

**KB SECURITIES VIETNAM JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2019**



**KB SECURITIES VIETNAM JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2019**

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## KB VIETNAM SECURITIES JOINT STOCK COMPANY

### CORPORATE INFORMATION

#### Establishment and Operation Licence

No. 77/UBCK-GPHĐKD dated 11 June 2008 issued by the State Securities Commission. The Establishment and Operation Licence was amended several times and the latest amendment No. 10/GPĐC-UBCK was issued on 21 February 2019.

*As at the date of the report on capital adequacy ratio:*

<b>Board of Directors</b>	Mr. Park Chunsoo Mr. Yoon Bob Nyol Mr. Oh Cheol Wu Mr. Nguyen Duc Hoan Mr. Byoung Jo Chun	Chairman Member Member Member Member (appointed on 2 January 2019)
<b>Board of Management</b>	Mr. Nguyen Duc Hoan Mr. Oh Cheol Wu Mr. Shin Jhintaek  Ms. Le Thi Quyen	General Director Deputy General Director Chief Finance Officer (appointed on 22 October 2019) Acting Deputy General Director
<b>Legal Representative</b>	Mr. Park Chunsoo Mr. Nguyen Duc Hoan	Chairman General Director
<b>Registered office</b>	Floor G, 2 <sup>nd</sup> and 7 <sup>th</sup> , Sky City Tower Lang Ha, 88 Lang Ha, Dong Da District, Hanoi, Vietnam	
<b>Ho Chi Minh Branch</b>	2 <sup>nd</sup> floor, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru, District 1, Ho Chi Minh City, Vietnam	
<b>Hanoi Branch</b>	1 <sup>st</sup> floor, Office Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam	
<b>Saigon Branch</b>	1 <sup>st</sup> floor, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	
<b>Auditor</b>	Branch of PwC (Vietnam) Limited in Hanoi	

## **KB VIETNAM SECURITIES JOINT STOCK COMPANY**

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

The Board of Management of KB Vietnam Securities Joint Stock Company (“the Company”) is responsible for preparing the report on capital adequacy ratio as at 31 December 2019 (“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 of the Company 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 of the Company 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 30. The report on capital adequacy ratio 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



Nguyễn Đức Hoan  
General Director/  
Legal Representative

Hanoi, SR Vietnam  
30 March 2020



## **INDEPENDENT AUDITOR'S REPORT ON THE REPORT ON CAPITAL ADEQUACY RATIO TO THE SHAREHOLDERS OF KB VIETNAM SECURITIES JOINT STOCK COMPANY**

We have audited the accompanying report on capital adequacy ratio as at 31 December 2019 ("the Report") of KB Securities Vietnam Joint Stock Company ("the Company") which was approved by the Board of Management of the Company on 30 March 2020. 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 30.

### **The Responsibility of the Board of Management**

The Board of Management of the Company 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 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 control relevant to the Company's preparation 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 control. 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.

### **Auditor's Opinion**

In our opinion, the Company's report on capital adequacy ratio as at 31 December 2019 had been prepared and presented, in all material respects, in accordance with Circular 87/2017/TT-BTC and applied interpretations as described in Note 2.1 to the Report.

**Purpose and reporting principles and restriction on use of audit report**

Without modifying our opinion, we draw attention to Note 2.1 to the Report which describes the purpose and reporting principles. The report is prepared solely to comply with requirements of Circular 87/2017/TT-BTC on capital adequacy ratio and information disclosure in the securities market. As a result, our audit report and accompanying report on capital adequacy ratio may not be suitable for any other purpose.

**Other matter**

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

**For and on behalf of Branch of PwC (Vietnam) Limited in Hanoi**



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Tran Hong Kien  
Audit Practising Licence No.  
0298-2018-006-1  
Authorised signatory

Report reference number: HAN 2469  
Hanoi, 30 March 2020



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Bui Phuong Hanh  
Audit Practising Licence No.  
3823-2017-006-1

Re: Report on Capital Adequacy Ratio

Hanoi, 30 March 2020

**To: The State Securities Commission**

**REPORT ON CAPITAL ADEQUACY RATIO**  
As at 31 December 2019

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 Account**



Nguyen Thanh Huyen

**General Director**



Nguyen Duc Hoan

**KB VIETNAM SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2019**

**I. LIQUID CAPITAL**

No.	DESCRIPTION	Liquid capital		
		Liquid capital (1)	Deduction (2)	Addition (3)
<b>A</b>	<b>Owners' Equity</b>			
1	Owners' capital	1,675,020,900,000		
2	Share premium	-		
3	Treasury shares	-		
4	Equity component of convertible bonds	-		
5	Other components of equity	-		
6	Financial assets' revaluation reserve	-		
7	Supplementary capital reserve	4,688,585,575		
8	Financial and operational risk reserve	19,559,006,101		
9	Other equity's funds	-		
10	Undistributed earnings	305,962,322,089		
11	Provision for impairment of assets	550,965,657		
12	Fixed assets' revaluation reserve	-		
13	Foreign currencies translation reserves	-		
14	Convertible bonds			-
15	Revaluation adjustments on financial investments carried at cost			-
16	Others (if any)	-		
<b>1A</b>	<b>Subtotal</b>			<b>2,005,781,779,422</b>

The notes on pages 14 to 30 are an integral part of this Report.



**KB VIETNAM SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2019**

**I. LIQUID CAPITAL (CONTINUED)**

No.	DESCRIPTION	Liquid capital		
		Liquid capital (1)	Deduction (2)	Addition (3)
<b>B</b>	<b>Current assets</b>			
<i>I</i>	<i>Financial assets</i>			
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 ("HTM") financial assets			
	- Those exposed to position risk			
	- Those excluded from liquid capital			-
4	Loans			
5	Available-for-sale ("AFS") financial assets			
	- 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			
<i>II</i>	<i>Other current assets</i>			
1	Advances			
	- Those due within 90 days			
	- Those due after 90 days			-
2	Office tools and supplies			-
3	Short-term prepaid expenses		3,277,831,959	
4	Pledged assets, mortgages, security deposits in short term		3,177,153,760	
5	Value added tax to be reclaimed			-
6	Tax and other receivables from the State Budget			-
7	Other current assets		4,003,658,400	
8	Provisions for impairments of other current assets			
<b>1B</b>	<b>Subtotal</b>			<b>10,458,644,119</b>

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**KB VIETNAM SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2019**

**I. LIQUID CAPITAL (CONTINUED)**

No	DESCRIPTION	Liquid capital		
		Liquid capital (1)	Deduction (2)	Addition (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>		28,116,343,356	
<b>III</b>	<b>Investment properties</b>			-
<b>IV</b>	<b>Construction in progress</b>			-
<b>V</b>	<b>Other non-current assets</b>			
1	Pledged assets, mortgages, security deposits in long term		15,000,000	
2	Long-term prepaid expenses		13,064,751,280	
3	Deferred income tax assets			-
4	Deposits in the Settlement Support Fund		13,274,400,248	
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>64,470,494,884</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			-
1.3	Cash deposits and bank guarantees for issued covered warrants			-
2	Value of assets used as collateral for liabilities due after 90 days			-
<b>1D</b>	<b>Subtotal</b>			<b>-</b>
<b>LIQUID CAPITAL = 1A-1B-1C-1D</b>				<b>1,930,852,640,419</b>

The notes on pages 14 to 30 are an integral part of this Report.

**KB VIETNAM SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2019**

**II. RISK VALUE WORKING**

**A POSITION RISK VALUE**

Subject items		Risk coefficient (%)	Risk exposure (VND)	Risk value (VND)
		(1)	(2)	(3) = (1) x (2)
<b>I.</b>	<b>Cash and cash equivalents, money market instruments</b>			-
1	Cash	0	641,001,776,578	-
2	Cash equivalents	0	-	-
3	Valuable papers, money market instruments, certificates of deposit	0	2,404,617,885,532	-
<b>II.</b>	<b>Government bonds</b>			-
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	-	-
<b>III.</b>	<b>Corporate bonds</b>			-
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	-	-
	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	-	-
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	-	-
<b>IV.</b>	<b>Shares</b>			<b>19,719,902</b>
8	Ordinary shares, preference shares of entities listed on the Ho Chi Minh City Stock Exchange; open-ended fund certificates	10	33,070,067	3,307,007
9	Ordinary shares, preference shares of entities listed on the Hanoi Stock Exchange	15	6,526,100	978,915
10	Ordinary shares, preference shares of unlisted public companies, registered for trading on the UPCoM	20	77,169,900	15,433,980
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	-	-
<b>V.</b>	<b>Fund certificates</b>			-
13	Public funds, including public securities investment companies	10	-	-
14	Member funds, private securities investment companies	30	-	-

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**KB VIETNAM SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
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**II. RISK VALUE WORKING (CONTINUED)**

**A POSITION RISK VALUE (CONTINUED)**

Subject items		Risk coefficient (%)	Risk exposure (VND)	Risk value (VND)
		(1)	(2)	(3) = (1) x (2)
<b>VI.</b>	<b>Restricted securities</b>			-
15	Suspended securities	40	-	-
16	Delisted, cancelled securities	50	-	-
<b>VII.</b>	<b>Derivatives</b>			-
17	Share-index futures contracts	8	-	-
18	Government bond future contracts	3	-	-
<b>VIII.</b>	<b>Other securities</b>			<b>717,900,800</b>
19	Other shares, capital contributions and securities	80	897,376,000	717,900,800
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 Formula: $\text{Risk value} = (P_o \times Q_o \times k - P_1 \times Q_1) \times R - MD$		-	-
25	Securities designated as hedges against risk from issued covered warrants (in case of out-of-the-money covered warrants)	N/A	-	-
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	N/A	-	-
<b>IX.</b>	<b>Additional risk value for large exposures (if any) (based on equity after required provisions have been made)</b>			-
<b>TOTAL POSITION RISK VALUE (I+II+III+IV+V+VI+VII+VIII+IX)</b>				<b>737,620,702</b>

**KB VIETNAM SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2019**

**II. RISK VALUE WORKING (CONTINUED)**

**B COUNTERPARTY RISK VALUE**

**Risk value  
VND**

Risk value of balances not past due (Note B.1)  
Risk value of balances past due (Note B.2)  
Additional risk value for large exposures (Note B.3)

153,324,924,382  
550,965,657  
28,997,121,940  
**182,873,011,979**

**Total counterparty risk value**

**1. Risk value of balances not yet due**

TT	Category of balance	Risk coefficient (%)	Risk value (VND)						Total risk value (VND)
			0% (1)	0.8% (2)	3.2% (3)	4.8% (4)	6% (5)	8% (6)	
1	Term deposits, unsecured loans, receivables from brokerage service and securities trading activities and other receivables bearing counterparty risk		-	3,830,144,656	-	-	148,801,968,864	692,810,862	153,324,924,382
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 PAST DUE</b>									<b>153,324,924,382</b>

The notes on pages 14 to 30 are an integral part of this Report.

**KB VIETNAM SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
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**II. RISK VALUE WORKING (CONTINUED)**

**B COUNTERPARTY RISK VALUE (CONTINUED)**

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

Counterparty risk coefficient by counterparty is determined as in table below:

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

**2. Risk value of overdue balances**

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	-	-
30 – 60 days from due date	48	-	-
Over 60 days from due date	100	550,965,657	550,965,657
<b>TOTAL RISK VALUE OF OVERDUE BALANCES</b>			<b>550,965,657</b>

Due date is determined as in table below:

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

**3. Risk value of large exposures**

No.	Counterparty	Additional risk percentage (%)	Risk value (VND)	Risk exposure (VND)
1	Joint Stock Commercial Bank for Investment and Development of Vietnam	30	71,857,073,132	21,557,121,940
2	Asia Commercial Joint Stock Bank	20	19,500,000,000	3,900,000,000
3	Vietnam Maritime Commercial Joint Stock Bank	10	17,400,000,000	1,740,000,000
4	Vietnam Joint Stock Commercial Bank for Industry and Trade	10	18,000,000,000	1,800,000,000
<b>TOTAL RISK VALUE OF LARGE EXPOSURE</b>				<b>28,997,121,940</b>

The notes on pages 14 to 30 are an integral part of this Report.



**KB VIETNAM SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2019**

**II. RISK VALUE WORKING (CONTINUED)**

**C OPERATIONAL RISK VALUE**

TT	Item	Risk value (VND)
I	Total operating expenses incurred in the most recent twelve-month period up to 31 December 2019	185,457,167,424
II	Less: Deductions from total operating expenses (Note C)	7,194,157,900
III	Total adjusted operating expenses (III = I - II)	178,263,009,524
IV	<b>25% of Total adjusted operating expenses (IV = 25% x III)</b>	<b>44,565,752,381</b>
V	<b>20% of the Company's legal capital</b>	<b>50,000,000,000</b>
<b>OPERATIONAL RISK VALUE (Max {IV, V})</b>		<b>50,000,000,000</b>

*Note C – Deductions from total operating expenses*

Item	Value (VND)
Depreciations and amortisations	6,643,192,243
Provision for impairment of financial assets	550,965,657
<b>Total deductions from operating expenses</b>	<b>7,194,157,900</b>

**III. CAPITAL ADEQUACY RATIO WORKING**

No.	Items	Value (VND)
1	Total position risk value	737,620,702
2	Total counterparty risk value	182,873,011,979
3	Total operational risk value	50,000,000,000
4	<b>Total risk value (4=1+2+3)</b>	<b>233,610,632,681</b>
5	<b>Liquid capital</b>	<b>1,930,852,640,419</b>
6	<b>CAPITAL ADEQUACY RATIO (6=5/4)</b>	<b>827%</b>



Nguyen Thanh Huyen  
Chief Accountant



Nguyen Duc Hoan  
General Director

The notes on pages 14 to 30 are an integral part of this Report.

# KB VIETNAM SECURITIES JOINT STOCK COMPANY

## REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2019

### 1 GENERAL INFORMATION

KB Vietnam Securities Joint Stock Company (“the Company”) is a joint stock company incorporated in Vietnam in accordance with the Establishment and Operation Licence No. 77/UBCK-GPHĐKD issued by the State Securities Commission on 11 June 2008. The Establishment and Operation Licence was amended several times and the latest amendment No. 10/GPĐC-UBCK was issued on 21 February 2019.

The principal activities of the Company are to provide securities brokerage service, securities investment consultancy service, financial consultancy service, underwriting, securities custody service and other services allowed under Securities Law.

On 25 April 2019, the Company received the Certification No. 32/GCN-UBCK certifying that the Company is eligible to provide clearing and settlement services for derivative transactions.

### 2 BASIS OF PREPARATION

#### 2.1 Applicable regulations and interpretations

The Company’s report on capital adequacy ratio as at 31 December 2019 (“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	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.
2	Counterparty risk – Additional risk value for large exposures (Item 8 of Article 10)	Additional risk value for large exposures equals to existing risk value multiplied by additional risk percentage.

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

#### 2.2 Underlying financial information

The Report is prepared based on the Company’s financial information as at 31 December 2019 (“the reporting date” or “the calculation date”) and for the twelve-month period ended 31 December 2019.

The Report is presented in Vietnamese Dong (“VND”).



## KB VIETNAM SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2019

#### 3 REPORTING PRINCIPLES

##### 3.1 Capital adequacy ratio ("CAR")

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

$$\text{Capital adequacy ratio} = \frac{\text{Liquid capital} \times 100\%}{\text{Total risk value}}$$

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

##### 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:

- a) Owners' capital, excluding redeemable preference shares (if any);
- b) Share premium excluding premium from redeemable preference shares (if any);
- c) Equity component of convertible bonds (applicable to securities companies issuing convertible bonds);
- d) Other owners' capital;
- đ) Financial assets' revaluation reserve;
- e) Foreign currency translation reserve;
- g) Supplementary capital reserve;
- h) Financial and operational risk reserve;
- i) Other equity funds made in accordance with prevailing regulations;
- k) Undistributed earnings;
- l) Provision for impairments of assets;
- m) 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);
- n) Deductions specified in Note 3.2.1;
- o) Additions specified in Note 3.2.2;
- p) 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;

## KB VIETNAM SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2019

#### 3 REPORTING PRINCIPLES (CONTINUED)

##### 3.2 Liquid capital (continued)

###### 3.2.1 Deductions (continued)

- 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.
- e) Downward revaluation of financial assets carried at cost compared to market value determined in accordance with Note 3.3.5, 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 Note 3.3.5, (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 Note 3.4.4 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 Note 3.3.5, 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;

## KB VIETNAM SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2019

#### 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, another 25% discount is applied on the remaining value at the end of the fourth (4<sup>th</sup>) quarter.

##### 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: Futures 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.

## KB VIETNAM SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2019

#### 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;

###### b) Position risk value formula

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

In which:

- 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 Circular 87/2017/TT-BTC and presented in section A of Risk Values in the Report.

###### c) Risk value of 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; and
- Increased by 30% where the total exposure from investment in shares and bonds of an entity exceeds 25% of the Company's owners' equity.

## KB VIETNAM SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2019

#### 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 of assets is determined as follows:

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

In which:

- $Q_o$  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:

	<b>Underwriting risk coefficient</b>
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 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.

## KB VIETNAM SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2019

#### 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:

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

In which:

- $P_0$  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 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.

## KB VIETNAM SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2019

#### 3 REPORTING PRINCIPLES (CONTINUED)

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

##### 3.3.4 Futures contracts

Position risk value of future contracts is determined as follows:

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

In which:

- 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.

##### 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>a) Purchase price plus accrued interest;</li><li>b) Par value plus accrued interest;</li><li>c) Price based on the Company's internal valuation policy, plus accrued interest.</li></ul></li></ul> i.e. Max {a, b, c}



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**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2019**

**3 REPORTING PRINCIPLES (CONTINUED)**

**3.3 Position risk value (continued)**

**3.3.5 Asset valuation (continued)**

No.	Type of asset	Valuation principles
<b>Bonds (continued)</b>		
6	Unlisted bonds	<p>The highest of the followings:</p> <ul style="list-style-type: none"> <li>a) Quoted price on selected bond quotation system (if any) plus accrued interest;</li> <li>b) Purchase price plus accrued interest;</li> <li>c) Par value plus accrued interest;</li> <li>d) Price based on the Company's internal valuation policy, plus accrued interest</li> </ul> <p>i.e. Max {a, b, c, d}</p> <p>The securities dealing organisations may opt to obtain bond quotation systems (such as Reuters/Bloombergs/VNBF or equivalents) for price reference.</p>
<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>i.e. Max {a, b, c}</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>i.e. Max {a, b, c}</p>



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**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>		
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>i.e. Max {a, b, c}</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>i.e. Max {a, b, c}</p>
12	Securities of entities in liquidation or bankruptcy process	<p>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.</p>
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>i.e. Max {a, b, c}</p>

**KB VIETNAM SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
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**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 style="margin-left: 40px;">i.e. Max {a, b, c}</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.

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**REPORT ON CAPITAL ADEQUACY RATIO  
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**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>	<p>Counterparty risk value is determined at 30% of the remaining value of outstanding contracts.</p>
<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.

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

**KB VIETNAM SECURITIES JOINT STOCK COMPANY****REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2019****3 REPORTING PRINCIPLES (CONTINUED)****3.4 Counterparty risk value (continued)****3.4.1 Risk coefficient by counterparty**

<b>TT</b>	<b>Counterparty</b>	<b>Counterparty risk coefficient</b>
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**

<b>TT</b>	<b>Past due period</b>	<b>Counterparty risk coefficient</b>
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%

## KB VIETNAM SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2019

#### 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)	Max {(Market value of contracts - Value of collateral assets (if any)), 0}
3	Securities borrowing (or agreements of similar substance)	Max {(Value of collateral assets - Market value of contracts), 0}
4	Reverse repo agreements (or agreements of similar substance)	Max {(Value of contracts at purchase price - Market value of contracts x (1 - Market risk coefficient)), 0}
5	Repo agreements (or agreements of similar substance)	Max {(Market value of contracts x (1 - Market risk coefficient) - Value of contracts at selling price), 0}
6	Margin lending agreements (or agreements of similar substance)	Max {(Loan balance - Value of collateral assets), 0}

Loan balance include the principal, interest and charges.

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

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**3 REPORTING PRINCIPLES (CONTINUED)**

**3.4 Counterparty risk value (continued)**

**3.4.3 Counterparty risk exposure**

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)

In which:

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

## KB VIETNAM SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2019

#### 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.



## KB VIETNAM SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2019

#### 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;
- 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.

#### 4 SUBSEQUENT EVENTS

There have been no significant subsequent events occurring after the reporting date which would require adjustments or disclosures to be made in this Report.

The Report was approved by the Board of Management of the Company on 30 March 2020.



Nguyen Thanh Huyen  
Chief Accountant



CÔNG TY  
CỔ PHẦN  
CHỨNG KHOÁN KB  
VIỆT NAM  
S. G. P: 07 - C. T. C. P.  
Q. ĐÔNG ĐÀ - TP. HÀ NỘI

Nguyen Duc Hoan  
General Director