

**HO CHI MINH CITY SECURITIES CORPORATION**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2020**

## HO CHI MINH CITY SECURITIES CORPORATION

### CORPORATE INFORMATION

<b>Establishment and operation licence</b>	No. 11/UBCK-GPHĐKD dated 29 April 2003 issued by the State Securities Commission. The Establishment and operation licence was amended several times and the latest amendment No. 13/GPĐC-UBCK was issued on 16 March 2020.	
<b>Board of Directors</b>	Mr. Do Hung Viet Mr. Le Anh Minh Mr. Pham Nghiem Xuan Bac Mr. Le Thang Can Mr. Johan Nyvene Mr. Le Hoang Anh Mr. Lam Hoai Anh	Chairperson Vice Chairperson Member Member Member Member Member
<b>Board of Supervision</b>	Mr. Vo Van Chau Mr. Doan Van Hinh Ms. Dang Nguyet Minh	Chair Supervisor Member Member
<b>Board of Management</b>	Mr. Trinh Hoai Giang  Mr. Johan Nyvene  Mr. Le Anh Quan Mr. Bach Quoc Vinh Mr. Pham Ngoc Bich Mr. Christopher Lawrence Hunt Mr. Stephen James McKeever Mr. Tran Tan Dat Mr. Nguyen Canh Thinh Ms. Nguyen Linh Lan Mr. Le Nguyen Binh  Mr. Lam Huu Ho  Mr. Le Cong Thien	Chief Executive Officer (from 16 March 2020) Deputy Chief Executive Officer (until 15 March 2020) Chief Executive Officer (until 15 March 2020) Managing Director Managing Director Managing Director Managing Director Managing Director Managing Director Managing Director Managing Director Managing Director (from 1 December 2020) Chief Financial Officer cum Chief Accountant Deputy Chief Executive Officer (until 26 February 2020)
<b>Legal Representative</b>	Mr. Trinh Hoai Giang  Mr. Johan Nyvene	Chief Executive Officer (from 16 March 2020) Chief Executive Officer (until 15 March 2020)
<b>Registered office</b>	5-6th Floor, AB Tower 76 Le Lai Street, Ben Thanh Ward, District 1 Ho Chi Minh City, Vietnam	
<b>Auditor</b>	PwC (Vietnam) Limited	

**HO CHI MINH CITY SECURITIES CORPORATION**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2020**

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## HO CHI MINH CITY SECURITIES CORPORATION

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

The Board of Management of Ho Chi Minh City Securities Corporation ("the Company") is responsible for preparing the report on capital adequacy ratio as at 31 December 2020 ("the Report") in accordance with Circular 87/2017/TT-BTC issued by the Ministry of Finance on 15 August 2017 ("Circular 87/2017/TT-BTC") and applied interpretations as described in Note 2.1 to the Report.

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

### APPROVAL OF THE REPORT ON CAPITAL ADEQUACY RATIO

We hereby approve the accompanying report on capital adequacy ratio as set out on pages 5 to 36. The Report was prepared and presented in accordance with Circular 87/2017/TT-BTC and applied interpretations as described in Note 2.1 to the Report.

On behalf of the Board of Management



Trinh Hoai Giang  
Chief Executive Officer

Ho Chi Minh City, Vietnam  
18 March 2021





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

We have audited the accompanying report on capital adequacy ratio as at 31 December 2020 ("the Report") of Ho Chi Minh City Securities Corporation ("the Company") which was approved by the Board of Management on 18 March 2021. The Report includes the report on capital adequacy ratio and explanatory notes including basis of preparation and reporting principles as set out on pages 5 to 36.

### **The Board of Management's Responsibility**

The Board of Management is responsible for the preparation and presentation of the Report in accordance with Circular 87/2017/TT-BTC issued by the Ministry of Finance on 15 August 2017 ("Circular 87/2017/TT-BTC") providing guidance on capital adequacy ratio applicable to securities dealing institutions and sanctions imposed on non-compliance cases and applied interpretations as described in Note 2.1 to the Report and for such internal control which the Board of Management determines as necessary to enable the preparation and presentation of the Report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the 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 in order to obtain reasonable assurance as to whether the Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Report. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and presentation of the Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the Report.

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



**Ho Chi Minh City Securities Corporation**  
Ref:

**SOCIALIST REPUBLIC OF VIETNAM**  
**Independence - Freedom - Happiness**

Re: Report on capital adequacy ratio

Ho Chi Minh City, 18 March 2021

**To: The State Securities Commission**

**REPORT ON CAPITAL ADEQUACY RATIO**

As at 31 December 2020

We undertake that:

- (1) The Report is prepared on the basis of data updated as at the date of the report in accordance with Circular 87/2017/TT-BTC issued by the Ministry of Finance on 15 August 2017 providing guidance on capital adequacy ratio applicable to securities dealing institutions and sanctions imposed on non-compliance;
- (2) Matters that may affect the financial position of the Company after the date of this Report are updated in the next reporting period;
- (3) We are fully responsible under the laws for the accuracy and truthfulness of the contents of the Report.

**Chief Financial Officer  
cum Chief Accountant**



Lam Huu Ho

**Head of Internal Control**



Bui Thi Ngoc Thao

**Chief Executive Officer**



Trinh Hoai Giang



**HO CHI MINH CITY SECURITIES CORPORATION**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2020**

**I. LIQUID CAPITAL**

No.	DESCRIPTION	Liquid capital		
		Liquid capital (VND)	Deduction (VND)	Addition (VND)
		(1)	(2)	(3)
<b>A</b>	<b>Equity</b>			
1	Owners' capital	3,058,822,630,000		
2	Share premium	358,946,064,000		
3	Treasury shares	(12,477,449,008)		
4	Equity component of convertible bonds	-		
5	Owners' other capital	-		
6	Financial assets' revaluation reserve	-		
7	Supplementary capital reserve	177,907,588,627		
8	Financial and operational risk reserve	177,907,588,627		
9	Other equity funds	3,961,374,994		
10	Undistributed earnings	675,286,734,145		
11	Provision for impairments of assets	39,583,792,148		
12	Fixed assets' revaluation reserve	-		
13	Foreign currency translation reserve	-		
14	Convertible bonds			-
15	Revaluation adjustments on financial investments carried at cost		-	-
16	Others (if any)	-		
<b>1A</b>	<b>Subtotal</b>			<b>4,479,938,323,533</b>

The notes on pages 18 to 36 are an integral part of this report.



HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2020

I. LIQUID CAPITAL (continued)

No.	DESCRIPTION	Liquid capital		
		Liquid capital (VND)	Deduction (VND)	Addition (VND)
		(1)	(2)	(3)
<b>B</b>	<b>Current assets</b>			
<b>I</b>	<b>Financial assets</b>			
1	Cash and cash equivalents			
2	Financial assets at fair value through profit or loss ("FVTPL")			
	- Those exposed to position risk			
	- Those excluded from liquid capital		-	
3	Held-to-maturity financial assets ("HTM")			
	- Those exposed to position risk			
	- Those excluded from liquid capital		-	
4	Loans			
5	Available-for-sale financial assets ("AFS")			
	- Those exposed to position risk			
	- Those excluded from liquid capital		-	
6	Provisions for impairments of financial assets and mortgages			
7	Receivables from disposal of financial assets; dividend and interest receivables			
	- Those due within 90 days			
	- Those due after 90 days		-	
8	Covered warrants not yet issued			
9	Underlying securities designated as hedges against risk from covered warrants issued		-	
10	Service related receivables			
	- Those due within 90 days			
	- Those due after 90 days		-	
11	Internal receivables			
	- Those due within 90 days			
	- Those due after 90 days		-	
12	Receivables from failed trades			
	- Those due within 90 days			
	- Those due after 90 days		-	
13	Other receivables			
	- Those due within 90 days			
	- Those due after 90 days		-	
14	Provision for doubtful debts			
<b>II</b>	<b>Other current assets</b>			
1	Advances			
	- Those due within 90 days			
	- Those due after 90 days		-	
2	Office tools and supplies		-	
3	Short-term prepaid expenses		8,702,822,930	
4	Pledged assets, mortgages, security deposits in short term		1,005,314,000	
5	Value added tax to be reclaimed		-	
6	Tax and other receivables from the State Budget		-	
7	Other current assets		7,913,519,184	
8	Provisions for impairments of other current assets		-	
<b>1B</b>	<b>Subtotal</b>			<b>17,621,656,114</b>

The notes on pages 18 to 36 are an integral part of this report.

HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2020

I. LIQUID CAPITAL (continued)

No.	DESCRIPTION	Liquid capital		
		Liquid capital (VND)	Deduction (VND)	Addition (VND)
		(1)	(2)	(3)
<b>C</b>	<b>Non-current assets</b>			
<b>I</b>	<b>Non-current financial assets</b>			
1	Long-term receivables		-	
2	Investments			
2.1	Investments held to maturity			
	- Those exposed to position risk			
	- Those excluded from liquid capital		-	
2.2	Investments in subsidiaries		-	
2.3	Investments in joint ventures and associates		-	
2.4	Other long-term assets		-	
<b>II</b>	<b>Fixed assets</b>		46,878,656,183	
<b>III</b>	<b>Investment properties</b>		-	
<b>IV</b>	<b>Construction in progress</b>		342,334,073	
<b>V</b>	<b>Other non-current assets</b>			
1	Pledged assets, mortgages, security deposits in long term		8,365,511,870	
2	Long-term prepaid expenses		94,014,062,873	
3	Deferred income tax assets		1,360,000,000	
4	Deposits in the Settlement Support Fund		20,000,000,000	
5	Other non-current assets		10,000,000,000	
<b>VI</b>	<b>Provisions for impairments of non-current assets</b>			
	Assets on which the auditor expressed a qualified opinion, an adverse opinion, or a disclaimer of opinion but not excluded from liquid capital according to Article 5 of Circular 87/2017/TT-BTC		-	
<b>1C</b>	<b>Subtotal</b>		<b>180,960,564,999</b>	
<b>D</b>	<b>Statutory deposits and collaterals</b>			
1	Statutory deposits			
1.1	Statutory deposits in the Derivatives trading clearing fund		-	
1.2	Statutory deposits for derivatives self-trading activities		119,714,587,200	
1.3	Cash deposits and bank guarantees for issued covered warrants		145,100,000,000	
2	Value of assets used as collateral for liabilities due after 90 days		-	
<b>1D</b>	<b>Subtotal</b>		<b>264,814,587,200</b>	
<b>LIQUID CAPITAL = 1A-1B-1C-1D</b>			<b>4,016,541,515,220</b>	

The notes on pages 18 to 36 are an integral part of this report.



# HO CHI MINH CITY SECURITIES CORPORATION

## REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

### II. RISK VALUES

#### A POSITION RISK VALUE

Item		Risk coefficient (%)	Risk exposure (VND)	Risk value (VND)
		(1)	(2)	(3) = (1) x (2)
I.	<b>Cash and cash equivalents, money market instruments</b>			-
1	Cash (VND)	0	124,842,955,486	-
2	Cash equivalents	0	-	-
3	Valuable papers, money market instruments, certificates of deposit	0	-	-
II.	<b>Government bonds</b>			30,571,233
4	Zero-coupon government bonds	0	-	-
5	Government bonds with coupons		-	-
5.1	Government bonds, government bonds of OECD countries or bonds guaranteed by the Governments or Central Banks of these countries, bonds issued by international organisations including IBRD, ADB, IADB, AFDB, EIB and EBRD	3	1,019,041,096	30,571,233
III.	<b>Corporate bonds</b>			143,542,182,184
6	Listed bonds with a remaining maturity period of less than 1 year, including convertible bonds	8	-	-
	Listed bonds with a remaining maturity period of 1 to less than 3 years, including convertible bonds	10	428,149,123,008	42,814,912,301
	Listed bonds with a remaining maturity period of 3 to less than 5 years, including convertible bonds	15	-	-
	Listed bonds with a remaining maturity period of 5 years or more, including convertible bonds	20	503,636,349,414	100,727,269,883
7	Unlisted bonds with a remaining maturity period of less than 1 year, including convertible bonds	25	-	-
	Unlisted bonds with a remaining maturity period of 1 to less than 3 years, including convertible bonds	30	-	-
	Unlisted bonds with a remaining maturity period of 3 to less than 5 years, including convertible bonds	35	-	-
	Unlisted bonds with a remaining maturity period of 5 years or more, including convertible bonds	40	-	-
IV.	<b>Shares</b>			25,010,690,298
8	Ordinary shares, preference shares of entities listed on the Ho Chi Minh City Stock Exchange; open-ended fund certificates	10	198,814,294,680	19,881,429,468
9	Ordinary shares, preference shares of entities listed on the Hanoi Stock Exchange	15	1,937,400	290,610
10	Ordinary shares, preference shares of unlisted public companies, registered for trading on the UPCoM	20	1,022,351,100	204,470,220
11	Ordinary shares, preference shares of public companies registered for depositing, but not listed or registered for trading; shares in an Initial Public Offering ("IPO")	30	-	-
12	Shares of other public companies	50	9,849,000,000	4,924,500,000
V.	<b>Fund certificates</b>			1,411,439,576
13	Public funds, including public securities investment companies	10	14,114,395,757	1,411,439,576
14	Member funds, private securities investment companies	30	-	-

The notes on pages 18 to 36 are an integral part of this report.

HO CHI MINH CITY SECURITIES CORPORATION

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

A POSITION RISK VALUE (continued)

Item		Risk coefficient (%)	Risk exposure (VND)	Risk value (VND)	
		(1)	(2)	(3) = (1) x (2)	
VI. Restricted securities		2,777,179			
15	Suspended securities	40	-	-	
16	Delisted, cancelled securities	50	5,554,357	2,777,179	
VII. Derivatives		-			
17	Share-index future contracts (Note A)	8	-	-	
18	Government bond future contracts	3	-	-	
VIII Other securities		32,748,709			
19	Other shares, capital contributions and securities	80	-	-	
20	Listed shares on foreign stock exchanges with qualified indices	25	-	-	
21	Listed shares on foreign stock exchanges without qualified indices	100	-	-	
22	Covered warrants listed on the Ho Chi Minh City Stock Exchange	8	-	-	
23	Covered warrants listed on the Hanoi Stock Exchange	10	-	-	
24	Covered warrants issued by the Company. (Note B) Formula: Risk value = (P <sub>0</sub> x Q <sub>0</sub> x k - P <sub>1</sub> x Q <sub>1</sub> ) x R - MD	N/A	-	-	
25	Securities designated as hedges against risk from issued covered warrants (in case of out-of-the-money covered warrants)	10	327,487,091	32,748,709	
26	Difference between the value of underlying securities designated as hedges and the value of underlying securities required to hedge against risk from issued covered warrants		-	-	
IX. Additional risk value for large exposures (if any) (based on equity after required provisions have been made)		10,072,726,988			
	Security code	Additional risk percentage (%)	Risk coefficient (%)	Risk exposure (VND)	Risk value (VND)
	BID11908	-	10	100,727,269,883	10,072,726,988
TOTAL POSITION RISK VALUE (I+II+III+IV+V+VI+VII+VIII+IX)					180,103,136,167

The notes on pages 18 to 36 are an integral part of this report.



# HO CHI MINH CITY SECURITIES CORPORATION

## REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

### II. RISK VALUES (continued)

#### A POSITION RISK VALUE (continued)

Note A – Position risk value of derivatives

	Value VND
Closing trade value (A)	920,881,440,000
Less: Value of shares purchased to fulfil the obligation under future contract (B)	1,078,658,829,310
Position risk exposure (max{A-B;0})	-
Risk coefficient (r)	8%
Risk value before deducting statutory deposit (C)	-
Less: Statutory deposits associated with open positions of the Company (D)	119,714,587,200
<b>Position risk value = max{C-D;0}</b>	-

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

In-the-money covered warrants as at 31 December 2020	CFPT2008	CHPG2016	CMBB2007	CMSN2006	CMWG2010	CPNJ2006	CREE2005	CTCB2007
Underlying security	FPT	HPG	MBB	MSN	MWG	PNJ	REE	TCB
Average of closing price of underlying securities within 5 days before the calculation date (Po)	58,260	41,250	23,000	84,100	117,840	79,080	48,120	30,080
Quantity of the Company's covered warrants in issue (Qo)	1,474,530	564,950	972,740	300,140	818,300	253,220	45,850	1,414,060
Conversion rate (k)	0.2043	0.6112	0.5750	0.2024	0.1014	0.1008	0.2500	0.5000
Price of underlying securities (P1)	59,100	41,450	23,000	88,900	118,900	81,000	48,950	31,500
Quantity of underlying securities held by the Company to guarantee the fulfilment of its obligation arising from covered warrants issued (Q1)	254,235	281,413	535,855	59,869	63,155	29,560	9,037	692,177
Market risk coefficient (r)	8%	8%	8%	8%	8%	8%	8%	8%
Statutory deposits (MD)	5,000,000,000	6,000,000,000	4,000,000,000	5,000,000,000	4,500,000,000	2,500,000,000	3,500,000,000	5,000,000,000
<b>Position risk value = max {(Po x Qo x k – P1 x Q1) x r – MD;0}</b>	-	-	-	-	-	-	-	-

The notes on pages 18 to 36 are an integral part of this Report.

# HO CHI MINH CITY SECURITIES CORPORATION

## REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

### II. RISK VALUES (continued)

#### A POSITION RISK VALUE (continued)

*Note B – Position risk value of covered warrants issued by the Company (continued)*

In-the-money covered warrants as at 31 December 2020	CVHM2005	CVNM2008	CVPB2008	CVRE2008	CFPT2011	CHPG2021	CMBB2009	CMSN2011
Underlying security	VHM	VNM	VPB	VRE	FPT	HPG	MBB	MSN
Average of closing price of underlying securities within 5 days before the calculation date (Po)	89,060	108,900	32,160	31,060	58,260	41,250	23,000	84,100
Quantity of the Company's covered warrants in issue (Qo)	2,262,840	2,772,170	277,080	3,988,140	4,245,210	4,989,040	3,504,090	558,890
Conversion rate (k)	0.1000	0.1230	0.5000	0.2500	0.2000	0.5000	0.5750	0.2024
Price of underlying securities (P1)	89,500	108,800	32,500	31,400	59,100	41,450	23,000	88,900
Quantity of underlying securities held by the Company to guarantee the fulfilment of its obligation arising from covered warrants issued (Q1)	188,311	231,960	129,029	874,873	731,947	2,485,140	1,930,302	111,481
Market risk coefficient (r)	8%	8%	8%	8%	8%	8%	8%	8%
Statutory deposits (MD)	4,500,000,000	5,000,000,000	5,000,000,000	3,500,000,000	4,500,000,000	6,000,000,000	4,500,000,000	5,000,000,000
<b>Position risk value</b> = max {(Po x Qo x k – P1 x Q1) x r – MD; 0}	-	-	-	-	-	-	-	-
In-the-money covered warrants as at 31 December 2020	CPNJ2009	CSTB2012	CTCB2010	CVHM2009	CVIC2006	CVNM2013	CVPB2012	CVRE2012
Underlying security	PNJ	STB	TCB	VHM	VIC	VNM	VPB	VRE
Average of closing price of underlying securities within 5 days before the calculation date (Po)	79,080	16,820	30,080	89,060	107,000	108,900	32,160	31,060
Quantity of the Company's covered warrants in issue (Qo)	4,756,420	2,663,850	4,732,010	4,168,860	4,407,750	4,999,600	2,744,110	4,998,420
Conversion rate (k)	0.1260	1.0000	0.5000	0.1000	0.1000	0.1009	0.5000	0.2500
Price of underlying securities (P1)	81,000	16,900	31,500	89,500	108,200	108,800	32,500	31,400
Quantity of underlying securities held by the Company to guarantee the fulfilment of its obligation arising from covered warrants issued (Q1)	555,240	2,419,150	2,316,303	346,928	380,320	418,340	1,277,863	1,096,497
Market risk coefficient (r)	8%	8%	8%	8%	8%	8%	8%	8%
Statutory deposits (MD)	4,000,000,000	6,500,000,000	5,000,000,000	4,000,000,000	4,500,000,000	6,000,000,000	5,500,000,000	3,500,000,000
<b>Position risk value</b> = max {(Po x Qo x k – P1 x Q1) x r – MD; 0}	-	-	-	-	-	-	-	-

The notes on pages 18 to 36 are an integral part of this Report.

# HO CHI MINH CITY SECURITIES CORPORATION

## REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

### II. RISK VALUES (continued)

#### A POSITION RISK VALUE (continued)

*Note B* – Position risk value of covered warrants issued by the Company (continued)

In-the-money covered warrants as at 31 December 2020	CFPT2012	CHPG2022	CVHM2010	CVPB2011	CMWG2015	CREE2006	CMWG2016	Total
Underlying security	FPT	HPG	VHM	VPB	MWG	REE	MWG	
Average of closing price of underlying securities within 5 days before the calculation date (Po)	58,260	41,250	89,060	32,160	117,840	48,120	117,840	
Quantity of the Company's covered warrants in issue (Qo)	3,651,260	4,999,300	3,636,680	2,728,400	4,447,290	954,920	4,568,890	
Conversion rate (k)	0.2000	0.5000	0.1000	0.5000	0.1000	0.2500	0.1000	
Price of underlying securities (P1)	59,100	41,450	89,500	32,500	118,900	48,950	118,900	
Quantity of underlying securities held by the Company to guarantee the fulfilment of its obligation arising from covered warrants issued (Q1)	629,540	2,490,251	302,641	1,270,548	343,240	188,223	352,625	
Market risk coefficient (r)	8%	8%	8%	8%	8%	8%	8%	
Statutory deposits (MD)	4,000,000,000	5,500,000,000	3,500,000,000	5,000,000,000	5,300,000,000	4,800,000,000	4,500,000,000	
<b>Position risk value</b> = max {(Po x Qo x k – P1 x Q1) x r – MD; 0}	-	-	-	-	-	-	-	-

The notes on pages 18 to 36 are an integral part of this Report.



HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2020

II. RISK VALUES (continued)

B COUNTERPARTY RISK VALUE

	Risk value VND
Risk value of balances not yet due ( <i>Note B.1</i> )	11,217,764,531
Risk value of balances past due ( <i>Note B.2</i> )	39,583,792,148
Additional risk value for large exposures ( <i>Note B.3</i> )	-
<b>Total counterparty risk value</b>	<b>50,801,556,679</b>

1. Risk value of balances not past due

No.	Risk coefficient (%) Category of balance	Risk value (VND)						Total risk value (VND)
		0%	0.8%	3.2%	4.8%	6%	8%	
		(1)	(2)	(3)	(4)	(5)	(6)	
1	Term deposits, unsecured loans, receivables from brokerage service and securities trading activities and other receivables bearing counterparty risk	-	1,869,972,678	-	-	7,490,577,329	1,857,214,523	11,217,764,531
2	Financial asset lending (or agreements of similar substance)	-	-	-	-	-	-	-
3	Financial asset borrowing (or agreements of similar substance)	-	-	-	-	-	-	-
4	Reverse repo agreements (or agreements of similar substance)	-	-	-	-	-	-	-
5	Repo agreements (or agreements of similar substance)	-	-	-	-	-	-	-
<b>TOTAL RISK VALUE OF BALANCES NOT YET DUE</b>								<b>11,217,764,531</b>

The notes on pages 18 to 36 are an integral part of this Report.



## HO CHI MINH CITY SECURITIES CORPORATION

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

#### II. RISK VALUES (continued)

#### B COUNTERPARTY RISK VALUE (continued)

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

Counterparty risk coefficient by counterparty is determined as follows:

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

##### 2. Risk value of balances past due

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

##### 3. Additional risk value for large exposures

No.	Counterparty	Additional risk percentage (%)	Risk coefficient (%)	Risk exposure (VND)	Risk value (VND)
<b>ADDITIONAL RISK VALUE FOR LARGE EXPOSURES</b>					<b>-</b>

The notes on pages 18 to 36 are an integral part of this Report.

HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2020

II. RISK VALUES (continued)

C OPERATIONAL RISK VALUE

No.	Item	Risk value VND
I	Total operating expenses incurred in the most recent twelve-month period up to 31 December 2020	1,589,302,153,386
II	Less: Deductions from total operating expenses ( <i>Note C</i> )	71,057,986,949
III	Total adjusted operating expenses (III = I - II)	1,518,244,166,437
IV	25% of Total adjusted operating expenses (IV = 25% x III)	379,561,041,609
V	20% of the Company's legal capital	50,000,000,000
	OPERATIONAL RISK VALUE (Max {IV; V})	379,561,041,609

*Note C* – Deductions from total operating expenses

Item	Value VND
Depreciation and amortisation	27,937,372,890
Increase in revaluation losses of FVTPL financial assets	(27,738,629,141)
Increase in revalued amount of covered warrants liabilities	70,859,243,200
Provision/(reversal of provision) for impairments of current financial assets and mortgages	-
Provision/(reversal of provision) for impairments of non-current financial assets	-
Provision/(reversal of provision) for doubtful debts	-
Provision/(reversal of provision) for impairments of other current assets	-
Provision/(reversal of provision) for impairments of other non-current assets	-
<b>Total deductions from operating expenses</b>	<b>71,057,986,949</b>

HO CHI MINH CITY SECURITIES CORPORATION

REPORT ON CAPITAL ADEQUACY RATIO  
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III. SUMMARY OF RISK VALUES AND LIQUID CAPITAL

No.	Item	Value VND
1	Total position risk value	180,103,136,167
2	Total counterparty risk value	50,801,556,679
3	Total operational risk value	379,561,041,609
4	<b>Total risk value (4=1+2+3)</b>	<b>610,465,734,455</b>
5	<b>Liquid capital</b>	<b>4,016,541,515,220</b>
6	<b>CAPITAL ADEQUACY RATIO (6=5/4)</b>	<b>658%</b>



Lam Huu Ho  
Chief Financial Officer  
cum Chief Accountant



Bui Thi Ngoc Thao  
Head of Internal Control




Trinh Hoai Giang  
Chief Executive Officer  
18 March 2021



## HO CHI MINH CITY SECURITIES CORPORATION

### NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

#### 1 GENERAL INFORMATION

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

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

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

#### 2 BASIS OF PREPARATION

##### 2.1 Applicable regulations and interpretations

The Company's report on capital adequacy ratio as at 31 December 2020 ("the Report") is prepared and presented in accordance with Circular 87/2017/TT-BTC issued by the Ministry of Finance on 15 August 2017 ("Circular 87/2017/TT-BTC") providing guidance on capital adequacy ratio applicable to securities dealing institutions and sanctions imposed on non-compliance and applied interpretations as described below.

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

The Company applied certain interpretations, in the absence of clear guidance of Circular 87/2017/TT-BTC, for the following matters:

No.	Item	The Company's interpretation
1	Operational Risk value – recurring operating expenses (Item 2 of Article 8)	<p>Recurring operating expenses of securities dealing organisations are determined as total operating expenses charged to profit or loss, less non-cash items.</p> <p>Accordingly, in addition to those mentioned in Item 2 of Article 8 of Circular 87/2017/TT-BTC, the Company deducts the following non-cash items:</p> <ul style="list-style-type: none"><li>• Increase in revaluation loss of FVTPL financial assets</li><li>• Increase in revalued amount of covered warrants liabilities</li></ul>
2	Position risk – Additional risk value for large exposures (Item 5 of Article 9)	Additional risk value for large exposures equals to existing risk value multiplied by additional risk percentage.
3	Counterparty risk – Additional risk value for large exposures (Item 8 of Article 10)	Additional risk value for large exposures equals to existing risk value multiplied by additional risk percentage.



## HO CHI MINH CITY SECURITIES CORPORATION

### NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

#### 2 BASIS OF PREPARATION (continued)

##### 2.1 Applicable regulations and interpretations (continued)

No.	Item	The Company's interpretation
4	Position risk – Covered warrants issued by the securities company itself (Item 8 of Article 9)	If the risk computation following required formula results in negative amount, the position value would be zero.
5	Position risk – Futures (Item 9 of Article 9)	If the risk computation following required formula results in negative amount, the position value would be zero.

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

##### 2.2 Underlying financial information

The Report is prepared based on the Company's financial information as at 31 December 2020 ("the reporting date" or "the calculation date") and for the twelve-month period ended 31 December 2020.

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

#### 3 REPORTING PRINCIPLES

##### 3.1 Capital adequacy ratio

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

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

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

## HO CHI MINH CITY SECURITIES CORPORATION

### NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

#### 3 REPORTING PRINCIPLES (continued)

##### 3.2 Liquid capital

According to Circular 87/2017/TT-BTC, liquid capital is owners' equity that can be converted into cash within ninety (90) days, including:

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

##### 3.2.1 Deductions

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

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

## HO CHI MINH CITY SECURITIES CORPORATION

### NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

#### 3 REPORTING PRINCIPLES (continued)

##### 3.2 Liquid capital (continued)

###### 3.2.1 Deductions (continued)

- e) Downward revaluation of financial assets carried at cost compared to market value determined in accordance with Circular 87/2017/TT-BTC, except for those excluded from liquid capital;
  - f) Current assets after applicable reliefs in note (\*) below;
  - g) Receivables and advances with remaining maturity above ninety (90) days, prepayments and other current assets (excluding provisions made);
  - h) Items on which the auditor expressed a qualified opinion, an adverse opinion or a disclaimer of opinion (if any) in the audited/reviewed financial statements. Items no longer qualified, as confirmed by auditors, are exempted from deduction.
- (\*) In determining such deductions, the Company is permitted to take into account the following reliefs:
- Relief on assets used as collaterals for the Company's own obligations is the minimum of (i) their market value determined in accordance with Circular 87/2017/TT-BTC, (ii) their book value and (iii) the remaining value of the obligations;
  - Relief on assets collateralised by customers' assets is the minimum of (i) their market value in accordance with Circular 87/2017/TT-BTC and (ii) their book value.

According to Circular 87/2017/TT-BTC, the Company is not required to calculate risk values of assets excluded from liquid capital.

###### 3.2.2 Additions

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

- a) Upward revaluation of financial assets carried at cost compared to market value determined in accordance with Circular 87/2017/TT-BTC, except for those excluded from liquid capital as specified in Note 3.2.1
- b) Debts convertible into equity

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

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



## HO CHI MINH CITY SECURITIES CORPORATION

### NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

#### 3 REPORTING PRINCIPLES (continued)

##### 3.2 Liquid capital (continued)

##### 3.2.2 Additions (continued)

###### b) Debts convertible into equity continued)

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

- It is not secured by the Company's own assets;
- The Company is only permitted to redeem before maturity upon request of the holder, or to repurchase in the secondary market after informing the State Securities Commission as required by Circular 87/2017/TT-BTC;
- The Company is able to delay interest payments to the following year if such interest payments would result in a loss in the Company's statement of comprehensive income;
- In case of liquidation, the holder is only repaid after the Company has fully paid off its secured and unsecured debts;
- Upward revision in interest rate, including revision in interest spread, is only permitted after five (5) years since the issue date and only once during its term before conversion into ordinary shares;
- It is registered as an addition to liquid capital in accordance with Circular 87/2017/TT-BTC.

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

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

##### 3.3 Position risk value

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

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

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

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

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



## HO CHI MINH CITY SECURITIES CORPORATION

### NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

#### 3 REPORTING PRINCIPLES (continued)

##### 3.3 Position risk value (continued)

##### 3.3.1 Assets exposed to market risk on net position value

###### a) Scope

This group includes the following items:

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

###### b) Position risk value calculation

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

- Net position of each security at a point of time is the quantity held by the Company at reporting date, adjusted by:
  - Excluding securities lent and securities hedged by put warrants and future contracts;
  - Including securities borrowed in accordance with prevailing regulations.
- Asset valuation principles are specified in Note 3.3.5. Dividends, coupons, rights (if any) or accrued interests on loans, cash equivalents, deposits, valuable papers should be added to asset prices in position risk value calculation.
- Market risk coefficient is determined for each specific asset in accordance with Appendix II of Circular 87/2017/TT-BTC and presented in section A of Risk Values in the Report.

###### c) Additional risk value for large exposures

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

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

## HO CHI MINH CITY SECURITIES CORPORATION

### NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

#### 3 REPORTING PRINCIPLES (continued)

##### 3.3 Position risk value (continued)

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

Position risk value of this group is determined as follows:

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

Where:

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

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

- $r$  is the market risk coefficient, determined for each specific asset in accordance with the Appendix II of Circular 87/2017/TT-BTC and presented in section A of Risk Values in the Report;
- $P_1$  is the transacted price, determined on the basis specified in Note 3.3.5. In case of initial public offering, initial equitisation auction, bond auction, the transacted price is the most recent book value per share of the issuer, or the opening price (if book value cannot be determined), or par value (for bonds).

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



## HO CHI MINH CITY SECURITIES CORPORATION

### NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

#### 3 REPORTING PRINCIPLES (continued)

##### 3.3 Position risk value (continued)

###### 3.3.3 *The Company's covered warrants in issue*

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

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

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

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

Where:

- $P_0$  is the settlement price of underlying securities at reporting date determined and announced by the Stock Exchanges;
- $Q_0$  is the quantity of the Company's covered warrants in issue;
- $k$  is the conversion rate; which indicates the number of warrants in need to obtain one (1) unit of underlying security;
- $P_1$  is price of underlying securities determined on the basis specified in Note 3.3.5;
- $Q_1$  is the quantity of underlying securities held by the Company to guarantee the fulfilment of its obligation arising from the covered warrants issued;
- $r$  is the market risk coefficient, determined for each specific asset in accordance with the Appendix II of Circular 87/2017/TT-BTC and presented in section A of Risk Values in the Report;
- MD is the statutory deposits for covered warrants issued;

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

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

When the covered warrants issued are out of the money, according to Circular 87/2017/TT-BTC, the Company is not required to calculate position risk value of issued covered warrants. Instead, it is required to calculate position risk value of underlying securities designated as hedges against risk from covered warrants issued.

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



## HO CHI MINH CITY SECURITIES CORPORATION

### NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

#### 3 REPORTING PRINCIPLES (continued)

##### 3.3 Position risk value (continued)

###### 3.3.4 Future contracts

Position risk value of future contracts is determined as follows:

$$\text{Position risk value} = \left( \text{Closing trade value} - \text{Value of hedge portfolios} \right) \times \text{Risk coefficient of future contracts} - \text{Statutory deposits}$$

Where:

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

# HO CHI MINH CITY SECURITIES CORPORATION

## NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

### 3 REPORTING PRINCIPLES (continued)

#### 3.3 Position risk value (continued)

##### 3.3.5 Asset valuation

Asset valuation is in accordance with Circular 87/2017/TT-BTC, in particular:

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

# HO CHI MINH CITY SECURITIES CORPORATION

## NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

### 3 REPORTING PRINCIPLES (continued)

#### 3.3 Position risk value (continued)

##### 3.3.5 Asset valuation (continued)

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



HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2020

3 REPORTING PRINCIPLES (continued)

3.3 Position risk value (continued)

3.3.5 Asset valuation (continued)

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

# HO CHI MINH CITY SECURITIES CORPORATION

## NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

### 3 REPORTING PRINCIPLES (continued)

#### 3.3 Position risk value (continued)

##### 3.3.5 Asset valuation (continued)

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

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

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



HO CHI MINH CITY SECURITIES CORPORATION

NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2020

3 REPORTING PRINCIPLES (continued)

3.4 Counterparty risk value

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

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

Items bearing counterparty risk	Counterparty risk value
<ul style="list-style-type: none"><li>• Term deposits at credit institutions, loans to other institutions and individuals;</li><li>• Securities borrowing agreements in accordance with prevailing regulations</li><li>• Securities repo agreements in accordance with prevailing regulations</li><li>• Securities reverse repo agreements in accordance with prevailing regulations;</li><li>• Margin lending agreements in accordance with prevailing regulations;</li><li>• Receivables not past due, including receivables on behalf of customers relating to securities selling brokerage activities;</li><li>• Other assets bearing counterparty risk;</li></ul>	<p>Counterparty risk value of balances not past due = Risk coefficient by counterparty x Counterparty risk exposure</p> <p>Counterparty risk value of balances past due = Risk coefficient by past due period x Counterparty risk exposure</p>
<ul style="list-style-type: none"><li>• Balances from co-underwriting contracts with firm underwriting commitment where the Company is the lead underwriter</li></ul>	Counterparty risk value is determined at 30% of the remaining value of outstanding contracts.
<ul style="list-style-type: none"><li>• Receivables past due, including matured bonds, valuable papers, debt instruments but not yet collected;</li><li>• Assets not received after due date for transfer, including securities in proprietary trading and securities of customers in brokerage activities;</li></ul>	<p>Counterparty risk value of balances past due = Risk coefficient by past due period x Counterparty risk exposure</p>

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



## HO CHI MINH CITY SECURITIES CORPORATION

### NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

#### 3 REPORTING PRINCIPLES (continued)

##### 3.4 Counterparty risk value (continued)

Counterparty risk coefficient is determined based on type of counterparty and past due period as stipulated in Circular 87/2017/TT-BTC.

##### 3.4.1 Risk coefficient by counterparty

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

##### 3.4.2 Risk coefficient by past due period

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

## HO CHI MINH CITY SECURITIES CORPORATION

### NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

#### 3 REPORTING PRINCIPLES (continued)

##### 3.4 Counterparty risk value (continued)

##### 3.4.3 Counterparty risk exposure

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

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

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

TT	Type of transaction	Counterparty risk exposure
1	Term deposits, unsecured loans, receivables from brokerage service and securities trading activities and other receivables bearing counterparty risk	Entire balance
2	Securities lending (or agreements of similar substance)	$\text{Max}\{(\text{Market value of contracts} - \text{Value of collateral assets (if any)}), 0\}$
3	Securities borrowing (or agreements of similar substance)	$\text{Max}\{(\text{Value of collateral assets} - \text{Market value of contracts}), 0\}$
4	Reverse repo agreements (or agreements of similar substance)	$\text{Max}\{(\text{Value of contracts at purchase price} - \text{Market value of contracts} \times (1 - \text{Market risk coefficient})), 0\}$
5	Repo agreements (or agreements of similar substance)	$\text{Max}\{(\text{Market value of contracts} \times (1 - \text{Market risk coefficient}) - \text{Value of contracts at selling price}), 0\}$
6	Margin lending agreements (or agreements of similar substance)	$\text{Max}\{(\text{Loan balance} - \text{Value of collateral assets}), 0\}$
Loan balance include the principal, interest and charges.		
If the market price of collateral assets is not observable, they are priced following the Company's internal valuation.		

## HO CHI MINH CITY SECURITIES CORPORATION

### NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

#### 3 REPORTING PRINCIPLES (continued)

##### 3.4 Counterparty risk value (continued)

##### 3.4.3 Counterparty risk exposure (continued)

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

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

Due date is determined as follows:

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

##### 3.4.4 Reliefs on counterparty risk exposure

In determining counter party risk exposure, the Company is permitted to take into account reliefs on the condition that the contracts or agreements meet all of the following criteria:

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

The value of collateral assets is determined as below:

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

Where:

- Asset valuation determined on the basis specified in Note 3.3.5.
- Market risk coefficient is determined for each specific asset in accordance with Appendix II of Circular 87/2017/TT-BTC and presented in section A of Risk Values in the Report.



## HO CHI MINH CITY SECURITIES CORPORATION

### NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

#### 3 REPORTING PRINCIPLES (continued)

##### 3.4 Counterparty risk value (continued)

##### 3.4.5 *Bilateral offsetting of counterparty risk exposure*

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

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

##### 3.4.6 *Additional risk value for large exposures*

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

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

A group of entities or individuals is related to an entity or an individual (referred to as "related parties") if:

- Being parent company, subsidiary, joint venture or associate of that entity ("related entity");
- Being father, adoptive father, mother, adoptive mother, wife, husband, children, adoptive children, brother, sister, brother-in-law, sister-in-law of that individual ("related individuals");
- Being an economic entity in which that individual or their related entity or their related individual holds 30% of charter capital or more.

## HO CHI MINH CITY SECURITIES CORPORATION

### NOTES TO THE REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2020

#### 3 REPORTING PRINCIPLES (continued)

##### 3.5 Operational risk value

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

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

- 25% of recurring operating expenses of the Company within the most recent twelve-month period up to the reporting date;
- 20% of the Company's legal capital.

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

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

The Report was approved by the Board of Management on 18 March 2021.



Lam Huu Ho  
Chief Financial Officer  
cum Chief Accountant



Bui Thi Ngoc Thao  
Head of Internal Control



Trinh Hoai Giang  
Chief Executive Officer