

# **Ho Chi Minh City Securities Corporation**

Financial safety ratio report

30 June 2016



# Ho Chi Minh City Securities Corporation

## CONTENTS

	<i>Pages</i>
General information	1 - 2
Report of management	3
Report on review of financial safety ratio report	4 - 5
Financial safety ratio report	6 - 7
Notes to the financial safety ratio report	8 - 26

# 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. At 30 June 2016, 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 period and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/Resignation</i>
Mr. Do Hung Viet	Chairman	Reappointed on 21 April 2016
Mr. Le Anh Minh	Vice Chairman	Reappointed on 21 April 2016
Mr. Nguyen Thanh Liem	Vice Chairman	Reappointed on 21 April 2016
Mr. Pham Nghiem Xuan Bac	Member	Reappointed on 21 April 2016
Mr. Johan Nyvene	Member	Reappointed on 21 April 2016
Mr. Le Thang Can	Member	Reappointed on 21 April 2016
Mr. Le Hoang Anh	Member	Appointed on 21 April 2016
Mr. Trinh Hoai Giang	Member	Resigned on 21 April 2016

### BOARD OF SUPERVISISON

Members of the Board of Supervision during the period and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
Mr. Vo Van Chau	Chief Supervisor	Reappointed on 21 April 2016
Mr. Doan Van Hinh	Member	Reappointed on 21 April 2016
Ms. Dang Nguyet Minh	Member	Reappointed on 21 April 2016

# Ho Chi Minh City Securities Corporation

## GENERAL INFORMATION (continued)

### MANAGEMENT

Members of management during the period and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment</i>
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
Mr. Pham Ngoc Bich	Managing Director	Appointed on 7 January 2016

### LEGAL REPRESENTATIVE

The legal representative of the Company during the period 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 MANAGEMENT

Management of Ho Chi Minh City Securities Corporation ("the Company") is pleased to present its report and the financial safety ratio report of the Company as at 30 June 2016.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL SAFETY RATIO REPORT

Management confirmed that it has complied with the requirements of Circular No. 226/2010/TT-BTC dated 31 December 2010 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 Circular No. 165/2012/TT-BTC dated 9 October 2012 amending and supplementing a number of articles of Circular No. 226/2010/TT-BTC in preparing the accompanying financial safety ratio report as at 30 June 2016.

### STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying financial safety ratio report is prepared and presented in accordance with Circular No. 226/2010/TT-BTC dated 31 December 2010 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 Circular No. 165/2012/TT-BTC dated 9 October 2012 amending and supplementing a number of articles of Circular No. 226/2010/TT-BTC.

For and on behalf of management:



Johan Nyvene  
Chief Executive Officer

Ho Chi Minh City, Vietnam

12 August 2016





**Building a better  
working world**

Ernst & Young Vietnam Limited  
28th Floor, Bitexco Financial Tower  
2 Hai Trieu Street, District 1  
Ho Chi Minh City, S.R. of Vietnam

Tel: +84 8 3824 5252  
Fax: +84 8 3824 5250  
ey.com

Reference: 60790272/18609063-VKD-LR

## **REPORT ON REVIEW OF FINANCIAL SAFETY RATIO REPORT**

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

We have reviewed the accompanying financial safety ratio report as at 30 June 2016 of Ho Chi Minh City Securities Corporation ("the Company"), prepared on 12 August 2016 and set out on pages 6 to 26.

### ***Management's responsibility***

The Company's management is responsible for the preparation and fair presentation of this financial safety ratio report in accordance with Circular No. 226/2010/TT-BTC dated 31 December 2010 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 Circular No. 165/2012/TT-BTC dated 9 October 2012 amending and supplementing a number of articles of Circular No. 226/2010/TT-BTC and Note 2.1 of the accompanying financial safety ratio report and for such internal control as management determines is necessary to enable the preparation and presentation of interim financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' responsibility***

Our responsibility is to express a conclusion on financial safety ratio report based on our review. We conducted our review in accordance with Vietnamese Standards on Auditing No 2410 - review of the interim financial information performed by the independent auditor of the entity.

A review of interim financial information 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 the accompanying financial safety ratio report was not prepared and presented, in all material respects, in accordance with Circular 226/2010/TT-BTC dated 30 December 2010 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 Circular No. 165/2012/TT-BTC dated 9 October 2012 amending and supplementing a number of articles of Circular No. 226/2010/TT-BTC and Note 2.1 of the accompanying financial safety ratio report.

**Ernst & Young Vietnam Limited**



Saman Bandara  
Deputy General Director  
Audit Practicing Registration  
Certificate No. 2036-2013-004-1

Ho Chi Minh City, Vietnam

12 August 2016

Ho Chi Minh City Securities  
Corporation

SOCIALIST REPUBLIC OF VIETNAM  
Independence - Freedom - Happiness

Financial safety ratio report

To: The State Securities Commission

## FINANCIAL SAFETY RATIO REPORT

As at: 30 June 2016

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 of 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

12 August 2016



# Ho Chi Minh City Securities Corporation

## FINANCIAL SAFETY RATIO REPORT as at 30 June 2016

No.	Criteria	Notes	Exposures to risk/ Liquid capital VND
1	Total exposures to market risk	4	71,146,112,453
2	Total exposures to settlement risk	5	41,340,098,946
3	Total exposures to operational risk	6	93,207,550,319
4	<b>Total exposures to risk (4=1+2+3)</b>		<b>205,693,761,718</b>
5	<b>Liquid capital</b>	7	<b>2,218,356,124,026</b>
6	<b>Liquid capital safety ratio (6=5/4)</b>		<b>1,078%</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

12 August 2016

# Ho Chi Minh City Securities Corporation

## NOTES TO THE FINANCIAL SAFETY RATIO REPORT as at 30 June 2016

### 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 30 June 2016, 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 30 June 2016 was 656 persons (31 December 2015: 679 persons).

### 2. BASIS OF PREPARATION

#### 2.1 *The applicable regulations and definitions*

The financial safety 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 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: <ul style="list-style-type: none"><li>- Retained earnings;</li><li>- Undistributed profit after tax as at 30 June 2016; and</li><li>- Closing balance of provisions as at 30 June 2016.</li></ul>
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 (continued)  
as at 30 June 2016

## 3. SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY 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 (continued)  
as at 30 June 2016

## 3. SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY 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 collateral 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 (continued)  
as at 30 June 2016

## 3. SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY 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 shares of entities which are in dissolved or bankrupt status is equal to 80% of disposal value of these shares at the latest balance sheet date, or internal valuation price.

Value of other shares, capital contribution are the maximum value among following values: book value; buying value/value of capital contribution; internal valuation value.

##### 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.

Value of other funds/shares are internal valuation price.



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 30 June 2016

## 3. SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY 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:

$$\text{Exposures to settlement risk} = \frac{\text{Settlement risk coefficient of counterparty} \times \text{Value of asset exposed to settlement risk}}{1}$$

- ▶ 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:

$$\text{Exposures to settlement risk} = \frac{\text{Settlement risk coefficient by time} \times \text{Value of asset exposed to settlement risk}}{1}$$

#### 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+2 (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).

# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 30 June 2016

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

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

#### 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 (continued)  
as at 30 June 2016

## 3. SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY 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 (continued)  
as at 30 June 2016

## 3. SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY 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 organisation, an individual and a group of related organisations/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 organisation, an individual and a group of related organisations/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 organisation, an individual and a group of related organisations/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+2 (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 (continued)  
as at 30 June 2016

## 4. EXPOSURES TO MARKET RISK

		Ratio %	Risk level VND	Risk exposure VND
<i>Investment portfolios</i>		(1)	(2)	(3) = (1) x (2)
<b>I. Cash and cash equivalent, monetary market instruments</b>				
1.	Cash	0	24,191,076,015	-
2.	Cash equivalents, term deposit	0	87,849,169,890	-
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 bonds</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 (continued)  
as at 30 June 2016

## 4. EXPOSURES TO MARKET RISK (continued)

		Ratio %	Risk level VND	Risk exposure VND
<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	58,638,905,700	5,863,890,570
9.	Ordinary shares, preferred shares of entities listed in Hanoi Stock Exchange	15	7,129,904,700	1,069,485,705
10.	Ordinary shares, preferred shares of unlisted public entities registered trading through UPCoM system	20	3,951,379,700	790,275,940
11.	Ordinary shares, preferred shares of public entities registered depository, but not yet listed or registered trading; IPO shares	30	1,894,500,000	568,350,000
12.	Shares of other public entities	50	60,830,181,635	30,415,090,818
<b>V. Certificates of investment securities fund</b>				
13.	Public funds, including public securities investment companies	10	13,924,746,000	1,392,474,600
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	7,265,639	3,632,820
<b>VII. Other assets</b>				
17.	Shares, contributed capital and other securities	80	38,803,640,000	31,042,912,000
18.	Other investment assets	80	-	-
<b>VIII. The additional risk</b>				
No.	Description	Rate of increase %	Risk level VND	Risk exposure VND
1.	Term deposits and accrued interest (*)	10	-	-
<b>Total exposures to market risk (I+II+III+IV+V+VI+VII+VIII)</b>				<b>71,146,112,453</b>

# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 30 June 2016

## 5. EXPOSURES TO SETTLEMENT RISK

	<i>Exposures to settlement risk VND</i>
Risks of undue debts ( <i>Note 5.1</i> )	24,584,293,852
Risks of overdue debts ( <i>Note 5.2</i> )	16,755,805,094
<b>Total exposures to settlement risk</b>	<b>41,340,098,946</b>



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 30 June 2016

## 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)		-	238,291,775			23,996,902,101	62,184,902	24,297,378,778
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		-	-	-	-	-	203,377,569	203,377,569
7.	Other assets exposed to potential settlement risk		-	-	-	-	-	83,537,505	83,537,505
	Receivables (including other receivables) due within 90 days		-	-	-	-	-	66,087,149	66,087,149
	Other assets due within 90 days		-	-	-	-	-	17,450,356	17,450,356
<b>TOTAL EXPOSURES TO SETTLEMENT RISK OF UNDUE DEBTS</b>									<b>24,584,293,852</b>

# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 30 June 2016

## 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	87,849,169,890	6.0	5,270,950,193
Receivables from credit institution	312,099,198,473	6.0	18,725,951,908
Receivables from advances to investors	29,786,471,920	0.8	238,291,775
Receivables from investors for securities trading	370,623,282	8.0	29,649,863
Receivables from foreign investors	406,687,993	8.0	32,535,039
	<b>430,512,151,558</b>		<b>24,297,378,778</b>



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 30 June 2016

## 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	16,755,805,094	16,755,805,094
<b>TOTAL EXPOSURES TO SETTLEMENT RISK OF OVERDUE PAYMENTS</b>				<b>16,755,805,094</b>

## 6. EXPOSURES TO OPERATIONAL RISK

No	Items	Amount VND
I.	Total operating expenses incurred within 12 months	354,226,038,880
II.	Deductions from total expenses (Note 6.1)	(18,604,162,395)
III.	Total expenses after deductions (III = I – II)	372,830,201,275
IV.	25% of total expense after deductions (IV = 25% III)	93,207,550,319
V.	20% legal capital of the Company	60,000,000,000
<b>TOTAL EXPOSURES TO OPERATIONAL RISK (Max {IV, V})</b>		<b>93,207,550,319</b>

### 6.1 Deductions from total expenses

	Amount VND
Depreciation expenses	5,703,572,270
Provisions for impairment of short-term investments	(24,307,734,665)
	<b>(18,604,162,395)</b>

# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 30 June 2016

## 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	(1,032,257,008)		
4	Supplementary capital reserve	101,786,372,631		
5	Investment and development fund	3,961,374,994		
6	Financial reserve	101,786,372,632		
7	Other reserves belonging to owners' equity	-		
8	Retained earnings and undistributed profit after tax before making statutory reserves	579,197,026,889		
	<i>Retained earnings and undistributed profits</i>	<i>508,556,091,878</i>		
	Add back: <i>Closing balance of provisions</i>	<i>70,640,935,011</i>		
9	Differences in asset revaluation (increasing 50% or decreasing 100%)	-		
10	Differences in foreign exchange	-		
11	Minority interests	-		
12	Convertible debts			
13	Total increase or decrease of securities in financial investments section (Note 7.1)		13,898,639,166	2,110,066,933
1A	Total			2,356,821,696,404



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 30 June 2016

## 7. LIQUID CAPITAL (continued)

NO.	CONTENTS	Liquid capital		
		Liquid capital VND	Deductions VND	Additions VND
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		112,624,488	
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 (continued)  
as at 30 June 2016

## 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			
1.	Short-term prepaid expenses		5,175,556,001	
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			5,313,879,089
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 (continued)  
as at 30 June 2016

## 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		11,210,464,559	
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		121,941,228,730	
	Assets qualified in audited financial statements that are not deducted according to Circular 226/2010/TT-BTC		-	
1C	Total			133,151,693,289
LIQUID CAPITAL = 1A-1B-1C				2,218,356,124,026



# Ho Chi Minh City Securities Corporation

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 30 June 2016

## 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 30 June 2016 are as follows:

	Cost VND	Market value VND	Difference VND
<b>Increase in value</b>			
Listed stocks	46,819,084,026	48,823,423,300	2,004,339,274
Fund certificates	13,819,018,341	13,924,746,000	105,727,659
	<b>60,638,102,367</b>	<b>62,748,169,299</b>	<b>2,110,066,933</b>
<b>Decrease in value</b>			
Listed stocks	24,432,245,066	20,898,605,900	3,533,639,166
Unlisted stocks	10,950,000,000	585,000,000	10,365,000,000
	<b>35,382,245,066</b>	<b>21,483,605,900</b>	<b>13,898,639,166</b>

## 8. EVENTS AFTER 30 JUNE 2016

There have been no significant events occurring after 30 June 2016 which would require adjustments or disclosures to be made in the financial safety ratio report as at 30 June 2016.



Lam Huu Ho  
Chief Financial Officer



Bui Thi Ngoc Thao  
Head of Internal control




Johan Nyvene  
Chief Executive Officer

Ho Chi Minh City, Vietnam

12 August 2016