

HO CHI MINH CITY SECURITIES CORPORATION

**REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2021**



HO CHI MINH CITY SECURITIES CORPORATION

**REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2021**

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HO CHI MINH CITY SECURITIES CORPORATION

CORPORATE INFORMATION

Establishment and operation licence

No. 11/UBCK-GPHĐKD dated 29 April 2003 issued by the State Securities Commission. The Establishment and operation licence was amended several times and the latest amendment No. 13/GPĐC-UBCK was issued on 16 March 2020.

Board of Directors

Mr. Johan Nyvene	Chairperson (from 22 April 2021) Member (until 21 April 2021)
Mr. Do Hung Viet	Chairperson (until 21 April 2021)
Mr. Le Anh Minh	Vice Chairperson
Mr. Le Hoang Anh	Member
Mr. Nguyen Hong Van	Member (from 22 April 2021)
Mr. Tran Quoc Tu	Member (from 22 April 2021)
Mr. Andrew Colin Vallis	Member (from 22 April 2021)
Ms. Nguyen Thi Hoang Lan	Member (from 22 April 2021)
Mr. Pham Nghiem Xuan Bac	Member (until 21 April 2021)
Mr. Le Thang Can	Member (until 21 April 2021)
Mr. Lam Hoai Anh	Member (until 21 April 2021)

Board of Supervision

Mr. Pham Nghiem Xuan Bac	Chief Supervisor (from 22 April 2021)
Mr. Vo Van Chau	Chief Supervisor (until 21 April 2021)
Ms. Dang Nguyet Minh	Member
Ms. Nguyen Thi Thu Thanh	Member (from 22 April 2021)
Mr. Doan Van Hinh	Member (from 21 April 2021)

HO CHI MINH CITY SECURITIES CORPORATION

CORPORATE INFORMATION (continued)

Board of Management	Mr. Trinh Hoai Giang Mr. Le Anh Quan Mr. Pham Ngoc Bich Mr. Christopher Lawrence Hunt Mr. Stephen James McKeever Mr. Tran Tan Dat Mr. Nguyen Canh Thinh Ms. Nguyen Linh Lan Mr. Le Nguyen Binh Mr. Lam Huu Ho Mr. Bach Quoc Vinh	Chief Executive Officer Managing Director Managing Director Managing Director Managing Director Managing Director Managing Director Managing Director Managing Director Chief Financial Officer cum Chief Accountant Managing Director (until 11 May 2021)
Legal Representative	Mr. Trinh Hoai Giang	Chief Executive Officer
Registered office	5-6th Floor, AB Tower 76 Le Lai Street, Ben Thanh Ward, District 1 Ho Chi Minh City, Vietnam	
Auditor	PwC (Vietnam) Limited	

HO CHI MINH CITY SECURITIES CORPORATION

STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE REPORT ON CAPITAL ADEQUACY RATIO

The Board of Management of Ho Chi Minh City Securities Corporation ("the Company") is responsible for preparing the report on capital adequacy ratio as at 30 June 2021 ("the Report") in accordance with Circular 91/2020/TT-BTC issued by the Ministry of Finance on 13 November 2020 ("Circular 91/2020/TT-BTC") and applied interpretations as described in Note 2.1 to the Report.

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time the financial position of the Company and which enable the Report to be prepared which comply with the reporting principles set out in Note 3 to the Report. The Board of Management is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud or errors.

APPROVAL OF THE REPORT ON CAPITAL ADEQUACY RATIO

We hereby approve the accompanying report on capital adequacy ratio as set out on pages 6 to 37. The Report was prepared and presented in accordance with Circular 91/2020/TT-BTC and applied interpretations as described in Note 2.1 to the Report.

On behalf of the Board of Management



Trịnh Hoai Giang
Chief Executive Officer

Ho Chi Minh City, Vietnam
13 August 2021



INDEPENDENT AUDITOR'S REVIEW REPORT ON THE REPORT ON CAPITAL ADEQUACY RATIO TO THE SHAREHOLDERS OF HO CHI MINH CITY SECURITIES CORPORATION

We have reviewed the accompanying report on capital adequacy ratio as at 30 June 2021 ("the Report") of Ho Chi Minh City Securities Corporation ("the Company") which was approved by the Board of Management on 13 August 2021. The Report includes the report on capital adequacy ratio and explanatory notes including basis of preparation and reporting principles as set out on pages 6 to 37.

The Board of Management's Responsibility

The Board of Management is responsible for the preparation and presentation of the Report in accordance with Circular 91/2020/TT-BTC issued by the Ministry of Finance on 13 November 2020 ("Circular 91/2020/TT-BTC") providing guidance on capital adequacy ratio applicable to securities dealing institutions and sanctions imposed on non-compliance cases and applied interpretations as described in Note 2.1 to the Report and for such internal control which the Board of Management determines as necessary to enable the preparation and presentation of the Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the Report based on our review. We conducted our review in accordance with Vietnamese Standard on Review Engagements 2410 – *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, which applies to a review of historical financial information performed by the independent auditor of the entity.

A review of the report of capital adequacy ratio consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Vietnamese Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that report on capital adequacy ratio as at 30 June 2021 of the Company is not prepared and presented, in all material respects, in accordance with Circular 91/2020/TT-BTC and applied interpretations as described in Note 2.1 to the Report.

Purpose and reporting principles and restriction on use of review report

We draw attention to Note 2.1 to the Report which describes the purpose and reporting principles. The report is prepared solely to comply with requirements of Circular 91/2020/TT-BTC on capital adequacy ratio and information disclosure in the securities market. As a result, our review report and accompanying report on capital adequacy ratio may not be suitable for any other purpose.

Other Matter

The independent auditor's review report is prepared in Vietnamese and English. Should there be any conflict between the Vietnamese and English versions, the Vietnamese version shall take precedence.

For and on behalf of PwC (Vietnam) Limited



Tran Thi Thanh Truc
Audit Practising Licence No.
3047-2019-006-1
Authorised signatory

Report reference number: HCM11120
Ho Chi Minh City, 13 August 2021

Ho Chi Minh City Securities Corporation
Ref:

SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness

Re: Report on capital adequacy ratio

Ho Chi Minh City, 13 August 2021

To: The State Securities Commission

REPORT ON CAPITAL ADEQUACY RATIO
As at 30 June 2021

We undertake that:

- (1) The Report is prepared on the basis of data updated as at the date of the report in accordance with Circular 91/2020/TT-BTC issued by the Ministry of Finance on 13 November 2020 providing guidance on capital adequacy ratio applicable to securities dealing institutions and sanctions imposed on non-compliance;
- (2) Matters that may affect the financial position of the Company after the date of this Report are updated in the next reporting period;
- (3) We are fully responsible under the laws for the accuracy and truthfulness of the contents of the Report.

**Chief Financial Officer
cum Chief Accountant**

Lam Huu Ho

Head of Internal Control

Bui Thi Ngoc Thao

Chief Executive Officer

Trinh Hoi Giang

HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2021

I. LIQUID CAPITAL

No.	DESCRIPTION	Liquid capital		
		Liquid capital (VND)	Deduction (VND)	Addition (VND)
		(1)	(2)	(3)
A	Equity			
1	Owners' capital	3,058,822,630,000		
2	Share premium	358,946,064,000		
3	Treasury shares	(12,477,449,008)		
4	Equity component of convertible bonds	-		
5	Owners' other capital	-		
6	Financial assets' revaluation reserve	-		
7	Supplementary capital reserve	220,343,724,160		
8	Financial and operational risk reserve	220,343,724,160		
9	Other equity funds	3,961,374,994		
10	Undistributed post-tax earnings	955,468,610,172		
11	Provision for impairments of assets	39,583,792,148		
12	Fixed assets' revaluation reserve	-		
13	Foreign currency translation reserve	-		
14	Convertible bonds			-
15	Revaluation adjustments on financial investments carried at cost		-	-
16	Others (if any)	-		
1A	Subtotal			4,844,992,470,626

The notes on pages 19 to 37 are an integral part of this report.

HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2021

I. LIQUID CAPITAL (continued)

No.	DESCRIPTION	Liquid capital		
		Liquid capital (VND) (1)	Deduction (VND) (2)	Addition (VND) (3)
B	Current assets			
I	Financial assets			
1	Cash and cash equivalents			
2	Financial assets at fair value through profit or loss ("FVTPL")			
	- Those exposed to position risk			
	- Those excluded from liquid capital		-	
3	Held-to-maturity financial assets ("HTM")			
	- Those exposed to position risk			
	- Those excluded from liquid capital		-	
4	Loans			
5	Available-for-sale financial assets ("AFS")			
	- Those exposed to position risk			
	- Those excluded from liquid capital		-	
6	Provisions for impairments of financial assets and mortgages			
7	Receivables from disposal of financial assets; dividend and interest receivables			
	- Those due within 90 days			
	- Those due after 90 days		-	
8	Covered warrants not yet issued			
9	Underlying securities designated as hedges against risk from covered warrants issued		-	
10	Service related receivables			
	- Those due within 90 days			
	- Those due after 90 days		-	
11	Internal receivables			
	- Those due within 90 days			
	- Those due after 90 days		-	
12	Receivables from failed trades			
	- Those due within 90 days			
	- Those due after 90 days		-	
13	Other receivables			
	- Those due within 90 days			
	- Those due after 90 days		-	
14	Provision for doubtful debts			
II	Other current assets			
1	Advances			
	- Those due within 90 days			
	- Those due after 90 days		-	
2	Office tools and supplies			-
3	Short-term prepaid expenses		13,929,280,858	
4	Pledged assets, mortgages, security deposits in short term		1,223,864,000	
5	Value added tax to be reclaimed			-
6	Tax and other receivables from the State Budget			-
7	Other current assets		13,721,354,074	
8	Provisions for impairments of other current assets			-
1B	Subtotal			28,874,498,932

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HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON CAPITAL ADEQUACY RATIO
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I. LIQUID CAPITAL (continued)

No.	DESCRIPTION	Liquid capital		
		Liquid capital (VND)	Deduction (VND)	Addition (VND)
		(1)	(2)	(3)
C	Non-current assets			
<i>I</i>	<i>Non-current financial assets</i>			
1	Long-term receivables		-	
2	Investments			
2.1	Investments held to maturity			
	- Those exposed to position risk			
	- Those excluded from liquid capital		-	
2.2	Investments in subsidiaries		-	
2.3	Other long-term assets		-	
<i>II</i>	<i>Fixed assets</i>		35,526,256,495	
<i>III</i>	<i>Investment properties</i>		-	
<i>IV</i>	<i>Construction in progress</i>		4,903,922,195	
<i>V</i>	<i>Other non-current assets</i>			
1	Pledged assets, mortgages, security deposits in long term		10,078,244,285	
2	Long-term prepaid expenses		98,043,806,638	
3	Deferred income tax assets		1,360,000,000	
4	Deposits in the Settlement Support Fund		20,000,000,000	
5	Other non-current assets		10,000,000,000	
<i>VI</i>	<i>Provisions for impairments of non-current assets</i>			
	Assets on which the auditor expressed a qualified opinion, an adverse opinion, or a disclaimer of opinion but not excluded from liquid capital according to Article 5 of Circular 91/2020/TT-BTC		-	
1C	Subtotal		179,912,229,613	
D	Statutory deposits and collaterals			
1	Statutory deposits			
1.1	Statutory deposits in the Derivatives trading clearing fund		-	
1.2	Statutory deposits for derivatives self-trading activities		12,623,546,000	
1.3	Cash deposits and bank guarantees for issued covered warrants		34,500,000,000	
2	Value of assets used as collateral for liabilities due after 90 days		-	
1D	Subtotal		47,123,546,000	
	LIQUID CAPITAL = 1A-1B-1C-1D		4,589,082,196,081	

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HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON CAPITAL ADEQUACY RATIO
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II. RISK VALUES

A POSITION RISK VALUE

Item		Risk coefficient (%)	Risk exposure (VND)	Risk value (VND)
		(1)	(2)	(3) = (1) x (2)
I.	Cash and cash equivalents, money market instruments			-
1	Cash (VND)	0	2,159,184,277,153	-
2	Cash equivalents	0	-	-
3	Valuable papers, money market instruments, certificates of deposit	0	-	-
II.	Government bonds			31,315,068
4	Zero-coupon government bonds	0	-	-
5	Government bonds with coupons		-	-
5.1	Government bonds, government bonds of OECD countries or bonds guaranteed by the Governments or Central Banks of these countries, bonds issued by international organisations including IBRD, ADB, IADB, AFDB, EIB, EBRD and municipal bonds	3	1,043,835,616	31,315,068
III.	Credit institution bonds			78,125,285,158
6	Credit institution bonds with a remaining maturity period of less than 1 year, including convertible bonds	3	-	-
	Credit institution bonds with a remaining maturity period of 1 to less than 3 years, including convertible bonds	8	-	-
	Credit institution bonds with a remaining maturity period of 3 to less than 5 years, including convertible bonds	10	-	-
	Credit institution bonds with a remaining maturity period of 5 years or more, including convertible bonds	15	520,835,234,386	78,125,285,158

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HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON CAPITAL ADEQUACY RATIO
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II. RISK VALUES (continued)

A POSITION RISK VALUE (continued)

Item	Risk coefficient (%)	Risk exposure (VND)	Risk value (VND)
	(1)	(2)	(3) = (1) x (2)
IV. Corporate bonds			37,024,408,195
Corporate listed bonds			
7 Listed bonds with a remaining maturity period of less than 1 year, including convertible bonds	8	-	-
Listed bonds with a remaining maturity period of 1 to less than 3 years, including convertible bonds	10	370,244,081,953	37,024,408,195
Listed bonds with a remaining maturity period of 3 to less than 5 years, including convertible bonds	15	-	-
Listed bonds with a remaining maturity period of 5 years or more, including convertible bonds	20	-	-
Corporate unlisted bonds			
8 Unlisted bonds issued by listed companies with a remaining maturity period of less than 1 year, including convertible bonds	15	-	-
Unlisted bonds issued by listed companies with a remaining maturity period of 1 to less than 3 years, including convertible bonds	20	-	-
Unlisted bonds issued by listed companies with a remaining maturity period of 3 to less than 5 years, including convertible bonds	25	-	-
Unlisted bonds issued by listed companies with a remaining maturity period of 5 years or more, including convertible bonds	30	-	-
Unlisted bonds issued by other companies with a remaining maturity period of less than 1 year, including convertible bonds	25	-	-
Unlisted bonds issued by other companies with a remaining maturity period of 1 to less than 3 years, including convertible bonds	30	-	-
Unlisted bonds issued by other companies with a remaining maturity period of 3 to less than 5 years, including convertible bonds	35	-	-
Unlisted bonds issued by other companies with a remaining maturity period of 5 years or more, including convertible bonds	40	-	-
V. Shares			45,393,993,541
9 Ordinary shares, preference shares of entities listed on the Ho Chi Minh City Stock Exchange; open-ended fund certificates	10	452,111,485,405	45,211,148,541
10 Ordinary shares, preference shares of entities listed on the Hanoi Stock Exchange	15	-	-
11 Ordinary shares, preference shares of unlisted public companies, registered for trading on the UPCoM	20	914,225,000	182,845,000
12 Ordinary shares, preference shares of public companies registered for depositing, but not listed or registered for trading; shares in an Initial Public Offering ("IPO")	30	-	-
13 Shares of other public companies	50	-	-
VI. Fund certificates			2,607,794,200
14 Public funds, including public securities investment companies	10	26,077,942,000	2,607,794,200
15 Member funds, private securities investment companies	30	-	-

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HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON CAPITAL ADEQUACY RATIO
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II. RISK VALUES (continued)

A POSITION RISK VALUE (continued)

Item		Risk coefficient (%)	Risk exposure (VND)	Risk value (VND)	
		(1)	(2)	(3) = (1) x (2)	
VII. Restricted securities				6,916,920	
16	Unlisted securities of public interest entities being reminded for delay in information disclosure of audited/reviewed financial statements.	30	-	-	
17	Warned securities	20	16,677,320	3,335,464	
18	Controlled securities	25	3,768,350	942,088	
19	Suspended, restricted securities	40	101,900	40,760	
20	Delisted, cancelled securities	80	3,248,260	2,598,608	
VIII. Derivatives				-	
21	Share-index future contracts (Note A)	8	-	-	
22	Government bond future contracts	3	-	-	
IX. Other securities				2,297,017,250	
23	Listed shares on foreign stock exchanges with qualified indices	25	-	-	
24	Listed shares on foreign stock exchanges without qualified indices	100	-	-	
25	Covered warrants listed on the Ho Chi Minh City Stock Exchange	8	-	-	
26	Covered warrants listed on the Hanoi Stock Exchange	10	-	-	
27	Shares, bonds issued by non-public interest entities which do not have the latest audited financial statements at the preparation date of this report or have audited financial statements with an adverse opinion, a disclaimer of opinion or a qualified opinion.	100			
28	Other shares, capital contributions and securities	80			
29	Covered warrants issued by the Company. (Note B) Formula: Position risk value = Max {((P ₀ x Q ₀ / k - P ₁ x Q ₁) x R - MD), 0}			-	
30	Securities designated as hedges against risk from issued covered warrants (in case of out-of-the-money covered warrants)		22,970,172,500	2,297,017,250	
31	Positive difference between the value of underlying securities designated as hedges and the value of underlying securities required to hedge against risk from issued covered warrants		-	-	
X. Additional risk value for large exposures (if any) (based on equity after required provisions have been made)				7,812,528,516	
	Security code	Additional risk percentage (%)	Risk coefficient (%)	Risk exposure (VND)	Risk value (VND)
	BID11908		10	78,125,285,158	7,812,528,516
TOTAL POSITION RISK VALUE (I+II+III+IV+V+VI+VII+VIII+IX+X)				173,299,258,848	

The notes on pages 19 to 37 are an integral part of this report.

HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2021

II. RISK VALUES (continued)

A POSITION RISK VALUE (continued)

Note A – Position risk value of derivatives

	Value VND
Closing trade value (A)	97,104,200,000
Less: Value of shares purchased to fulfil the obligation under future contract (B)	487,839,839,100
	<hr/>
Position risk exposure (max{A-B;0})	-
Risk coefficient (r)	8%
Risk value before deducting statutory deposit (C)	-
Less: Statutory deposits associated with open positions of the Company (D)	12,623,546,000
	<hr/>
Position risk value = max{C-D;0}	-

Note B – Position risk value of covered warrants issued by the Company

In-the-money covered warrants as at 30 June 2021	CHPG2105	CSTB2103	CTCB2103	CVHM2104	CVPB2103	Total
Underlying security	HPG	STB	TCB	VHM	VPB	
Average of closing price of underlying securities within 5 days before the calculation date (Po)	51,400	30,060	52,460	115,260	67,880	
Quantity of the Company's covered warrants in issue (Qo)	4,999,900	5,000,000	5,000,000	4,999,000	2,234,500	
Conversion rate (k)	1.4704	2	2	10	2	
Price of underlying securities (P1)	51,500	30,600	52,700	118,000	67,700	
Quantity of underlying securities held by the Company to guarantee the fulfilment of its obligation arising from covered warrants issued (Q1)	3,390,260	2,494,850	2,475,280	443,480	1,104,040	
Market risk coefficient (r)	8%	8%	8%	8%	8%	
Statutory deposits (MD)	7,500,000,000	4,000,000,000	7,500,000,000	4,500,000,000	7,500,000,000	
Position risk value = max {(Po x Qo / k – P1 x Q1) x r – MD;0}	-	-	-	-	-	-

The notes on pages 19 to 37 are an integral part of this Report.

HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2021

II. RISK VALUES (continued)

B COUNTERPARTY RISK VALUE

	Risk value VND
Risk value of balances not yet due (Note B.1)	144,056,254,056
Risk value of balances past due (Note B.2)	39,583,792,148
Risk value of particular advances, contracts, and other transactions (Note B.3)	-
Additional risk value for large exposures (Note B.4)	10,000,992,907
Total counterparty risk value	193,641,039,111

1. Risk value of balances not past due

No.	Risk coefficient (%) Category of balance	Risk value (VND)						Total risk value (VND)
		0% (1)	0.8% (2)	3.2% (3)	4.8% (4)	6% (5)	8% (6)	
1	Term deposits, certificates of deposits, unsecured loans, receivables from brokerage service and securities trading activities and other receivables bearing counterparty risk	-	43,275,912	-	-	127,080,280,843	926,836,177	128,050,392,932
2	Financial asset lending (or agreements of similar substance)	-	-	-	-	-	-	-
3	Financial asset borrowing (or agreements of similar substance)	-	-	-	-	-	-	-
4	Reverse repo agreements (or agreements of similar substance)	-	-	-	-	1,980,824,185	14,025,036,939	16,005,861,124
5	Repo agreements (or agreements of similar substance)	-	-	-	-	-	-	-
TOTAL RISK VALUE OF BALANCES NOT YET DUE								144,056,254,056

The notes on pages 19 to 37 are an integral part of this Report.

HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2021

II. RISK VALUES (continued)

B COUNTERPARTY RISK VALUE (continued)

1. Risk value of balances not yet due (continued)

Counterparty risk coefficient by counterparty is determined as follows:

No.	Counterparty	Counterparty risk coefficient
(1)	The Government, Government-guaranteed issuers, Governments and Central Banks of countries in the OECD; People's Committees of provinces and independent municipalities	0%
(2)	Stock exchanges, Securities depository centres	0.8%
(3)	Credit institutions, financial institutions, securities dealing institutions incorporated in OECD countries with credit ratings meeting other internal requirements of the Company	3.2%
(4)	Credit institutions, financial institutions, securities dealing institutions incorporated outside OECD countries or incorporated in OECD countries not meeting other internal requirements of the Company	4.8%
(5)	Credit institutions, financial institutions, securities dealing institutions, securities investment funds, securities investment companies incorporated and operating in Vietnam	6%
(6)	Other institutions, individuals and parties	8%

2. Risk value of balances past due

Past due period	Risk coefficient (%)	Risk exposure (VND)	Risk value (VND)
0 – 15 days from due date	16	-	-
16 – 30 days from due date	32	-	-
31 – 60 days from due date	48	-	-
Over 60 days from due date	100	39,583,792,148	39,583,792,148
TOTAL RISK VALUE OF BALANCES PAST DUE			39,583,792,148

The notes on pages 19 to 37 are an integral part of this Report.

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REPORT ON CAPITAL ADEQUACY RATIO
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II. RISK VALUES (continued)

B COUNTERPARTY RISK VALUE (continued)

3. Risk value of particular advances, contracts, and other transactions

	Risk coefficient (%)	Risk exposure (VND)	Risk value (VND)
Contracts, transactions, capital usages specified in <i>Note 3.4 (j)</i> ; Receivables from debt trading with business partners other than Vietnam Asset Management Company (VAMC), Vietnam Debt and Asset Trading Corporation (DATC). Advances accounted for more than 5% of owners' equity with remaining reimbursement period of under 90 days.	100	-	-
TOTAL RISK VALUE OF PARTICULAR ADVANCES, CONTRACTS, AND OTHER TRANSACTIONS			-

4. Additional risk value for large exposures

No.	Counterparty	Additional risk percentage (%)	Risk coefficient (%)	Risk exposure (VND)	Risk value (VND)
1	Joint Stock Commercial Bank for Investment and Development of Vietnam	10%	6%	37,112,665,702	3,711,266,570
2	Vietnam Joint Stock Commercial Bank for Industry and Trade	10%	6%	42,011,669,892	4,201,166,989
3	Amersham Industries Ltd	20%	8%	6,924,072,139	1,384,814,428
4	HDI Global SE	10%	8%	6,012,964,800	601,296,480
5	Military Commercial Joint Stock Bank	10%	6%	1,024,484,400	102,448,440
ADDITIONAL RISK VALUE FOR LARGE EXPOSURES					10,000,992,907

The notes on pages 19 to 37 are an integral part of this Report.

HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2021

II. RISK VALUES (continued)

C OPERATIONAL RISK VALUE

No.	Item	Risk value VND
I	Total operating expenses incurred in the most recent twelve-month period up to 30 June 2021	2,508,664,968,551
II	Less: Deductions from total operating expenses (<i>Note C</i>)	532,076,897,572
III	Total adjusted operating expenses (III = I - II)	1,976,588,070,979
IV	25% of Total adjusted operating expenses (IV = 25% x III)	494,147,017,745
V	20% of the minimum required capital applicable to business activities of the Company	180,000,000,000
OPERATIONAL RISK VALUE (Max {IV; V})		494,147,017,745

Note C – Deductions from total operating expenses

Item	Value VND
Depreciation and amortisation	26,966,604,907
Increase in revaluation losses of FVTPL financial assets	(16,270,289,862)
Increase in revalued amount of covered warrants liabilities	118,573,173,507
Provision/(reversal of provision) for impairments of current financial assets and mortgages	-
Provision/(reversal of provision) for impairments of non-current financial assets	-
Provision/(reversal of provision) for doubtful debts	-
Provision/(reversal of provision) for impairments of other current assets	-
Provision/(reversal of provision) for impairments of other non-current assets	-
Interest expense	402,807,409,020
Total deductions from operating expenses	532,076,897,572

HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2021

III. SUMMARY OF RISK VALUES AND LIQUID CAPITAL

No.	Item	Value VND
1	Total position risk value	173,299,258,848
2	Total counterparty risk value	193,641,039,111
3	Total operational risk value	494,147,017,745
4	Total risk value (4=1+2+3)	861,087,315,704
5	Liquid capital	4,589,082,196,081
6	CAPITAL ADEQUACY RATIO (6=5/4)	533%



Lam Huu Ho
Chief Financial Officer
cum Chief Accountant



Bui Thi Ngoc Thao
Head of Internal Control



Trinh Hoai Giang
Chief Executive Officer
13 August 2021

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2021

1 GENERAL INFORMATION

Ho Chi Minh City Securities Corporation ("the Company") is a joint stock company incorporated in Vietnam under the Business registration certificate No. 4103001573 issued by the Department of Planning and Investment of Ho Chi Minh City on 23 April 2003 and the Establishment and operation licence No. 11/UBCK-GPHĐKD issued by the State Securities Commission ("SSC") on 29 April 2003. The Establishment and operation licence was amended several times and the latest amendment No. 13/GPĐC-UBCK was issued on 16 March 2020.

The Company was listed on the Ho Chi Minh City Stock Exchange in accordance with Decision No. 27/QĐ-SGDHCM issued by the Ho Chi Minh City Stock Exchange on 20 April 2009.

The principal activities of the Company include provision of securities brokerage service, proprietary securities trading, securities investment consultancy service, corporate finance consultancy services, and underwriting and securities custodian services.

2 BASIS OF PREPARATION

2.1 Applicable regulations and interpretations

The Company's report on capital adequacy ratio as at 30 June 2021 ("the Report") is prepared and presented in accordance with Circular 91/2020/TT-BTC issued by the Ministry of Finance on 13 November 2020 ("Circular 91/2020/TT-BTC") providing guidance on capital adequacy ratio applicable to securities dealing institutions and sanctions imposed on non-compliance and applied interpretations as described below.

The Report is prepared to comply with requirements on capital adequacy ratio and information disclosure in the securities market. As a result, the Report on capital adequacy ratio may not be suitable for any other purpose.

The Company applied certain interpretations, in the absence of clear guidance of Circular 91/2020/TT-BTC, for the following matters:

No.	Item	The Company's interpretation
1	Operational Risk value – recurring operating expenses (Item 2 of Article 8)	Recurring operating expenses of securities dealing organisations are determined as total operating expenses charged to profit or loss, less non-cash items. Accordingly, in addition to those mentioned in Item 2 of Article 8 of Circular 91/2020/TT-BTC, the Company deducts the following non-cash items: <ul style="list-style-type: none">Increases in revalued amount of covered warrants issued by the Company
2	Position risk – Additional risk value for large exposures (Item 5 of Article 9)	Additional risk value for large exposures equals to existing risk value multiplied by additional risk percentage.
3	Counterparty risk – Additional risk value for large exposures (Item 8 of Article 10)	Additional risk value for large exposures equals to existing risk value multiplied by additional risk percentage.

The Report in Vietnamese language is the official statutory report on capital adequacy ratio of the Company. The Report in English language has been translated from the Report in Vietnamese.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2021

2 BASIS OF PREPARATION (continued)

2.2 Underlying financial information

The Report is prepared based on the Company's financial information as at 30 June 2021 ("the reporting date" or "the calculation date") and for the twelve-month period ended 30 June 2021.

The Report is presented in Vietnamese Dong ("VND").

3 REPORTING PRINCIPLES

3.1 Capital adequacy ratio

The Company's capital adequacy ratio ("CAR") is determined as below:

$$\text{CAR} = \frac{\text{Liquid capital} \times 100\%}{\text{Total risk value}}$$

Where total risk value is the total of position risk value, counterparty risk value and operational risk value.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2021

3 REPORTING PRINCIPLES (continued)

3.2 Liquid capital

According to Circular 91/2020/TT-BTC, liquid capital is owners' equity that can be converted into cash within ninety (90) days, including:

- Owners' capital, excluding redeemable preference shares (if any);
- Share premium excluding premium from redeemable preference shares (if any);
- Equity component of convertible bonds (applicable to securities companies issuing convertible bonds);
- Other owners' capital;
- Financial assets' revaluation reserve;
- Foreign currency translation reserve;
- Supplementary capital reserve;
- Financial and operational risk reserve;
- Other equity funds made in accordance with prevailing regulations;
- Undistributed earnings;
- Provision for impairments of assets;
- Fifty percent (50%) of the upward revaluation of fixed assets in accordance with prevailing regulations (if written up), or excluding all downward revaluation (if written down);
- Deductions specified in Note 3.2.1;
- Additions specified in Note 3.2.2;
- Other equity (if any).

3.2.1 Deductions

The following items are deducted from the Company's liquid capital:

- a) Treasury shares (if any);
- b) Statutory deposits, including:
 - Deposits in cash and securities at the Settlement Fund of the Vietnam Securities Depository Centre;
 - Deposits in cash and securities for speculation activities, proprietary trading activities, market making activities for derivatives;
 - Deposits in cash and custodian bank guarantees for covered warrants issued. If the Company provides collateral assets to obtain bank guarantees for covered warrants, the deduction is the minimum of (i) bank guarantee amount and (ii) value of collateral assets determined in accordance with Note 3.4.4;
- c) Value of assets used as collateral for liabilities of other entities or individuals that are due after ninety (90) days, which is determined in accordance with Note 3.4.4;
- d) Securities excluded from liquid capital, including:
 - Securities issued by entities related to the Company including: (i) its parent company and its subsidiaries and (ii) subsidiaries of its parent company;
 - Securities suspended from transfer for more than ninety (90) days from the reporting date.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2021

3 REPORTING PRINCIPLES (continued)

3.2 Liquid capital (continued)

3.2.1 Deductions (continued)

- e) Downward revaluation of financial assets carried at cost compared to market value determined in accordance with Circular 91/2020/TT-BTC, except for those excluded from liquid capital;
- f) Current assets after applicable reliefs in note (*) below;
- g) Receivables and advances with remaining maturity above ninety (90) days, prepayments and other current assets (excluding provisions made and contracts, transactions in Note 3.4 (j));
- h) Items on which the auditor expressed a qualified opinion, an adverse opinion or a disclaimer of opinion (if any) in the audited/reviewed financial statements. Items no longer qualified, as confirmed by auditors, are exempted from deduction.

(*) In determining such deductions, the Company is permitted to take into account the following reliefs:

- Relief on assets used as collaterals for the Company's own obligations is the minimum of (i) their market value determined in accordance with Circular 91/2020/TT-BTC, (ii) their book value and (iii) the remaining value of the obligations;
- Relief on assets collateralised by customers' assets is the minimum of (i) their market value in accordance with Circular 91/2020/TT-BTC and (ii) their book value.

According to Circular 91/2020/TT-BTC, the Company is not required to calculate risk values of assets excluded from liquid capital.

3.2.2 Additions

The following items are added to the Company's liquid capital up to 50% of owners' equity:

- a) Upward revaluation of financial assets carried at cost compared to market value determined in accordance with Circular 91/2020/TT-BTC, except for those excluded from liquid capital as specified in Note 3.2.1
- b) Debts convertible into equity

Debts convertible into equity classified in either of the two categories below and meeting all criteria listed below:

- Convertible bonds (excluding the equity component included in liquid capital), preference shares with initial preference period of at least five (5) years; or
- Debt instruments with initial term of at least ten (10) years that are only repaid, in any circumstances, after the Company has fully paid off its secured and unsecured debts;

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2021

3 REPORTING PRINCIPLES (continued)

3.2 Liquid capital (continued)

3.2.2 Additions (continued)

b) Debts convertible into equity continued)

A debt is considered to be convertible into equity when meeting all of the following criteria:

- It is not secured by the Company's own assets;
- The Company is only permitted to redeem before maturity upon request of the holder, or to repurchase in the secondary market after informing the State Securities Commission as required by Circular 91/2020/TT-BTC;
- The Company is able to delay interest payments to the following year if such interest payments would result in a loss in the Company's statement of comprehensive income;
- In case of liquidation, the holder is only repaid after the Company has fully paid off its secured and unsecured debts;
- Upward adjustment in interest rate must assure that: For fixed interest rates, margin on top of reference interest rate shall only be increased after five (05) years from the issuance date or contract date and only once throughout the subordinate debt's life; For interest rates calculated by a formula, the formula must not be changed and the interest spread (if any) may only be changed once after five (05) years from the issuance date or contract date;
- It is registered as an addition to liquid capital in accordance with Circular 91/2020/TT-BTC.

In determining additions to liquid capital from such debts convertible into equity, the Company is required to reduce these additions according to the following principles:

- During the last five (5) years before maturity/conversion, a 20% discount is applied annually on the initial value;
- During the last four (4) quarters before maturity/conversion into ordinary shares, another 25% discount is applied on the remaining value after a 20% discount is applied annually on the initial value.

3.3 Position risk value

Position risk value represents the potential loss due to adverse changes in market value of assets currently owned or to be owned under underwriting commitments.

At the end of trading date, the Company shall determine position risk value of the following groups:

- Group 1: Assets exposed to market risk on net position value;
- Group 2: Undistributed and uncollected securities under firm underwriting commitments during the underwriting period;
- Group 3: The Company's covered warrants in issue;
- Group 4: Future contracts.

Group 1 and Group 2 do not include the following items:

- Treasury shares;
- Those excluded from liquid capital as specified in Note 3.2.1;
- Matured bonds, debt instruments, valuable papers transferable on the money market;
- Securities hedged by put warrants or future contracts;
- Put warrants and put options used to hedge against risk on underlying securities.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2021

3 REPORTING PRINCIPLES (continued)

3.3 Position risk value (continued)

3.3.1 Assets exposed to market risk on net position value

a) Scope

This group includes the following items:

- Securities in the Company's proprietary trading accounts, excluding covered warrants not yet issued (for securities companies) or trading accounts at other firms (for fund management companies, securities companies without a proprietary trading function), entrusted securities and other securities investments. Such securities include those awaiting settlement from the sellers;
- Securities borrowed on behalf of the Company or on behalf of other individuals/institutions;
- Securities received as collateral, then used or lent to third parties by the Company in accordance with prevailing regulations;
- Cash, cash equivalents, transferable instruments, valuable papers owned by the Company;
- Securities under firm underwriting commitments not fully distributed and collected after the deadline of payment to issuers.

b) Position risk value calculation

Position risk value = Net position of each security x Market value x Market risk coefficient

- Net position of each security at a point of time is the quantity held by the Company at reporting date, adjusted by:
 - Excluding securities lent and securities hedged by put warrants and future contracts;
 - Including securities borrowed in accordance with prevailing regulations.
- Asset valuation principles are specified in Note 3.3.5. Dividends, coupons, rights (if any) or accrued interests on loans, cash equivalents, deposits, valuable papers should be added to asset prices in position risk value calculation.
- Market risk coefficient is determined for each specific asset in accordance with Appendix II of Circular 91/2020/TT-BTC and presented in section A of Risk Values in the Report.

c) Additional risk value for large exposures

Position risk of an asset is increased when the Company's long position in that asset is significant, except for securities under firm underwriting commitments during the underwriting period, Government bonds and Government-guaranteed bonds. Additional position risk value for large exposures is determined as follows:

- Increased by 10% where the total exposure from investment in shares and bonds of an entity accounts for 10% to 15% of the Company's owners' equity;
- Increased by 20% where the total exposure from investment in shares and bonds of an entity accounts for 15% to 25% of the Company's owners' equity;
- Increased by 30% where the total exposure from investment in shares and bonds of an entity exceeds 25% of the Company's owners' equity.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2021

3 REPORTING PRINCIPLES (continued)

3.3 Position risk value (continued)

3.3.2 *Undistributed and uncollected securities under firm underwriting commitments during the underwriting period*

Position risk value of this group is determined as follows:

$$\text{Position risk value} = (Q_o \times P_o - V_c) \times R \times \left[r + \frac{(P_o - P_1)}{P_o} \times 100\% \right]$$

Where:

- Q_o is the quantity of securities not yet distributed or distributed but uncollected;
- P_o is the underwriting price;
- V_c is the market value of collateral assets (if any), determined in accordance with Note 3.4.4;
- R is the underwriting risk coefficient, determined based on the remaining distribution period according to the agreement, but not exceeding the distribution period permitted by laws, in particular:

	Underwriting risk coefficient
Remaining distribution period	
Above sixty (60) days	20%
From thirty (30) days to sixty (60) days	40%
Below thirty (30) days	60%
Between the end of distribution period to the date of payment to issuer	80%

- r is the market risk coefficient, determined for each specific asset in accordance with the Appendix II of Circular 91/2020/TT-BTC and presented in section A of Risk Values in the Report;
- P_1 is the transacted price, determined on the basis specified in Note 3.3.5. In case of initial public offering, initial equitisation auction, bond auction, the transacted price is the most recent book value per share of the issuer, or the opening price (if book value cannot be determined), or par value (for bonds).

After the date of payment to issuer, the Company is required to determine position risk value of undistributed securities in accordance with the requirements specified in Note 3.3.1.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2021

3 REPORTING PRINCIPLES (continued)

3.3 Position risk value (continued)

3.3.3 *The Company's covered warrants in issue*

In-the-money warrant means a call at an exercise price (or exercise index) lower than the market price of the underlying securities (or index), or a put warrant at exercise price (or exercise index) higher than the market price of the underlying securities (or index).

Exercise price is the price at which the warrant holder has the right to buy (a call warrant) or sell (a put warrant) the underlying securities (a stock or ETF certificate) from/to the issuer, or on which the issuer bases to calculate the payout to the warrant holder.

Position risk value of in-the-money warrants is determined as follows:

$$\text{Position risk value} = \text{Max} \{ (P_0 \times Q_0 / k - P_1 \times Q_1) \times r - \text{MD}, 0 \}$$

Where:

- P_0 is the settlement price of underlying securities at reporting date determined and announced by the Stock Exchanges;
- Q_0 is the quantity of the Company's covered warrants in issue;
- k is the conversion rate; which indicates the number of warrants in need to obtain one (1) unit of underlying security;
- P_1 is price of underlying securities determined on the basis specified in Note 3.3.5;
- Q_1 is the quantity of underlying securities held by the Company to guarantee the fulfilment of its obligation arising from the covered warrants issued;
- r is the market risk coefficient, determined for each specific asset in accordance with the Appendix II of Circular 91/2020/TT-BTC and presented in section A of Risk Values in the Report;
- MD is the statutory deposits for covered warrants issued;

Underlying securities used in the calculation of position risk value as above must satisfy all of the following criteria:

- They are included in the issue plan, or registered to the State Securities Commission that they are held in the Company's proprietary trading account with the sole purpose of hedging against risk from covered warrants;
- They are underlying securities of the covered warrants.

When the covered warrants issued are out of the money, according to Circular 91/2020/TT-BTC, the Company is not required to calculate position risk value of issued covered warrants. Instead, it is required to calculate position risk value of underlying securities designated as hedges against risk from covered warrants issued.

The Company is required to calculate position risk value of the positive difference between the value of underlying securities designated as hedges and the value of underlying securities needed to hedge against risk from issued covered warrants. The value of underlying securities needed to hedge against risk from issued covered warrants should correspond to the hedged value.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2021

3 REPORTING PRINCIPLES (continued)

3.3 Position risk value (continued)

3.3.4 Future contracts

Position risk value of future contracts is determined as follows:

$$\text{Position risk value} = \text{Max}\left\{\left(\begin{array}{c} \text{Closing trade} \\ \text{value} \end{array} - \begin{array}{c} \text{Value of} \\ \text{hedge} \\ \text{portfolios} \end{array}\right) \times \begin{array}{c} \text{Risk coefficient of} \\ \text{future contracts} \end{array} - \begin{array}{c} \text{Statutory} \\ \text{deposits} \end{array}, 0\right\}$$

Where:

- Closing trade value = Closing price x Quantity of open positions;
- Quantity of open positions is quantity of derivatives outstanding as at reporting date not yet closed out nor matured;
- Value of hedge portfolio is the value of underlying securities purchased to fulfil the obligation under future contracts;
- Statutory deposits are assets deposited for speculation activities, proprietary trading activities, market making activities for derivatives.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2021

3 REPORTING PRINCIPLES (continued)

3.3 Position risk value (continued)

3.3.5 Asset valuation

Asset valuation is in accordance with Circular 91/2020/TT-BTC, in particular:

No.	Type of asset	Valuation principles
Cash and cash equivalents, money market instruments		
1	Cash in VND	Carrying value at the reporting date
2	Foreign currencies	Amounts equivalent to VND translated at exchange rates quoted by credit institutions licensed to trade foreign currencies at the reporting date
3	Term deposits	Deposit amount plus accrued interest up to the reporting date
4	Treasury bills, banker's acceptances, commercial papers, transferable certificates of deposit, bonds and discounted money market instruments	Purchase price plus accrued interest up to the reporting date
Bonds		
5	Listed bonds	<ul style="list-style-type: none"> - Quoted price of outright transactions on Stock Exchanges as at the latest trading date prior to the reporting date plus accrued interest (if clean price is quoted); - If the bond is not traded within the two (2) weeks prior to the reporting date, its value is the highest of the followings: <ul style="list-style-type: none"> + Purchase price plus accrued interest; + Par value plus accrued interest; + Price based on the Company's internal valuation policy, plus accrued interest. <p>In which: Max {Purchase price plus accrued interest, Par value plus accrued interest, Price based on the Company's internal valuation policy, plus accrued interest}.</p>
6	Unlisted bonds	<p>The highest of the followings:</p> <ul style="list-style-type: none"> + Quoted price on selected bond quotation system (if any) plus accrued interest; + Purchase price plus accrued interest; + Par value plus accrued interest; + Price based on the Company's internal valuation policy, plus accrued interest <p>In which: Max {quoted price (if any) plus accrued interest, purchase price plus accrued interest, par value plus accrued interest, price based on the Company's internal valuation policy plus accrued interest}.</p> <p>The securities dealing organisations may opt to obtain bond quotation systems (such as Reuters/Bloomberg/VNBF or equivalents) for price reference.</p>

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2021

3 REPORTING PRINCIPLES (continued)

3.3 Position risk value (continued)

3.3.5 Asset valuation (continued)

No.	Type of asset	Valuation principles
Shares		
7	Shares listed on the Ho Chi Minh City Stock Exchange	<ul style="list-style-type: none"> - Closing price of the latest trading date prior to the reporting date; - If the share is not traded within the two (2) weeks prior to the reporting date, its value is the highest of the followings: <ul style="list-style-type: none"> a) Book value; b) Purchase price; c) Price based on the Company's internal valuation policy. <p>In which: Max {book value, purchase price, price based on the Company's internal valuation policy}.</p>
8	Shares listed on the Hanoi Stock Exchange	<ul style="list-style-type: none"> - Closing price of the latest trading date prior to the reporting date; - If the share is not traded within the two (2) weeks prior to the reporting date, its value is the highest of the followings: <ul style="list-style-type: none"> a) Book value; b) Purchase price; c) Price based on the Company's internal valuation policy. <p>In which: Max {book value, purchase price, price based on the Company's internal valuation policy}.</p>
9	Shares of public companies registered for trading on the UPCoM	<ul style="list-style-type: none"> - Closing price of the latest trading date prior to the reporting date; - If the share is not traded within the two (2) weeks prior to the reporting date, its value is the highest of the followings: <ul style="list-style-type: none"> a) Book value; b) Purchase price; c) Price based on the Company's internal valuation policy. <p>In which: Max {book value, purchase price, price based on the Company's internal valuation policy}.</p>

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2021

3 REPORTING PRINCIPLES (continued)

3.3 Position risk value (continued)

3.3.5 Asset valuation (continued)

No.	Type of asset	Valuation principles
Shares (continued)		
10	Shares that are deposited at Vietnam Securities Depositories ("VSD") but not yet listed or registered for trading	<ul style="list-style-type: none"> - The average of transacted prices quoted by at least three (3) independent securities for the latest trading date prior to the reporting date. - In case the Company cannot obtain quotations from at least three independent securities firms, the shares' value is the highest of: <ul style="list-style-type: none"> a) Price from quotations; b) Price from the most recent reporting date; c) Book value; d) Purchase price; e) Price based on the Company's internal valuation policy <p>In which: Max {price from quotations; price from the most recent reporting date; book value; purchase price; price based on the Company's internal valuation policy}.</p>
11	Suspended, delisted or cancelled securities	<p>The highest of the followings:</p> <ul style="list-style-type: none"> a) Book value; b) Purchase price; c) Price based on the Company's internal valuation policy. <p>In which: Max {book value; purchase price; price based on the Company's internal valuation policy}.</p>
12	Securities of entities in liquidation or bankruptcy process	80% of the securities' disposal value (announced by the entities or book value) on the latest balance sheet date prior to the reporting date, or price based on the Company's internal valuation policy.
13	Other equities and investments	<p>The highest of the followings:</p> <ul style="list-style-type: none"> a) Book value; b) Purchase price; c) Price based on the Company's internal valuation policy. <p>In which: Max {book value; purchase price; price based on the Company's internal valuation policy}.</p>

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2021

3 REPORTING PRINCIPLES (continued)

3.3 Position risk value (continued)

3.3.5 Asset valuation (continued)

No.	Type of asset	Valuation principles
Fund certificates/shares of securities investment companies		
14	Fund certificates of public closed-end funds/ exchange-traded funds	<ul style="list-style-type: none"> - Closing price of the latest trading date prior to the reporting date; - If the fund certificates/shares are not traded within two (2) weeks prior to the reporting date, its value is the Net asset value ("NAV") per fund certificate at the latest valuation date prior to the reporting date.
15	Fund units of member funds/ open-end funds, privately issued shares of securities investment companies	NAV per fund unit/share at the latest valuation date prior to the reporting date.
16	Other assets	Based on the Company's internal valuation policy
Fixed assets		
17	Land use rights	Amount reported by an independent valuer appointed by the Company
18	Buildings, including construction in progress	Amount reported by an independent valuer appointed by the Company/ accumulated cost of construction in progress
19	Machinery and equipment, motor vehicles	Net book value
20	Other fixed assets	Amount reported by an independent valuer appointed by the Company
Other securities		
21	Covered warrants issued by other securities dealing entities	<ul style="list-style-type: none"> - Closing price of the latest trading date prior to the reporting date; - Purchase price (for unlisted covered warrants).
22	Shares listed on foreign stock exchanges	<ul style="list-style-type: none"> - Price in VND translated at applicable exchange rate at reporting date; - Closing price of the latest trading date prior to the reporting date; - If the share is not traded within two (2) weeks prior to the reporting date, its value is the highest of the followings: <ul style="list-style-type: none"> a) Book value; b) Purchase price; c) Price based on the Company's internal valuation policy. <p>In which: Max {book value; purchase price; price based on the Company's internal valuation policy}.</p>

Accrued interest is interest accrued from the most recent payment to reporting date.

Book value of a share is based on the most recent audited/reviewed financial statements.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2021

3 REPORTING PRINCIPLES (continued)

3.4 Counterparty risk value

Counterparty risk value represents the potential loss due to the counterparty's failure to make payment or to transfer assets within the committed period.

At the end of trading date, the Company is required to calculate counterparty risk value on the following balances:

Items bearing counterparty risk	Counterparty risk value
a) Term deposits at credit institutions, certificates of deposit issued by credit institutions; b) Securities borrowing agreements in accordance with prevailing regulations c) Securities repo agreements in accordance with prevailing regulations d) Securities reverse repo agreements in accordance with prevailing regulations; đ) Margin lending agreements for listed securities in accordance with prevailing regulations; e) Receivables of clients in securities trading business; f) Other assets bearing counterparty risk;	Counterparty risk value of balances not past due = Counterparty risk exposure x Risk coefficient by counterparty Counterparty risk value of balances past due = Counterparty risk exposure x Risk coefficient by past due period
g) Balances from co-underwriting contracts with firm underwriting commitment where the Company is the lead underwriter	Counterparty risk value is determined at 30% of the remaining value of outstanding contracts.
h) Receivables past due, including matured bonds, valuable papers, debt instruments but not yet collected; i) Assets not received after due date for transfer, including securities in proprietary trading and securities of customers in brokerage activities;	Counterparty risk value of balances past due = Counterparty risk exposure x Risk coefficient by past due period
j) Contracts, transactions, capital usages other than those specified in points a, b, c, d, e, f, g, h above; receivables from debt trading with business partners besides Vietnam Asset Management Company (VAMC), Vietnam Debt and Asset Trading Corporation (DATC)	Counterparty risk value = Counterparty risk exposure x 100%
k) Advances with reimbursement period under 90 days: - Accounting for 0% - 5% of owners' equity at calculation date - Accounting for more than 5% of owners' equity at calculation date	Counterparty risk value = Counterparty risk exposure x 8% Counterparty risk value = Counterparty risk exposure x 100%

When the counterparty is assessed as totally insolvent, entire exposure from contracts is deducted from liquid capital.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2021

3 REPORTING PRINCIPLES (continued)

3.4 Counterparty risk value (continued)

Counterparty risk coefficient is determined based on type of counterparty and past due period as stipulated in Circular 91/2020/TT-BTC.

3.4.1 Risk coefficient by counterparty

TT	Counterparty	Counterparty risk coefficient
1	The Government, Government-guaranteed issuers, Governments and Central Banks of countries in the OECD; People's Committees of provinces and independent municipalities	0%
2	Stock Exchanges, Securities depository centres	0.8%
3	Credit institutions, financial institutions, securities dealing institutions incorporated in OECD countries with credit ratings meeting other internal requirements of the Company	3.2%
4	Credit institutions, financial institutions, securities dealing institutions incorporated outside OECD countries or incorporated in OECD countries not meeting other internal requirements of the Company	4.8%
5	Credit institutions, financial institutions, securities dealing institutions, securities investment funds, securities investment companies incorporated and operating in Vietnam	6%
6	Other institutions, individuals and parties	8%

3.4.2 Risk coefficient by past due period

TT	Past due period	Counterparty risk coefficient
1	0 - 15 days after due date of payment/transfer of securities	16%
2	16 - 30 days after due date of payment/transfer of securities	32%
3	31 - 60 days after due date of payment/transfer of securities	48%
4	Over 60 days after due date of payment/transfer of securities	100%

HO CHI MINH CITY SECURITIES CORPORATION

**NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2021**

3 REPORTING PRINCIPLES (continued)

3.4 Counterparty risk value (continued)

3.4.3 Counterparty risk exposure

Counterparty risk exposure also include dividends, coupons, rights (if attached to securities), accrued interests on loans and cash deposits, and surcharges (applicable on credit products).

Counterparty risk exposure of receivables past due, matured bonds and debt instruments is par value, plus uncollected interests and related charges, less any amount collected.

Counterparty risk exposure of lendings, margin loans, repo activities and other transactions are defined as follows:

TT	Type of transaction	Counterparty risk exposure
1	Term deposits, certificates of deposit, unsecured loans, contracts, transactions, capital usages in Note 3.4 (j)	Entire balance of term deposits, certificate of deposit, lending balances, contracts values, transactions value including dividends, coupons, preferred rights (for securities) or deposit interest, loan interest, other charges (for credit amounts).
2	Securities lending (or agreements of similar substance)	Max {(Market value of contracts - Value of collateral assets (if any)), 0}
3	Securities borrowing (or agreements of similar substance)	Max {(Value of collateral assets - Market value of contracts), 0}
4	Reverse repo agreements (or agreements of similar substance)	Max {(Value of contracts at purchase price - Market value of contracts x (1 - Market risk coefficient)), 0}
5	Repo agreements (or agreements of similar substance)	Max {(Market value of contracts x (1 - Market risk coefficient) - Value of contracts at selling price), 0}
6	Margin lending agreements (or agreements of similar substance)	Max {(Loan balance - Value of collateral assets), 0}

Loan balance include the principal, interest and charges.

If the market price of collateral assets is not observable, they are priced following the Company's internal valuation.

7.7.2.4.9.3.10M

HO CHI MINH CITY SECURITIES CORPORATION

**NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2021**

3 REPORTING PRINCIPLES (continued)

3.4 Counterparty risk value (continued)

3.4.3 Counterparty risk exposure (continued)

Counterparty risk exposure of balances related to securities trading is determined as follows:

No.	Period	Counterparty risk exposure
A – Sales (seller is the Company or its customer)		
1	Before due date	0
2	After due date	Market value of contracts (in case market price is lower than transacted price)
		0 (in case market price is higher than transacted price)
B – Purchases (purchaser is the Company or its customer)		
1	Before due date	0
2	After due date	Market value of contracts (in case market price is lower than transacted price)
		0 (in case market price is higher than transacted price)

Due date is determined as follows:

<u>Type of securities/transactions</u>	<u>Due date</u>
Derivatives	According to prevailing regulations applicable to derivatives
Listed shares	T+2
Listed bonds	T+1
Over-the-counter transactions	T+n, in which "n" is subject to contractual agreements

3.4.4 Reliefs on counterparty risk exposure

Except for contracts, transactions as stated in Note 3.4 (j) and Note 3.4 (k), in determining counterparty risk exposure, the Company is permitted to take into account reliefs on the condition that the contracts or agreements meet all of the following criteria:

- The counterparty has collateral assets to secure their obligations, and collateral assets are cash, cash equivalents, valuable papers, transferable money market instruments, listed securities, securities registered for trading on Stock Exchanges, Government bonds, bonds guaranteed by the Ministry of Finance;
- The Company reserves discretion to control, use or transfer the collateral assets in case of default by the counterparty.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2021

3 REPORTING PRINCIPLES (continued)

3.4 Counterparty risk value (continued)

3.4.4 *Reliefs on counterparty risk exposure (continued)*

The value of collateral assets is determined as below:

Value of collateral assets = Quantity x Price x (1 - Market risk coefficient)

Where:

- Asset valuation determined on the basis specified in Note 3.3.5.
- Market risk coefficient is determined for each specific asset in accordance with Appendix II of Circular 91/2020/TT-BTC and presented in section A of Risk Values in the Report.

3.4.5 *Bilateral offsetting of counterparty risk exposure*

The Company is permitted to offset counterparty risk exposure bilaterally when:

- The counterparty risks relates to the same counterparty;
- The counterparty risks arise from transactions of similar type;
- The offsetting is agreed by both parties in writing.

3.4.6 *Additional risk value for large exposures*

Additional counterparty risk value for large exposures is determined as follows:

- Increased by 10% where the total exposure of deposits, certificates of deposit, loans, received not past due, securities repo agreements and reverse repo agreements from an entity, an individual or a group of related entities and individuals (if any) accounts for 10% to 15% of the Company's owners' equity;
- Increased by 20% where the total exposure of deposits, certificates of deposit, loans, received not past due, securities repo agreements and reverse repo agreements from an entity, an individual or a group of related entities and individuals (if any) accounts for 15% to 25% of the Company's owners' equity;
- Increased by 30% where the total exposure of deposits, certificates of deposit, loans, received not past due, securities repo agreements and reverse repo agreements from an entity, an individual or a group of related entities and individuals (if any), or an individual and their related parties (if any) exceeds 25% of the Company's owners' equity.

A group of entities or individuals is considered as related to an entity or an individual (referred to as "related parties") in the contexts described in the Clause 46 of Article 4 of the Securities Law.

HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2021

3 REPORTING PRINCIPLES (continued)

3.5 Operational risk value

Operational risk value represents the potential loss due to technical failure, system malfunction, deficiencies in control, human errors, insufficient working capital due to unexpected expenses, losses from investment activities, and other objective causes.

Operational risk value of the Company is determined at the highest of the followings:

- 25% of recurring operating expenses of the Company within the most recent twelve-month period up to the reporting date;
- 20% of the minimum required capital applicable to business activities of the Company.

Recurring operating expenses of the Company is determined as total operating expenses charged to the statement of comprehensive income, less the followings:

- Depreciation and amortisation;
- Increase in revaluation loss of financial assets carried at fair value through profit or loss (FVTPL);
- Increase in revalued amount of covered warrant payable;
- Provision or reversal of provision for impairments of short-term financial assets and mortgages;
- Provision or reversal of provision for impairments of long-term financial assets;
- Provision or reversal of provision for impairments of receivables;
- Provision or reversal of provision for impairments of other current assets;
- Provision or reversal of provision for impairments of other long-term assets.
- Interest expense

The Report was approved by the Board of Management on 13 August 2021.



Lam Huu Ho
Chief Financial Officer
cum Chief Accountant



Bui Thi Ngoc Thao
Head of Internal Control



Trinh/Hoai Giang
Chief Executive Officer