573*	*151,463,843,994*	*46,735,108,579*
▪ *Reserve for claims incurred but not reported*	*48,705,897,061*	*31,281,238,798*	*17,424,658,263*
Unearned premium reserve (ii)	398,242,761,503	252,239,984,934	146,002,776,569
	645,147,611,137	434,985,067,726	210,162,543,411

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
▪ *Outstanding claims reserve*	*482,099,776,165*	*435,598,996,640*	*46,500,779,525*
▪ *Reserve for claims incurred but not reported*	*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

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

For the year ended 31 December 2020	**Claims reserve for direct insurance and inward reinsurance VND (1)**	**Claims reserve for outward reinsurance VND (2)**	**Net claims reserve VND (3) = (1) – (2)**
Opening balance	527,393,779,719	464,695,492,629	62,698,287,090
Decrease in claims reserve during the year	(281,989,667,750)	(283,290,432,396)	1,300,764,646
Effect of accrued loss adjustment expenses	1,500,737,665	1,340,022,559	160,715,106
Closing balance	246,904,849,634	182,745,082,792	64,159,766,842

For the year ended 31 December 2019	**Claims reserve for direct insurance and inward reinsurance VND (1)**	**Claims reserve for outward reinsurance VND (2)**	**Net claims reserve VND (3) = (1) – (2)**
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

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

For the year ended 31 December 2020	**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	367,798,328,463	234,858,827,449	132,939,501,014
Increase in unearned premium reserve during the year	30,444,433,040	17,381,157,485	13,063,275,555
Closing balance	398,242,761,503	252,239,984,934	146,002,776,569

For the year ended 31 December 2019	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	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

(b) Catastrophe reserve

	2020 VND	2019 VND
Opening balance	60,302,573,505	50,584,068,966
Increase of catastrophe reserve during the year	10,454,794,958	9,718,504,539
Closing balance	70,757,368,463	60,302,573,505

Included in catastrophe reserve as at 31 December 2020 was contingency reserve of health insurance amounting to VND2,242 million (31/12/2019: VND1,594 million).

(c) Reinsurance assets

	31/12/2020 VND	31/12/2019 VND
Unearned outward reinsurance premium reserve	252,239,984,934	234,858,827,449
Outward reinsurance claims reserve	182,745,082,792	464,695,492,629
	434,985,067,726	699,554,320,078

15. Owner's equity

(a) Statement of changes in owner's equity

	Contributed capital VND	Statutory reserve VND	Retained profits VND	Total VND
Balance at 1 January 2019	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)
Balance at 31 December 2020	300,000,000,000	29,657,692,820	512,716,743,115	842,374,435,935
Balance at 1 January 2020	300,000,000,000	29,657,692,820	512,716,743,115	842,374,435,935
Net profit for the year	-	-	133,331,050,427	133,331,050,427
Appropriation to statutory reserve	-	6,666,552,521	(6,666,552,521)	-
Profits distribution to the parent company	-	-	(55,098,582,168)	(55,098,582,168)
Balance at 31 December 2020	300,000,000,000	36,324,245,341	584,282,658,853	920,606,904,194

(b) Contributed capital

The Company's authorised and contributed charter capital are:

	As at 31/12/2020 and 31/12/2019 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 22 May 2020, the Members' Council of the Company resolved to distribute a portion of profit after tax of 2019 to the parent company amounting to VND55,098,582,168 (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).

16. Premium revenue

	2020 VND	2019 VND
Gross written premiums from direct insurance		
Personal accident and health insurance	100,220,568,512	78,230,644,684
▪ *Personal accident insurance*	*24,590,391,979*	*22,101,899,609*
▪ *Health insurance*	*75,630,176,533*	*56,128,745,075*
Property and casualty insurance	168,459,414,055	146,628,838,399
Cargo insurance	115,907,335,635	131,196,976,294
Motor vehicle insurance	83,350,272,710	108,953,711,926
▪ *Compulsory*	*1,962,750,120*	*1,826,718,909*
▪ *Voluntary*	*81,387,522,590*	*107,126,993,017*
Fire and explosion insurance	323,146,193,651	284,344,675,031
▪ *Compulsory*	*316,759,901,549*	*278,286,773,250*
▪ *Voluntary*	*6,386,292,102*	*6,057,901,781*
Public liability insurance	88,110,906,734	85,023,456,793
Credit and financial risk insurance	18,807,096,689	10,707,236,886
Business interruption insurance	40,878,479,527	37,669,769,809
	938,880,267,513	882,755,309,822
Gross written premiums from inward reinsurance		
Personal accident and health insurance	30,894,969	28,275,704
▪ *Personal accident insurance*	*30,894,969*	*28,275,704*
Property and casualty insurance	14,101,451,730	6,947,718,070
Cargo insurance	278,941,005	612,498,420
Fire and explosion insurance	11,453,093,942	9,915,998,748
▪ *Compulsory*	*11,399,907,343*	*9,821,398,853*
▪ *Voluntary*	*53,186,599*	*94,599,895*
Hull and protection and indemnity ("P&I") insurance	7,284,579,132	3,898,262,765
Public liability insurance	1,392,554,256	1,386,971,694
Business interruption insurance	696,158,673	335,035,848
	35,237,673,707	23,124,761,249
Increase in unearned premium reserve for direct insurance and inward reinsurance (Note 14(a)(ii))	(30,444,433,040)	(2,124,392,105)
	943,673,508,180	903,755,678,966

17. Outward reinsurance premiums

	2020 VND	2019 VND
Total outward reinsurance premiums		
Personal accident and health insurance	3,615,960,021	6,759,773,699
▪ *Personal accident insurance*	*2,729,530,684*	*3,756,156,058*
▪ *Health insurance*	*886,429,337*	*3,003,617,641*
Property and casualty insurance	172,460,520,721	146,122,451,781
Cargo insurance	23,255,173,354	34,031,984,847
Motor vehicle insurance	36,792,826,771	48,379,635,763
▪ *Compulsory*	*346,459,230*	*342,174,185*
▪ *Voluntary*	*36,446,367,541*	*48,037,461,578*
Fire and explosion insurance	285,618,961,076	255,886,190,934
▪ *Compulsory*	*283,297,975,718*	*252,872,384,940*
▪ *Voluntary*	*2,320,985,358*	*3,013,805,994*
Hull and protection and indemnity ("P&I") insurance	7,281,508,129	3,896,409,890
Public liability insurance	37,689,314,620	39,758,811,402
Credit and financial risk insurance	18,570,972,828	10,122,072,706
Business interruption insurance	40,339,538,426	36,972,588,755
	625,624,775,946	581,929,919,777
(Increase)/decrease in unearned premium reserve for outward reinsurance (Note 14(a)(ii))	(17,381,157,485)	13,192,011,177
	608,243,618,461	595,121,930,954

18. Net claims expense

	2020 VND	2019 VND
Claims paid		
Personal accident and health insurance	28,852,878,652	24,078,893,373
▪ *Personal accident insurance*	*4,852,149,121*	*6,042,844,575*
▪ *Health insurance*	*24,000,729,531*	*18,036,048,798*
Property and casualty insurance	177,030,821,952	187,806,647,623
Cargo insurance	20,910,007,661	13,593,667,669
Motor vehicle insurance	37,746,261,321	55,201,777,150
▪ *Compulsory*	*758,905,732*	*1,296,772,203*
▪ *Voluntary*	*36,987,355,589*	*53,905,004,947*
Fire and explosion insurance	37,856,918,043	97,917,590,220
▪ *Compulsory*	*37,856,918,043*	*97,912,212,914*
▪ *Voluntary*	-	*5,377,306*
Hull and protection and indemnity ("P&I") insurance	426,378,170	1,092,499,436
Public liability insurance	22,070,830,498	16,499,829,396
Business interruption insurance	387,143,379	1,644,434,281
Credit and financial risk insurance	2,065,853,449	(477,451,297)
	327,347,093,125	397,357,887,851
Accrued loss adjustment expenses	-	1,264,932,600
Claims recovery from outward reinsurance	(228,536,051,644)	(302,045,458,771)
Decrease in claims reserve for direct insurance and inward reinsurance	(281,989,667,750)	(289,049,362,831)
Decrease in claims reserve for outward reinsurance	283,290,432,396	297,123,276,548
	100,111,806,127	104,651,275,397

19. Other operating expenses for insurance activities

	2020 VND	2019 VND
Commission on insurance activities	58,478,473,760	49,789,218,268
In which:		
▪ *Commissions for direct insurance*	*53,824,816,648*	*44,819,231,914*
▪ *Deferred commission expenses*	*(2,757,961,801)*	*(23,955,318)*
▪ *Commissions for inward reinsurance*	*7,411,618,913*	*4,993,941,672*
Risk assessment and survey fees	185,619,761	1,513,615,467
Other expenses	18,152,738,235	12,777,187,995
	76,816,831,756	64,080,021,730

20. Financial income

	2020 VND	2019 VND (Reclassified)
Interest income from deposits at banks	83,944,791,988	72,785,269,920
Realised foreign exchange gains	419,407,220	299,271,377
Unrealised foreign exchange gains	600,867,962	1,067,606,622
	84,965,067,170	74,825,337,842

21. General and administration expenses

	2020 VND	2019 VND
Salaries and related expenses	96,381,761,988	89,027,370,754
Outside services expenses	45,208,876,423	54,385,339,448
Office rental expenses	16,738,608,927	16,156,170,235
Depreciation and amortisation	3,794,362,939	5,003,600,955
Tax expenses	2,377,142,147	1,148,739,284
Stationery expenses	1,180,185,981	1,781,997,766
Others	7,326,957,029	8,836,830,851
	173,007,895,434	176,340,049,293

22. Income tax

(a) Recognised in the statement of income

	2020 VND	2019 VND
Current tax expense		
Current year	33,968,138,876	29,076,941,632
Deferred tax (benefit)/expense		
Origination and reversal of temporary differences	(499,539,852)	(886,903,180)
Income tax expense	33,468,599,024	28,190,038,452

(b) Reconciliation of effective tax rate

	2020 VND	2019 VND
Accounting profit before tax	166,799,649,451	138,387,202,788
Tax at the Company's tax rate	33,359,929,890	27,677,440,558
Non-deductible expenses	108,669,134	512,597,894
	33,468,599,024	28,190,038,452

(c) Applicable tax rates

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

(d) Deferred tax liabilities

	31/12/2020 VND	31/12/2019 VND
Recognised deferred tax liabilities:		
Unrealised foreign exchange gains	115,288,990	614,828,841

23. 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	31/12/2020 VND	31/12/2019 VND
Cash in banks and cash equivalents	(i)	35,352,890,168	40,128,053,219
Short-term financial investments	(i)	1,045,112,186,174	975,996,042,446
Other long-term financial investments	(i)	158,960,000,000	139,244,704,331
Statutory security deposit	(i)	6,000,000,000	6,000,000,000
Insurance receivables - gross	(ii)	78,117,325,594	52,753,659,266
Inter-company receivables - gross	(ii)	1,863,590,058	3,164,609,193
Other short-term receivables - gross	(ii)	49,490,008,722	43,336,703,454
		1,374,896,000,716	1,260,623,771,909

(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.

(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:

As at 31 December 2020	Carrying amount VND	Contractual cash flows VND	Up to 1 year VND
Accounts payable to suppliers	134,574,749,143	134,574,749,143	134,574,749,143
Accrued expenses	20,104,529,455	20,104,529,455	20,104,529,455
Inter-company payables	2,271,699,901	2,271,699,901	2,271,699,901
Other payables	1,986,150,927	1,986,150,927	1,986,150,927
	158,937,129,426	158,937,129,426	158,937,129,426

As at 31 December 2019	Carrying amount VND	Contractual cash flows VND	Up to 1 year VND
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

(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.

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

As at 31 December 2020	**Original currency**					**Equivalent**
	USD	**JPY**	**SGD**	**THB**	**HKD**	**VND**
Cash and cash equivalents	229,469,62	1,774,091,00	-	-	-	5,666,374,293
Short-term financial investments	100,622,13	-	-	-	-	2,313,302,769
Accounts receivable – insurance	391,439,08	228,864,81	-	-	2,145,01	9,055,924,999
Total exposed assets (1)	721,530,83	2,002,955,81	-	-	2,145,01	17,035,602,061
Accounts payable – insurance	159,848,75	173,851,95	-	-	-	3,713,225,824
Other payables	-	-	86,463,81	-	-	1,538,537,035
Total exposed liabilities (2)	159,848,75	173,851,95	86,463,81	-	-	5,251,762,859
Net asset/(liability) position [(1) - (2)]	561,682,08	1,829,103,86	(86,463,81)	-	2,145,01	11,783,839,202

As at 31 December 2019	**Original currency**					**Equivalent**
	USD	**JPY**	**SGD**	**THB**	**HKD**	**VND**
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	-	-	-	2,145,01	1,026,448,084
Total exposed assets (1)	1,746,581,49	3,894,959,00	-	-	2,145,01	41,205,880,007
Accounts payable – insurance	51,471,40	249,441,05	-	-	-	1,242,441,299
Other payables	-	-	2,722,05	208,387,00	-	211,950,354
Total exposed liabilities (2)	51,471,40	249,441,05	2,722,05	208,387,00	-	1,454,391,653
Net asset/(liability) position [(1) - (2)]	1,695,110,09	3,645,517,95	(2,722,05)	(208,387,00)	2,145,01	39,751,488,354

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

	Exchange rate as at	
	31/12/2020	**31/12/2019**
USD/VND	22,990	23,120
JPY/VND	220.32	210.16
SGD/VND	17,794	17,378
THB/VND	790.50	790.10
HKD/VND	2,945.00	2,961.00

Below is an analysis of the possible impact on the 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 2020	**Effect to profit after tax Increase/ (decrease) VND**
USD (1% weakening)	(74,617,273)
JPY (5% strengthening)	17,067,068
HKD (1% strengthening)	63,171

As at 31 December 2019	**Effect to profit after tax Increase/ (decrease) VND**
JPY (2% strengthening)	12,258,273
SGD (2% strengthening)	(756,861)
THB (8% strengthening)	(10,537,380)
HKD (1% strengthening)	29,194

The opposite movement of the currencies would have the equal but opposite effect to the 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	
	31/12/2020 VND	**31/12/2019 VND**
Fixed rate instruments		
Cash in banks and cash equivalents	35,352,890,168	40,128,053,219
Short-term financial investments	1,045,112,186,174	975,996,042,446
Other long-term financial investments	158,960,000,000	139,244,704,331
Statutory security deposit	6,000,000,000	6,000,000,000

24. 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.

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**
2020				
Change in profit after tax	(20,594)	20,594	(8,927)	8,927
Change in equity	(20,594)	20,594	(8,927)	8,927

	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**
2019				
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 2020 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.

(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 2016.

After outward reinsurance

Unit: VND million

Actual claims compared with previous estimates	Years of indemnity					Total
	2016	2017	2018	2019	2020	
Estimate of cumulative claims						
1	90,773	129,223	106,448	104,670	94,160	
2	97,119	131,787	108,011	109,979		
3	98,021	127,888	107,112			
4	97,945	128,518				
5	97,866					
Estimate of cumulative claims up to current year (1)	97,866	128,518	107,112	109,979	94,160	537,635
Cumulative claims payment						
1	62,580	79,939	77,694	62,076	65,399	
2	93,203	122,817	105,134	93,162		
3	95,732	126,964	107,058			
4	97,850	127,440				
5	97,865					
Cumulative claims payment up to current year (2)	97,865	127,440	107,058	93,162	65,399	490,924
Total claims reserve not yet settled (3) = (1) - (2)	1	1,078	54	16,817	28,761	46,711
Estimate of redundancy or deficiency of claims reserve (4)						17,245
Cumulative redundancy or deficiency as a percentage of estimated claim payments (5) = (4)/(1)*100%						3.20%

25. Significant transactions and balances with related parties

(a) Balances with related parties

	31/12/2020 VND	31/12/2019 VND
The parent company		
Mitsui Sumitomo Insurance Co., Ltd.		
Receivables:		
Claims recoverable on outward reinsurance	9,947,756,515	23,460,206,860
Other receivables	1,863,590,058	3,144,881,178
Payables:		
Premiums payable for outward reinsurance	(51,321,129,171)	(30,955,621,129)
Other payables	(54,720,000)	(448,115,000)
Other related companies (subsidiaries of the parent company)		
MS Amlin, Plc and its subsidiaries		
Receivables:		
Claims recoverable on outward reinsurance	2,490,305,239	205,057,745
Payables:		
Premiums payable for outward reinsurance	(2,721,887,881)	(10,622,386,944)
MSIG Holdings (Asia) Pte., Ltd.		
Other receivables	-	4,698,375
Other payables	-	(47,069,689)
Service fee accrual	(1,849,979,901)	(3,669,996,911)
Aioi Nissay Dowa Insurance Co., Ltd.		
Receivables:		
Claims recoverable on outward reinsurance	4,951,484,318	5,884,378,958
Payables:		
Premiums payable for outward reinsurance	(7,016,225,099)	(6,113,670,968)
MSIG Insurance (Singapore) Pte. Ltd.		
Receivables:		
Claims recoverable on outward reinsurance	10,543,990	3,532,282
Payables:		
Premiums payable for outward reinsurance	(6,292,136,413)	(3,219,817,629)
MSIG Insurance (Thailand) Public Co., Ltd.		
Other receivables	-	13,941,847
Other payables	-	(757,886,533)
MS First Capital Insurance Limited		
Receivables:		
Claims recoverable on outward reinsurance	565,612,689	51,675,975
Payables:		
Premiums payable for outward reinsurance	(978,916,858)	(933,689,405)
InterRisk Asia (Thailand) Company Limited		
Other receivables	-	1,482,855
Other payables	-	(163,687,989)

(b) Transactions with related parties

	2020 VND	2019 VND
The parent company		
Mitsui Sumitomo Insurance Co., Ltd.		
Outward reinsurance premiums	(189,731,263,730)	(207,372,922,139)
Commission income from outward reinsurance	29,732,790,542	32,423,684,878
Claims recovery from outward reinsurance	146,060,452,007	220,679,225,557
Commission income from claim settlement agency	3,933,411,445	3,864,616,585
Commission expenses for claim settlement agency	(93,672,107)	(135,376,162)
Other expenses	(1,057,684,566)	(616,066,655)
Payment/receipt on behalf	120,631,311	45,692,398
Other related companies (subsidiaries of the parent company)		
MSIG Holdings (Asia) Pte., Ltd.		
Services costs	(26,198,924,042)	(26,118,510,729)
Payment/receipt on behalf	40,386,405	979,705,669
MSIG Insurance (Hong Kong) Co., Ltd.		
Outward reinsurance premiums	(561,076,906)	(693,482,957)
Commission income from outward reinsurance	18,324,376	21,653,047
Commission income from claim settlement agency	27,676,422	95,783,145
Commission expenses for claim settlement agency	-	(6,603,325)
MSIG Insurance (Malaysia) Bhd.		
Commission income from claim settlement agency	603,358,232	725,422,053
MSIG Insurance (Singapore) Pte., Ltd.		
Outward reinsurance premiums	(19,851,863,989)	(4,018,518,792)
Commission income from outward reinsurance	2,692,930,286	493,600,531
Claims recovery from outward reinsurance	1,351,583,245	1,525,796,748
Commission income from claim settlement agency	555,832,585	544,555,579
Commission expenses for claim settlement agency	-	(11,328,387)
MSIG Insurance (Thailand) Public Co., Ltd.		
Commission income from claim settlement agency	51,238,084	65,188,559
Other expenses	-	(5,289,486,150)
PT. Asuransi MSIG Indonesia		
Commission income from claim settlement agency	18,269,034	11,388,780
Commission expenses for claim settlement agency	(3,574,455)	(7,513,249)

(b) Transactions with related parties (continued)

	2020 VND	2019 VND
Other related companies (continued)		
MSIG Mingtai Insurance Co., Ltd.		
Commission income from claim settlement agency	25,626,945	14,955,128
Commission expenses for claim settlement agency	(7,491,260)	-
Aioi Nissay Dowa Insurance Co., Ltd.		
Outward reinsurance premiums	(66,672,191,701)	(69,819,160,552)
Commission income from outward reinsurance	19,347,482,608	20,322,212,499
Claims recovery from outward reinsurance	17,183,938,859	24,362,643,384
InterRisk Asia (Thailand) Co., Ltd.		
Risk survey fee	-	(1,473,702,730)
Payment/receipt on behalf	112,377,970	1,482,855
Mitsui Sumitomo Insurance (China) Co., Ltd.		
Commission income from claim settlement agency	58,845,916	62,857,235
MS Amlin, Plc. and its subsidiaries		
Outward reinsurance premiums	(16,291,443,486)	(24,006,978,473)
Commission income from outward reinsurance	3,127,857,498	4,417,363,714
Claims recovery from outward reinsurance	4,904,975,527	1,255,211,162
MS First Capital Insurance Limited		
Outward reinsurance premiums	(33,635,828,092)	(11,326,871,795)
Commission income from outward reinsurance	6,449,741,237	2,185,182,386
Claims recoverable on outward reinsurance	4,650,405,581	130,376,220
BPI/MS Insurance Corporation		
Commission expenses for claim settlement agency	(3,574,455)	(4,265,910)
Mitsui Sumitomo Marine Management (U.S.A)		
Commission income from outward reinsurance	28,282,179	76,295,805
Commission expenses for claim settlement agency	(4,323,570)	-
MSIG Service and Adjusting (Thailand) Co., Ltd		
Commission expenses for claim settlement agency	(43,447,519)	(12,393,186)
MSIG Insurance Europe AG		
Outward reinsurance premiums	-	(72,858,134)
Commission income from outward reinsurance	-	12,750,069
Commission income from claim settlement agency	(72,352,430)	-
Members' Council, Inspectors and Board of Directors		
Salaries and allowances	(13,036,763,183)	(10,607,963,686)

26. Key financial ratios

	Unit	31/12/2020	31/12/2019
Structure of assets and resources			
Structure of assets			
Current assets/Total assets	%	90.27%	91.89%
Long-term assets/Total assets	%	9.73%	8.11%
Structure of resources			
Liabilities/Total resources	%	50.50%	57.99%
Owner's equity/Total resources	%	49.50%	42.01%
Liquidity ratios			
Current ratio			
Total assets/Total liabilities	times	1.98	1.72
Current liabilities settlement ratio			
Current assets/Current liabilities	times	1.80	1.59
Current assets (excluding reinsurance assets)/ Current liabilities (excluding technical reserves)	times	5.74	5.58
Quick ratio			
Cash and cash equivalents/Current liabilities (excluding technical reserves)	times	0.16	0.20

	Unit	2020	2019
Profitability ratios			
Profit before tax/Net revenue ratio	%	37.67%	33.03%
Profit after tax/Net revenue ratio	%	30.11%	26.30%
Profit before tax/Total assets ratio	%	8.97%	6.90%
Profit after tax/Total assets ratio	%	7.17%	5.50%
Profit after tax/Owner's equity ratio	%	14.48%	13.08%

27. Unusual items

In 2020, Vietnam's economy and society were dramatically affected by the Covid-19 pandemic.

The Covid-19 pandemic was confirmed for the first time in Vietnam on 23 January 2020. The Government of Vietnam has taken many preventive measures, including the implementation of social distancing from 1 April 2020. From 23 April 2020, Vietnam has basically ceased social distancing and domestic economic and social activities have gradually returned to a normal state. However, the number of cases of COVID-19 infection in the world has increased constantly. The Covid-19 pandemic has significantly impacted the business activities of many enterprises in many different industries.

Generally, for the year ended 31 December 2020, the Company's management assessed that the Company's results of operations for the year ended 31 December 2020 has been affected by the Covid-19 pandemic but the impact is not significant.

28. Comparative information

Certain comparative information items have been reclassified to conform with the current year's presentation. A comparison of the amounts previously reported and as reclassified is as follows:

Statement of income

	2019 VND (as reclassified)	2019 VND (as previously reported)
Financial income	74,825,337,842	74,152,147,919
Financial expenses	673,189,923	-

22 March 2021

Prepared by

Nguyen Thi Van Anh
Chief Accountant

Approved by

CÔNG TY TRÁCH NHIỆM HỮU HẠN BẢO HIỂM PHI NHÂN THỌ MSIG VIỆT NAM

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