

# **Ho Chi Minh City Securities Corporation**

Financial safety ratio report (liquid capital ratio report)

31 December 2015



# Ho Chi Minh City Securities Corporation

## CONTENTS

	<i>Pages</i>
General information	1
Report of the Management	2
Independent auditors' report on financial safety ratio report (liquid capital ratio report)	3 - 4
Financial safety ratio report (liquid capital ratio report)	5 - 6
Notes to the Financial safety ratio report (liquid capital ratio report)	7 - 25

# Ho Chi Minh City Securities Corporation

## GENERAL INFORMATION

### THE COMPANY

Ho Chi Minh City Securities Corporation ("the Company") is a joint stock company incorporated under the Law on Enterprises of Vietnam pursuant to Business Registration Certificate No. 4103001573 issued by the Ho Chi Minh City Department of Planning and Investment on 23 April 2003, Business License No. 11/UBCK-GPHDKD issued by the State Securities Commission on 29 April 2003, and other amended licenses.

The current principal activities of the Company are brokerage services, securities trading, underwriting for share issues, custodian services, finance and investment advisory services and margin trading services.

The Company's head office is located at 5th and 6th Floor, AB Tower, 76 Le Lai Street, Ben Thanh Ward, District 1, Ho Chi Minh City. As at 31 Dec 2015, the Company had two branches located in Ho Chi Minh City and Hanoi and transaction offices in Ho Chi Minh City and Hanoi.

### THE BOARD OF DIRECTORS

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

<u>Name</u>	<u>Title</u>	<u>Date of appointment/Reappointment/Resign</u>
Mr. Do Hung Viet	Chairman	Appointed on 8 April 2011
Mr. Le Anh Minh	Vice Chairman	Reappointed on 8 April 2011
Mr. Nguyen Thanh Liem	Vice Chairman	Appointed on 8 April 2011
Mr. Pham Nghiem Xuan Bac	Member	Reappointed on 8 April 2011
Mr. Johan Nyvene	Member	Reappointed on 8 April 2011
Mr. Trinh Hoai Giang	Member	Appointed on 8 April 2011
Mr. Le Thang Can	Member	Appointed on 16 April 2015
Mr. Hoang Dinh Thang	Member	Resigned on 16 April 2015

### BOARD OF SUPERVISISON

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

<u>Name</u>	<u>Title</u>	<u>Date of appointment/ Reappointment</u>
Mr. Vo Van Chau	Chief Supervisor	Reappointed on 8 April 2011
Mr. Doan Van Hinh	Member	Reappointed on 8 April 2011
Ms. Dang Nguyet Minh	Member	Appointed on 26 April 2013

### MANAGEMENT

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

<u>Name</u>	<u>Title</u>	<u>Date of appointment</u>
Mr. Johan Nyvene	Chief Executive Officer	Appointed on 15 May 2007
Mr. Trinh Hoai Giang	Deputy Chief Executive Officer	Appointed on 15 May 2007
Mr. Le Cong Thien	Deputy Chief Executive Officer	Appointed on 12 August 2013
Mr. Johan Kruimer	Managing Director	Appointed on 26 July 2007
Mr. Fiachra Mac Cana	Managing Director	Appointed on 1 March 2008
Mr. Bach Quoc Vinh	Managing Director	Appointed on 1 February 2010
Mr. Arnold V. Pangilinan	Managing Director	Appointed on 12 November 2012

### LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr. Johan Nyvene, the Chief Executive Officer.

### AUDITORS

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



# Ho Chi Minh City Securities Corporation

## REPORT OF THE MANAGEMENT

The Management of Ho Chi Minh City Securities Corporation ("the Company") is pleased to present its report and the financial safety ratio report (liquid capital ratio report) of the Company as at 31 December 2015.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)

Management confirmed that it has complied with the requirements of Circular No. 226/2010/TT-BTC dated 31 December 2010 and Circular No. 165/2012/TT-BTC dated 9 October 2012 amending and supplementing a number of articles of Circular No. 226/2010/TT-BTC issued by the Ministry of Finance on financial safety ratios and remedies applicable to securities companies that fail to meet the stipulated financial safety ratios in preparing the accompanying financial safety ratio report (liquid capital ratio report) as at 31 December 2015.

### STATEMENT BY THE MANAGEMENT

The Management does hereby state that, in its opinion, the accompanying financial safety ratio report (liquid capital ratio report) is prepared and presented in accordance with Circular No. 226/2010/TT-BTC dated 31 December 2010 and Circular No. 165/2012/TT-BTC dated 9 October 2012 amending and supplementing a number of articles of Circular No. 226/2010/TT-BTC issued by the Ministry of Finance on financial safety ratios and remedies applicable to securities companies that fail to meet the stipulated financial safety ratios.

For and on behalf of the Management:



*Johan Nyvene*  
\_\_\_\_\_  
Johan Nyvene  
Chief Executive Officer

Ho Chi Minh City, Vietnam

22 March 2016





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working world**

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Reference: 60790272/17910718-VKD

## **INDEPENDENT AUDITORS' REPORT ON FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)**

**To: The Shareholders of Ho Chi Minh City Securities Corporation**

We have audited the accompanying financial safety ratio report (liquid capital ratio report) of Ho Chi Minh City Securities Corporation ("the Company") as at 31 December 2015 as prepared on 22 March 2016 and set out on pages 5 to 25.

### ***Management's Responsibility***

Management is responsible for the preparation and fair presentation of this financial safety ratio report (liquid capital ratio report) in accordance with Circular No. 226/2010/TT-BTC dated 31 December 2010 and Circular No. 165/2012/TT-BTC dated 9 October 2012 amending and supplementing a number of articles of Circular No. 226/2010/TT-BTC issued by the Ministry of Finance on financial safety ratios and remedies applicable to securities companies that fail to meet the stipulated financial safety ratios and Note 2.1 of the accompanying financial safety ratio report (liquid capital ratio report).

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial safety ratio report (liquid capital ratio report) 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 safety ratio report (liquid capital ratio report) is free from material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the information in the financial safety ratio report (liquid capital ratio report). The audit procedures selected depend on the auditor's judgment, including examining, on a test basis, evidence supporting the information in the financial safety ratio report (liquid capital ratio report).

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

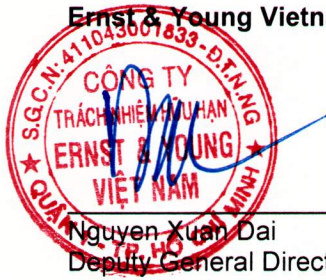


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**Opinion**

In our opinion, the financial safety ratio report (liquid capital ratio report) as at 31 December 2015 was prepared and presented in accordance with Circular No. 226/2010/TT-BTC dated 31 December 2010 and Circular No. 165/2012/TT-BTC dated 9 October 2012 amending and supplementing a number of articles of Circular No. 226/2010/TT-BTC issued by the Ministry of Finance on financial safety ratios and remedies applicable to securities companies that fail to meet the stipulated financial safety ratios and Note 2.1 of the accompanying financial safety ratio report (liquid capital ratio report).

**Ernst & Young Vietnam Limited**



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Nguyen Xuan Dai  
Deputy General Director  
Audit Practicing Registration  
Certificate No. 0452-2013-004-1

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Nguyen Quoc Tuan  
Auditor  
Audit Practicing Registration  
Certificate No. 1841-2013-004-1

Ho Chi Minh City, Vietnam

22 March 2016

Financial safety ratio report

To: The State Securities Commission

**FINANCIAL SAFETY RATIO REPORT**  
(LIQUID CAPITAL RATIO REPORT)

As at: 31 December 2015

We confirm that:

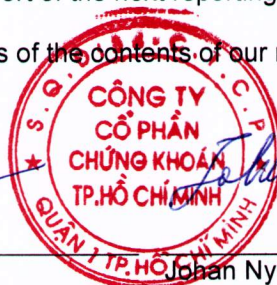
- (1) The report is prepared based on the updated data at the reporting date in accordance with Circular No. 226/2010/TT-BTC issued by the Ministry of Finance on 31 December 2010 on financial safety ratios and remedies applicable to securities companies that fail to meet the stipulated financial safety ratios and Circular No. 165/2012/TT-BTC dated 9 October 2012 issued by the Ministry of Finance, amending and supplementing a number of articles Circular No. 226/2010/TT-BTC;
- (2) Subsequent events that could have effects on the financial position of the Company occurring after the date of this report will be updated in the report of the next reporting period;
- (3) We are responsible for the accuracy and truthfulness of the contents of our report.



Lam Huu Ho  
Chief Financial Officer



Bui Thi Ngoc Thao  
Head of Internal control



Johan Nyvene  
Chief Executive Officer

Ho Chi Minh City, Vietnam

22 March 2016



# Ho Chi Minh City Securities Corporation

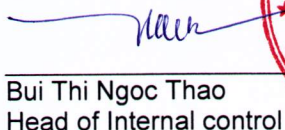
FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
as at 31 December 2015

VND

No.	Criteria	Notes	Exposures to risk/ Liquid capital
1	Total exposures to market risk	4	68,772,381,224
2	Total exposures to settlement risk	5	65,674,631,090
3	Total exposures to operational risk	6	77,036,597,042
<b>4</b>	<b>Total exposures to risk (4=1+2+3)</b>		<b>211,483,609,356</b>
<b>5</b>	<b>Liquid capital</b>	<b>7</b>	<b>2,198,674,673,804</b>
<b>6</b>	<b>Liquid capital safety ratio (6=5/4)</b>		<b>1,040%</b>



Lam Huu Ho  
Chief Financial Officer



Bui Thi Ngoc Thao  
Head of Internal control




Johan Nyvene  
Chief Executive Officer

Ho Chi Minh City, Vietnam

22 March 2016

# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
as at 31 December 2015

## 1. COMPANY INFORMATION

Ho Chi Minh City Securities Corporation ("the Company") is a joint stock company incorporated under the Law on Enterprises of Vietnam pursuant to Business Registration Certificate No. 4103001573 issued by the Ho Chi Minh City Department of Planning and Investment on 23 April 2003, Business License No. 11/UBCK-GPHDKD issued by the State Securities Commission on 29 April 2003, and other amended licenses.

The current principal activities of the Company are brokerage services, securities trading, underwriting for share issues, custodian services, finance and investment advisory services, and margin services.

The Company's head office is located at 5th and 6th Floor, AB Tower, 76 Le Lai Street, Ben Thanh Ward, District 1, Ho Chi Minh City. At 31 December 2015, the Company had two branches located in Ho Chi Minh City and Hanoi and transaction offices in Ho Chi Minh City and Hanoi.

The number of the Company's employees as at 31 December 2015 was 679 persons (31 December 2014: 573 persons).

## 2. BASIS OF PREPARATION

### 2.1 *The applicable regulations and definitions*

The financial safety ratio report (liquid capital ratio report) of the Company is prepared and presented in accordance with Circular No. 226/2010/TT-BTC dated 31 December 2010 and Circular No. 165/2012/TT-BTC dated 9 October 2012, amending and supplementing Circular No. 226/2010/TT-BTC issued by the Ministry of Finance on financial safety ratios and remedies applicable to securities companies that fail to meet the stipulated financial safety ratios.

The financial safety ratio report (liquid capital ratio report) is prepared based on the financial data of the Company at the reporting date.

***The interpretations are applied for certain cases which do not have specific guidance in Circular No. 226/2010/TT-BTC and Circular No. 165/2012/TT-BTC amending and supplementing Circular No. 226/2010/TT-BTC.***

In the preparation and presentation of this report, the Company has applied the following interpretations for certain cases which do not have specific guidance in Circular No. 226/2010/TT-BTC and Circular No. 165/2012/TT-BTC based on its understanding and assessment:

No.	Item	Interpretation of the Company
1	The item " <b>Retained earnings and undistributed profit after tax before making statutory reserves</b> " (Item g, Clause 1, Article 4 - Liquid capital, Circular No. 226/2010/TT-BTC)	This indicator is determined by the sum of: - Retained earnings; - Undistributed profit after tax as at 31 December 2015; and - Closing balance of provisions as at 31 December 2015.
2	The item " <b>Receivables</b> " (Item g, Clause 1, Article 9 - The value of settlement risk, Circular No. 226/2010/TT-BTC)	"Receivables" include other receivables and other assets exposed to settlement risk and the exposures to settlement risk are calculated using the formula specified in Circular No. 226/2010/TT-BTC.

### 2.2 *Accounting currency*

The Company maintains its accounting records in Vietnam Dong ("VND").



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
(continued)  
as at 31 December 2015

## 3. SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)

### 3.1 *Liquid capital ratio*

Liquid capital ratio is a measure of financial safety of the Company which reflects the Company's ability to quickly settle the financial obligations and its ability to absorb the risks arising in the course of business operations.

Liquid capital ratio of the Company is determined using the formula specified in Circular No. 226/2010/TT-BTC as follows:

$$\text{Liquid capital ratio} = \frac{\text{Liquid capital} \times 100\%}{\text{Total exposures to risks}}$$

In particular, total exposures to risks are the sum of exposures to market risk, settlement risk and operational risk.

### 3.2 *Liquid capital*

As stipulated in Circular No. 226/2010/TT-BTC, liquid capital is the equity available to meet obligations due within ninety (90) days, including:

- ▶ Paid-in capital, excluding redeemable preference shares (if any);
- ▶ Share premium;
- ▶ Supplementary capital reserve;
- ▶ Investment and development fund;
- ▶ Financial reserve;
- ▶ Other reserves belonging to owners' equity;
- ▶ Retained earnings and undistributed profit after tax before making legal reserves;
- ▶ Fifty percent (50%) of the increased value of fixed assets revaluation in accordance with regulatory requirements (in case the value of these assets is increased), or subtraction of the whole reduced value (in case the value of these assets is reduced);
- ▶ Differences in foreign exchange;
- ▶ Minority interests.

The Company's liquid capital is adjusted (i.e. increased/decreased) for the following items:

#### 3.2.1 *Increases to liquid capital*

- ▶ Convertible debts of the Company with original maturity of five (5) years;
- ▶ Debts with original maturity of more than ten (10) years which have been registered to increase the liquid capital with the State Securities Commission; and
- ▶ Total surplus value of investments, excluding securities issued by related parties of the Company as well as securities restricted to transfer with the remaining restriction period of more than ninety (90) days from the date of this report.

The maximum value of items used to supplement liquid capital is 50% of the Company's owners' equity. Regarding convertible debts and debts registered to supplement the Company's liquid capital with the State Securities Commission, the Company deducts 20% of original value each year during the last five (5) years prior to maturity/conversion into common shares and deducts 25% of residual value quarterly during the last four (4) quarters prior to maturity/conversion into common shares.



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
(continued)  
as at 31 December 2015

## 3. SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)

### 3.2 *Liquid capital* (continued)

#### 3.2.2 *Decreases to liquid capital*

- ▶ Redeemable preferred shares and treasury shares (if any);
- ▶ Total decreased value of investments, excluding securities issued by the related parties of the Company as well as securities with the remaining restriction period of more than ninety (90) days from the reporting date;
- ▶ Long-term assets and short-term assets with the remaining recovery period or settlement period of more than ninety (90) days; and
- ▶ The qualifications items on the audited financial statements (if any).

When determining the deductions from the liquid capital, the Company reduces the deduction value by an amount equal to the minimum value of the market value of the assets, book value, and residual value of the obligations (for assets used as collaterals for the obligations of the Company or third parties) and the minimum value of the market value of assets and the book value (for assets secured by the clients' assets).

### 3.3 *Exposures to market risk*

Exposures to market risk are the potential losses which may occur when market value of the Company's assets fluctuates in a negative trend and are determined by the Company using the following formula:

Exposures to market risk = Net position x Asset value x Market risk coefficient

In particular, net position is the quantity of securities held by the Company at the reporting date, after adjustments to decrease the number of securities for lending and increase the number of securities for borrowing in accordance with regulations.

Assets which are not used in determining exposures to market risk include:

- ▶ Treasury stocks;
- ▶ Securities issued by related parties of the Company in the following cases:
  - The parent company, subsidiaries, joint ventures, associates of the Company;
  - Subsidiaries, joint ventures, associates of the Company's parent company;
- ▶ Securities with the remaining restricted period of more than 90 days from the calculation date; and
- ▶ Matured bonds, debt instrument, and valuable papers of the monetary market.

#### 3.3.1 *Market risk coefficient*

Market risk coefficient is determined for each item of assets as specified in Circular No. 226/2010/TT-BTC.

#### 3.3.2 *Asset value*

##### a. *Cash and cash equivalents, monetary market instruments*

Value of cash in VND is the cash balance at the calculation date.

Value of cash in foreign currencies is the equivalent value in VND using the exchange rate published by credit institutions which are allowed to conduct foreign currencies trading at the calculation date.

Value of term deposits and monetary market instruments is the deposit/purchase value plus accrued interest as at the calculation date.

# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
(continued)  
as at 31 December 2015

## 3. SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)

### 3.3 *Exposures to market risk* (continued)

#### 3.3.2 *Asset value* (continued)

##### b. *Bonds*

The value of listed bonds is the average price quoted on the trading system of Securities Stock Exchange on the latest trade date plus accrued interest. In case bonds are not traded in more than two (2) weeks prior to the date of calculation, the value of bonds is the highest value of the following: purchase price; par value; internal valuation price, including accrued interest.

The value of unlisted bonds is the highest value of the following: quoted price on the quotation system selected by the Company (if any); purchase price plus accrued interest; internal valuation price, including accrued interest.

##### c. *Shares*

Value of listed shares is determined based on the quoted closing prices on the Ho Chi Minh Stock Exchange and the Hanoi Stock Exchange of the latest trading day prior to the date of calculation.

Value of unlisted shares which are registered on the unlisted public companies market (UpCom) is the quoted average price of the latest trading day prior to the date of calculation.

In case there is no transaction of shares during more than two (2) weeks prior to the date of calculation or shares are suspended, delisted or cancelled, value of these shares is the highest value of the following: book value; acquisition cost and internal valuation price.

Value of shares which are registered or custodied but not listed or registered for trading is the average price of quotations from at least three (3) securities companies which are not related to the Company on the latest trading day prior to the date of calculation. If there are no sufficient quotations from at least three (3) securities companies, the value of shares is the highest value of the following: quoted price; value determined in the latest reporting period; book value; acquisition cost; internal valuation price.

Value of other contributed capital/shares is the highest value of the following: book value; acquisition cost; internal valuation price.

##### d. *Funds/shares of securities investment companies*

Value of public close-end fund is the closing price of the latest trading day prior to the date of calculation. In case public close-end fund units are not traded during more than two (2) weeks prior to the date of calculation, the value is calculated by net asset value ("NAV") per fund certificate in the latest reporting period prior to the calculation date.

Value of member/open-end fund/shares of securities investment companies in private placement is the NAV per unit of contributed capital/fund certificate unit/shares in the latest reporting period prior to the date of calculation.



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
(continued)  
as at 31 December 2015

## 3. SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)

### 3.3 *Exposures to market risk* (continued)

#### 3.3.3 *Adjustment to increase exposures to market risk*

Except for the securities under firm commitment during the underwriting period, Government bonds and bonds guaranteed by the Government, exposures to market risk of an asset will be adjusted to increase if the Company makes significant investments in such asset. The exposures to market risk will be adjusted in accordance with following principles:

- ▶ An increase of 10% if the value of this investment accounts for 10% to 15% of the owners' equity of the Company;
- ▶ An increase of 20% if the value of this investment accounts for 15% to 25% of the owners' equity of the Company;
- ▶ An increase of 30% if the value of this investment accounts for more than 25% of the owners' equity of the Company.

Dividends, coupons, preference right of shares (if any) or interest of deposits, cash equivalents, negotiable instruments and valuable papers shall be added to the value of asset for the purpose of determining the exposures to market risk.

### 3.4 *Exposures to settlement risk*

Exposures to settlement risk are the potential losses which may occur when a counterparty fails to settle payments punctually or transfer assets on time as committed. Exposures to settlement risk are determined at the transaction date as follows:

- ▶ For term deposit contracts with credit institutions; loans to organisations and individuals; securities borrowing contracts in accordance with legal regulations; repurchase agreements and reverse repurchase agreements in accordance with legal regulations; margin loans in accordance with legal regulations; receivables, other receivables and other assets exposed to settlement risk, exposures to settlement risk before receiving securities transfer, cash and contract liquidation, should be determined according to the following formula:

$$\text{Exposures to settlement risk} = \frac{\text{Settlement risk coefficient of counterparty} \times \text{Value of asset exposed to settlement risk}}{\text{Value of asset exposed to settlement risk}}$$

- ▶ For issue underwriting contracts signed with other organisations which the Company is the main underwriter, exposures to settlement risk is equal to 30% of remaining value of the underwriting contracts which has not been paid;
- ▶ For overdue receivables, other overdue receivables and other overdue assets, securities which have not yet been received on time, including securities and cash which have not yet received from term deposit contracts with the credit institutions; loans to organisations and individuals; securities borrowing contracts in accordance with legal regulations; repurchase and reverse repurchase agreements in accordance with legal regulations; matured margin loans, in accordance with legal regulations, exposures to settlement risk is determined as follow:

$$\text{Exposures to settlement risk} = \frac{\text{Settlement risk coefficient by time} \times \text{Value of asset exposed to settlement risk}}{\text{Value of asset exposed to settlement risk}}$$



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
(continued)  
as at 31 December 2015

## 3. SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)

### 3.4 Exposures to settlement risk (continued)

#### 3.4.1 Settlement risk coefficient

Settlement risk coefficient is determined based on the type of counterparties and the overdue period as stipulated in Circular No. 226/2010/TT-BTC.

Settlement/transfer period of securities is T+3 (for listed securities), T+1 (for listed bonds); or T+n (for transactions outside the trading system within n days under agreement of both parties).

#### 3.4.2 Value of assets exposed to settlement risk

##### a. Purchase or sale of securities for customers or the Company

Value of assets exposed to settlement risk is the market value of the contract determined as follow:

- ▶ Value of assets exposed to settlement risk in securities borrowing and lending, margin trading, repurchase transactions, loans for margin trading, repurchase or reverse repurchase agreements:

No.	Transaction types	Value of assets exposed to settlement risk
1.	Term deposits and loans without collaterals, and receivables from the securities trading and securities services	Total loan value
2.	Securities lending	$\text{Max}\{(\text{Market value of the contract} - \text{Collateral value (if any)}), 0\}$
3.	Securities borrowing	$\text{Max}\{(\text{Collateral value} - \text{Market value of the contract}), 0\}$
4.	Reverse repurchase agreements	$\text{Max}\{(\text{Contract value based on purchase price} - \text{Market value of the contract} \times (1 - \text{Market risk coefficient})), 0\}$
5.	Repurchase agreements	$\text{Max}\{(\text{Market value of the contract} \times (1 - \text{Market risk coefficient}) - \text{Contract value based on selling price}), 0\}$
6.	Margin contracts (loans to customers to purchase securities)/other economic agreements with similar nature	$\text{Max}\{(\text{Margin balance} - \text{Collateral value}), 0\}$

Debt balance includes outstanding loan principal, interest and other fees.

Collateral value is determined according to market value. In case there is no referencing market pricing collateral assets, its value is determined by the internal valuation methods of the Company.

Value of assets is determined under section 3.3.2.

# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
(continued)  
as at 31 December 2015

## 3. SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)

### 3.4 Exposures to settlement risk (continued)

#### 3.4.2 Value of assets exposed to settlement risk (continued)

##### a. Purchase or sale of securities for customers or the Company (continued)

##### ► Value of assets exposed to settlement risk in securities trading

No.	Period	Value of assets exposed to settlement risk
A – For the selling transactions (seller is the Company or its customers under the securities brokerage activities)		
1.	Before receiving payment	0
2.	After receiving payment	Market value of the contract (if market value is less than trading value)
		0 (if market value is greater than trading value)
B – For the buying transactions (buyer is the Company or the Company's customer)		
1.	Before receiving securities	0
2.	After receiving securities	Market value of the contract (if market value is greater than trading value)
		0 (if market value is less than trading value)

##### b. Receivables, matured bonds, matured debt instruments

Value of assets exposed to settlement risk is the value of receivables calculated based on par value, plus accrued interest, related costs and less cash received previously (if any).

#### 3.4.3 Deduction of value of assets exposed to settlement risk

The Company should deduct the value of collaterals of counterparties and customers in determining value of assets exposed to settlement risk if the contracts and transactions fulfill the following conditions:

- Counterparties and customers have collaterals to ensure their performance of obligations and their collaterals are cash, cash equivalents, valuable papers, negotiable instruments on the monetary market, securities listed and registered on the Securities Stock Exchange, Government bonds, bonds issued and guaranteed by the Ministry of Finance;
- The Company has rights to control, manage, use, and transfer collaterals if counterparties fail to make payment obligations fully and timely as agreed in the contracts.

Value of asset subjected to deduction is determined as follows:

Collateral value = Quantity of assets x Value of assets x (1 – Market risk coefficient)



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
(continued)  
as at 31 December 2015

## 3. SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)

### 3.4 *Exposures to settlement risk* (continued)

#### 3.4.4 *Increase in exposures to settlement risk*

Exposures to settlement risk are adjusted to increase in the following cases:

- ▶ An increase of 10% if the value of loans to an organization, an individual and a group of related organizations/individuals (if any) accounts for from 10% to 15% of the owners' equity of the Company;
- ▶ An increase of 20% if the value of loan to an organization, an individual and a group of related organizations/individuals (if any) accounts for from 15% to 25% of the owners' equity of the Company;
- ▶ An increase of 30% if the value of loan to an organization, an individual and a group of related organizations/individuals (if any), or an individual and related parties of that individual (if any), accounts for more than 25% of the owners' equity of the Company.

#### 3.4.5 *Netting off of value of assets exposed to settlement risk*

The value of assets exposed to settlement risk is subjected to netting off in case of:

- ▶ Settlement risk is attributable to the same counterparties;
- ▶ Settlement risk arises in the same type of transactions; or
- ▶ The net-off has been agreed in written documents by both parties.

Settlement/transfer period of securities is T+3 (for listed securities), T+1 (for listed bonds); or T+n (for transactions outside the trading system within n days under agreement of both parties).

### 3.5 *Exposures to operational risk*

Exposures to operational risk are the potential losses which may occur due to technical errors, system errors and business processes, human errors during operation, or due to the lack of capital resulting from expenses, losses arising from investment activities, or other objective causes.

Exposures to operational risk of the Company is the higher of 25% of the Company's operating costs for operational continuity within twelve (12) consecutive months from last month and 20% of the Company's legal capital.

The Company's costs for operational continuity are total costs incurred in the period minus: depreciation expenses; provisions for impairment of short-term and long-term investments; and provisions for doubtful debts.



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
(continued)  
as at 31 December 2015

## 4. EXPOSURES TO MARKET RISK

<i>Investment portfolios</i>		<i>Ratio %</i>	<i>Risk level VND</i>	<i>Risk exposure VND</i>
		(1)	(2)	(3) = (1) x (2)
<b>I. Cash and cash equivalent, monetary market instruments</b>				
1.	Cash	0	25,256,819,577	-
2.	Cash equivalents, term deposit	0	634,078,573,612	-
3.	Valuable papers, negotiable instruments in the monetary market, certificate of deposit	0	-	-
<b>II. Government bonds</b>				
4.	Zero-coupon Government bonds	0	-	-
5.	Coupon Government bonds		-	-
5.1	Government bonds, Government bonds of OECD countries or guaranteed by the Government or the Central Bank of the OECD countries, Bonds issued by international institution IBRD, ADB, IADB, AfDB, EIB and EBRD	3	-	-
5.2	Project bonds guaranteed by the Government, Ministry of Finance due within 1 year;	3	-	-
	Project bonds guaranteed by the Government, Ministry of Finance due from 1 to 5 years;	4	-	-
	Project bonds guaranteed by the Government, Ministry of Finance due in more than 5 years;	5	-	-
<b>III. Corporate bond</b>				
6.	Listed bonds due in less than 1 year, including convertible bonds	8	-	-
	Listed bonds due in from 1 to 5 years, including convertible listed bonds	15	-	-
	Listed bonds due in more than 5 years, including convertible bonds	20	-	-
7.	Unlisted bonds due in less than 1 year, including convertible bonds	25	-	-
	Unlisted bonds due in from 1 to 5 years, including convertible bonds	30	-	-
	Unlisted bonds due in more than 5 years, including convertible bonds	40	-	-



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
(continued)  
as at 31 December 2015

## 4. EXPOSURES TO MARKET RISK (continued)

		<i>Ratio %</i>	<i>Risk level VND</i>	<i>Risk exposure VND</i>
<i>Investment portfolios</i>		(1)	(2)	(3) = (1) x (2)
<b>IV. Shares</b>				
8.	Ordinary shares, preferred shares of entities listed in Ho Chi Minh Stock Exchange, open-end fund certificates	10	62,164,373,000	6,216,437,300
9.	Ordinary shares, preferred shares of entities listed in Hanoi Stock Exchange	15	2,045,412,200	306,811,830
10.	Ordinary shares, preferred shares of unlisted public entities registered trading through UPCoM system	20	660,820,500	132,164,100
11.	Ordinary shares, preferred shares of public entities registered depository, but not yet listed or registered trading; IPO shares	30	585,000,000	175,500,000
12.	Shares of other public entities	50	59,606,553,548	29,803,276,774
<b>V. Certificates of investment securities fund</b>				
13.	Public funds, including public securities investment companies	10	8,677,824,000	867,782,400
14.	Member funds, including private securities investment companies	30	-	-
<b>VI. Restricted securities trading</b>				
15.	Securities are suspended temporarily from trading	40	-	-
16.	Delisted, cancelled securities	50	6,993,639	3,496,820
<b>VII. Other assets</b>				
17.	Shares, contributed capital and other securities	80	39,083,640,000	31,266,912,000
18.	Other investment assets	80	-	-
<b>VIII. The additional risk</b>				
<i>No.</i>	<i>Description</i>	<i>Rate of increase %</i>	<i>Risk level VND</i>	<i>Risk exposure VND</i>
1.	Term deposits and accrued interest subjected to additional risk of 20% (*)	20	72,241,838,833	-
2.	Term deposits and accrued interest subjected to additional risk of 10% (**)	10	24,390,661,000	-
<b>Total exposures to market risk (I+II+III+IV+V+VI+VII+VIII)</b>				<b>68,772,381,224</b>



# Ho Chi Minh City Securities Corporation

## NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)

(continued)

as at 31 December 2015

### 4. EXPOSURES TO MARKET RISK (continued)

(\*) Exposures to market risk of term deposits and accrued interest at Ho Chi Minh City Development Bank was adjusted to increase by 20% because the value of this deposit accounted for 16% of the Company's owners' equity (Note 5.3).

(\*\*) Exposures to market risk of term deposits and accrued interest at Joint Stock Commercial Bank for Investment and Development of Vietnam was adjusted to increase by 10% because the value of this deposit accounted for 11% of the Company's owners' equity (Note 5.3).

### 5. EXPOSURES TO SETTLEMENT RISK

	<i>Exposures to settlement risk VND</i>
Risks of undue debts (Note 5.1)	42,575,876,006
Risks of overdue debts (Note 5.2)	17,300,805,094
Increased risk (Note 5.3)	5,797,949,990
<b>Total exposures to settlement risk</b>	<b><u>65,674,631,090</u></b>

# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)  
as at 31 December 2015

## 5. EXPOSURES TO SETTLEMENT RISK (continued)

### 5.1 Risks of undue debts

The exposures to settlement risk of undue items are determined as follows:

Type of transactions	Risk coefficient (%)	Exposures to settlement risk VND						Total exposures to settlement risk VND
		0% (1)	0.8% (2)	3.2% (3)	4.8% (4)	6% (5)	8% (6)	
1. Term deposits, loans without collaterals, and receivables from the securities trading and securities services (Note 5.1.1)		-	904,627,276	-	-	38,044,714,417	2,876,950,597	41,826,292,290
2. Securities lendings/Economic agreements with the same nature		-	-	-	-	-	-	-
3. Securities borrowings/Economic agreements with the same nature		-	-	-	-	-	-	-
4. Reverse repurchase agreements/Economic agreements with the same nature		-	-	-	-	-	-	-
5. Repurchase agreements/Economic agreements with the same nature		-	-	-	-	-	-	-
6. Margin trading contracts (loans to customers to purchase securities)/Economic agreements with the same nature		-	-	-	-	-	689,577,334	689,577,334
7. Other assets exposed to potential settlement risk		-	-	-	-	-	60,006,382	60,006,382
Receivables (including other receivables) due within 90 days		-	-	-	-	-	47,648,856	47,648,856
Other assets due within 90 days		-	-	-	-	-	12,357,526	12,357,526
<b>TOTAL EXPOSURES TO SETTLEMENT RISK OF UNDUDE DEBTS</b>								<b>42,575,876,006</b>



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
(continued)  
as at 31 December 2015

## 5. EXPOSURES TO SETTLEMENT RISK (continued)

### 5.1 Risks of undue debts (continued)

Settlement risk coefficient based on counterparties is determined as follow:

No.	The Company's Counterparties	Settlement risk coefficient
1.	Government, issuers guaranteed by Government, Ministry of Finance, State Bank, Government and Central Bank of OECD countries; People's committees of provinces and cities under central authority	0%
2.	Securities Stock Exchanges and Vietnam Securities Depository	0.8%
3.	Credit institutions, financial institutions, and securities trading institutions which are established in OECD countries and have credit ratings in accordance with the internal policies of securities trading institutions	3.2%
4.	Credit institutions, financial institutions, and securities trading institutions which are established in OECD countries and do not have credit ratings in accordance with the internal policies of securities trading institutions	4.8%
5.	Credit institutions, financial institutions, and securities trading institutions are established and operated in Vietnam	6%
6.	Other entities and individuals	8%

#### 5.1.1 Term deposits, loans without collaterals, and receivables from the securities trading and securities services

	Book value VND	Settlement risk coefficient (%)	Exposure to settlement risk VND
Term deposits and accrued interest	634,078,573,612	6.0	38,044,714,417
Receivables from Vietnam Securities Depository for clearing and settlement of securities trading	19,796,209,060	0.8	158,369,672
Receivables from advances to investors	93,282,200,459	0.8	746,257,604
Receivables from investors for securities trading	35,485,097,184	8.0	2,838,807,775
Receivables from foreign investors	476,785,269	8.0	38,142,822
	<b>783,118,865,584</b>		<b>41,826,292,290</b>

# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
(continued)  
as at 31 December 2015

## 5. EXPOSURES TO SETTLEMENT RISK (continued)

### 5.2 Risks of overdue debts

The total exposures to settlement risk of overdue debts are as follows:

No	Overdue period	Settlement risk coefficient (%)	Risk level (VND)	Exposures to settlement risk (VND)
1.	0 - 15 days after the settlement/ securities transfer date/term	16	-	-
2.	16 - 30 days after the settlement/ securities transfer date/term	32	-	-
3.	31 - 60 days after the settlement/ securities transfer date/term	48	-	-
4.	From 60 days and above	100	17,300,805,094	17,300,805,094
<b>TOTAL EXPOSURES TO SETTLEMENT RISK OF OVERDUE PAYMENTS</b>				<b>17,300,805,094</b>

### 5.3 Increased risk

No	Description	Rate of increase %	Risk level VND	Exposures to Settlement risk VND
1.	Term deposits and accrued interest subjected to additional risk of 20% (*)	20	72,241,838,833	4,334,510,330
2.	Term deposits and accrued interest subjected to additional risk of 10% (**)	10	24,390,661,000	1,463,439,660
<b>TOTAL INCREASED RISK</b>				<b>5,797,949,990</b>

(\*) Exposures to market risk of term deposits and accrued interest at Ho Chi Minh City Development Bank was adjusted to increase by 20% because the value of this deposit accounted for 16% of the Company's owners' equity.

(\*\*) Exposures to market risk of term deposits and accrued interest at Joint Stock Commercial Bank for Investment and Development of Vietnam was adjusted to increase by 10% because the value of this deposit accounted for 11% of the Company's owners' equity.

## 6. EXPOSURES TO OPERATIONAL RISK

No	Items	Amount VND
I.	Total operating expenses incurred within 12 months	349,447,124,432
II.	Deductions from total expenses (Note 6.1)	41,300,736,263
III.	Total expenses after deductions (III = I – II)	308,146,388,169
IV.	25% of total expense after deductions (IV = 25% III)	77,036,597,042
V.	20% legal capital of the Company	60,000,000,000
<b>TOTAL EXPOSURES TO OPERATIONAL RISK (Max {IV, V})</b>		<b>77,036,597,042</b>



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
(continued)  
as at 31 December 2015

## 6. EXPOSURES TO OPERATIONAL RISK (continued)

### 6.1 Deductions from total expenses

	<i>Amount VND</i>
Depreciation expenses	5,425,844,644
Provisions for impairment of short-term investments	42,471,551,619
Reversal of provisions for bad debt	<u>(6,596,660,000)</u>
	<b><u>41,300,736,263</u></b>

## 7. LIQUID CAPITAL

NO.	CONTENTS	Liquid capital		
		Liquid capital VND	Deductions VND	Additions VND
A	Equity	(1)	(2)	(3)
1	Paid-in capital, excluding redeemable preference shares (if any)	1,272,567,580,000		
2	Share premium, other capital, excluding redeemable preference shares (if any)	310,343,798,499		
3	Treasury shares	(770,889,458)		
4	Supplementary capital reserve (if any)	101,786,372,632		
5	Investment and development fund	3,961,374,994		
6	Financial reserve	101,786,372,631		
7	Other reserves belonging to owners' equity	-		
8	Retained earnings and undistributed profit after tax before making statutory reserves	564,498,499,023		
	- Retained earnings and undistributed profits	489,874,717,764		
	Add back: - Closing balance of provisions	74,623,781,259		
9	Differences in asset revaluation (increasing 50% or decreasing 100%)	-		
10	Differences in foreign exchange	-		
11	Minority interests	-		
12	Convertible debts			-



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
(continued)  
as at 31 December 2015

## 7. LIQUID CAPITAL (continued)

NO.	CONTENTS	Liquid capital		
		Liquid capital VND	Deductions VND	Additions VND
13	Total increase or decrease of securities in financial investments section (Note 7.1)		17,881,515,414	704,296,557
1A	Total		2,336,995,889,464	
B	Short-term assets			
I	Cash and cash equivalents			
II	Short-term financial investments			
1.	Short-term investments			
	Securities exposed to market risks			
	Securities deducted from liquid capital		-	
2.	Provisions for impairment in short-term investments			
III.	Short-term receivables, including receivables from authorization			
1.	Receivables from customers			
	Receivables from customers with remaining payment term of 90 days or less			
	Receivables from customers with remaining payment term of more than 90 days		-	
2.	Advances to suppliers		511,650,108	
3.	Short-term internal receivables			
	Internal receivables with the payment term of 90 days or less			
	Internal receivables with the payment term of more than 90 days		-	
4.	Receivables from securities trading			
	Receivables from securities trading with the payment term of 90 days or less			
	Receivables from securities trading with the payment term of more than 90 days		-	



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
(continued)  
as at 31 December 2015

## 7. LIQUID CAPITAL (continued)

NO.	CONTENTS	Liquid capital		
		Liquid capital VND	Deductions VND	Additions VND
5.	Other receivables			
	Other receivables with the payment term of 90 days or less			
	Other receivables with the payment term of more than 90 days		-	
6.	Provisions for short term doubtful debts			
IV	Inventories		-	
V	Other short-term assets		4,663,417,556	
1.	Short-term prepaid expenses		4,637,718,956	
2.	Deductibles VAT			
3.	Tax and other receivables from the State			
4.	Other short-term assets			
4.1	Advances			
	Advances with the remaining repayment term of 90 days or less			
	Advances with the remaining repayment term of more than 90 days		-	
4.2	Other receivables, short-term assets		25,698,600	
1B	Total			5,175,067,664
C	Long-term assets			
I	Long-term receivables, including receivables from authorization			
1.	Long-term receivables from customers			
	Long-term receivables from customers with the payment term of 90 days or less			
	Long-term receivables from customers with the payment term of more than 90 days		-	
2.	Capital investments in subsidiaries		-	



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
(continued)  
as at 31 December 2015

## 7. LIQUID CAPITAL (continued)

NO.	CONTENTS	Liquid capital		
		Liquid capital VND	Deductions VND	Additions VND
3.	Long-term internal receivables			
	Long-term internal receivables with the payment term of 90 days or less			
	Long-term internal receivables with the payment term of more than 90 days		-	
4.	Other long-term receivables			
	Other long-term receivables with the payment term of 90 days or less			
	Other long-term receivables with the payment term of more than 90 days		-	
5	Provisions for long-term doubtful debts			
II	Fixed assets		12,113,115,468	
III	Real estate investments		-	
IV	Long-term financial investments			
1.	Investments in subsidiaries		-	
2.	Investments in joint ventures		-	
3.	Long-term investments			
	Securities exposed to market risk			
	Securities deducted from liquid capital		-	
4.	Other long-term investments		-	
5.	Provisions for impairment in long-term financial investments			
V	Other long-term assets		121,033,032,528	
	Assets qualified in audited financial statements that are not deducted according to Circular 226		-	
1C	Total			133,146,147,996
	<b>LIQUID CAPITAL = 1A-1B-1C</b>			<b>2,198,674,673,804</b>



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)  
(continued)  
as at 31 December 2015

## 7. LIQUID CAPITAL (continued)

### 7.1 Increase and decrease in value of securities

Details of the increase and decrease in value of securities in financial investments which are adjusted to liquid capital as at 31 December 2015 are as follows:

	Cost VND	Market value VND	Difference VND
<b>Increase in value</b>			
Listed stocks	8,578,851,237	8,983,751,900	404,900,663
Fund certificates	8,378,428,106	8,677,824,000	299,395,894
Total	16,957,279,343	17,661,575,900	704,296,557
<b>Decrease in value</b>			
Listed stocks	62,884,748,314	55,368,262,900	(7,516,485,414)
Unlisted stocks	10,950,030,000	585,000,000	(10,365,030,000)
Total	73,834,778,314	55,953,262,900	(17,881,515,414)

## 8. EVENTS AFTER 31 DECEMBER 2015

There have been no significant events occurring after 31 December 2015 which would require adjustments or disclosures to be made in the financial safety ratio report (liquid capital ratio report) as at 31 December 2015.



Lam Huu Ho  
Chief Financial Officer



Bui Thi Ngoc Thao  
Head of Internal control



Johan Nyvene  
Chief Executive Officer

Ho Chi Minh City, Vietnam

22 March 2016