



KB Securities Vietnam Joint Stock Company

**Financial Safety Ratio Report
as at 30 June 2020**



KB Securities Vietnam Joint Stock Company Corporate Information

Establishment and Operation License No.	10/UBCK-GPHDKD	21 February 2019
	77/UBCK-GPHDKD	11 June 2008

The Establishment and Operation License No. 77/UBCK-GPHDKD was initially issued by the State Securities Commission of Vietnam on 11 June 2008. The Company's Establishment and Operation License has been amended several times, the most recent of which is the Amended License No. 10/GPDC-UBCK dated 21 February 2019.

Board of Directors	Mr. Park Chunsoo	Chairman
	Mr. Yoon Bob Nyol	Member
	Mr. Nguyen Duc Hoan	Member
	Mr. Oh Cheol Wu	Member
	Mr. Byoung Jo Chun	Member
Board of Management	Mr. Nguyen Duc Hoan	General Director
	Mr. Oh Cheol Wu	Deputy General Director
	Mr. Shin Jhintaek	Financial Director
Legal Representative	Mr. Park Chunsoo	Chairman of the Board of Directors
	Mr. Nguyen Duc Hoan	General Director
Registered Office	G, 2 nd and 7 th Floors Sky City Tower 88 Lang Ha, Dong Da District Hanoi, Vietnam	
Auditor	KPMG Limited Vietnam	

KB Securities Vietnam
Joint Stock Company
Re: Financial Safety Ratio Report

SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness

To: State Securities Commission of Vietnam

FINANCIAL SAFETY RATIO REPORT

As at 30 June 2020

We undertake as follows:

- (1) This report has been prepared on up to date data at the reporting date and in accordance with the requirements of Circular No. 87/2017/TT-BTC dated 15 August 2017 issued by the Ministry of Finance regulating financial safety ratios and measures for non-compliance applicable to securities business organisations;
- (2) The issues having impact on the Company's financial status that may arise after the reporting date will be updated in the next reporting period;
- (3) We fully accept legal responsibilities for the accuracy and fairness of the contents of this report.

14 August 2020

Prepared by:


Nguyen Thanh Huyen
Chief Accountant

Approved by:


Nguyen Duc Hoan
General Director



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REVIEW REPORT ON FINANCIAL SAFETY RATIO REPORT

To the Board of Management KB Securities Vietnam Joint Stock Company

We have reviewed the accompanying Financial Safety Ratio Report of KB Securities Vietnam Joint Stock Company (“the Company”) as of 30 June 2020 including the explanatory notes thereto, which was authorised for issue by the Company’s Board of Management on 5 August 2020 (“the Financial Safety Ratio Report”), as set out on page 5 to 30.

Management’s Responsibility

The Company’s Board of Management is responsible for the preparation and presentation of the Financial Safety Ratio Report in accordance with the requirements of Circular No. 87/2017/TT-BTC dated 15 August 2017 issued by the Ministry of Finance regulating financial safety ratios and measures for non-compliance applicable to securities business organisations, and for such internal control as the Board of Management determines is necessary to enable the preparation of the Financial Safety Ratio Report that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express a conclusion on the Financial Safety Ratio Report based on our review. We conducted our review in accordance with Vietnamese Standard on Review engagements 2410 - *Review of interim financial information performed by the independent auditor of the entity*.

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



Auditor's Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Financial Safety Ratio Report as of 30 June 2020 of KB Securities Vietnam Joint Stock Company has not been prepared, in all material respects, in accordance with the requirements of Circular No. 87/2017/TT-BTC dated 15 August 2017 issued by the Ministry of Finance regulating financial safety ratios and measures for non-compliance applicable to securities business organisations.

Basis of Preparation and Restriction on Use

We draw attention to Note 2 to the Financial Safety Ratio Report, which describes the basis of preparation. The Financial Safety Ratio Report has been prepared to assist the Company to comply with the requirements of Circular No. 87/2017/TT-BTC dated 15 August 2017 issued by the Ministry of Finance ("Circular 87") regulating financial safety ratios and measures for non-compliance applicable to securities business organizations referred to above. As a result, the Financial Safety Ratio Report may not be suitable for other purposes. Our review report is intended solely for the Company's submission to the State Securities Commission of Vietnam and disclosure of information as required by Circular 87 and should not be used for any other purposes.

KPMG Limited

Vietnam

Review Report No. 20-02-00177-20-2



Wang Toon Kim
Practicing Auditor Registration
Certificate No. 0557-2018-007-1
Deputy General Director

Pham Thi Thuy Linh
Practicing Auditor Registration
Certificate No. 3065-2019-007-1

Hanoi, 14 August 2020

KB Securities Vietnam Joint Stock Company
Financial Safety Ratio Report as at 30 June 2020

No.	Items	Note	30/6/2020
1	Total market risk value (VND)	5a	93,052,835,595
2	Total settlement risk value (VND)	5b	313,472,299,166
3	Total operational risk value (VND)	5c	101,003,663,481
4	Total risk values (4=1+2+3) (VND)		507,528,798,242
5	Liquid capital (VND)	4	1,965,785,231,622
6	Liquid capital ratio (6=5/4) (%)		387%

14 August 2020

Prepared by:

Nguyen Thanh Huyen
 Chief Accountant

Approved by:



Nguyen Duc Hoan
 General Director

KB Securities Vietnam Joint Stock Company

Notes to Financial Safety Ratio Report as at 30 June 2020

These notes form an integral part of and should be read in conjunction with the accompanying Financial Safety Ratio Report.

1. Reporting entity

(a) Basis of establishment

KB Securities Vietnam Joint Stock Company (“the Company”) is incorporated as a joint stock company in Vietnam under the Establishment and Operation License No. 77/UBCK-GPHDKD issued by the State Securities Commission of Vietnam on 11 June 2008. The Company’s Establishment and Operation License has been amended several times, the most recent of which is the Amended Licence No. 10/GPDC-UBCK dated 21 February 2019.

The Company's latest charter was approved by the Board of Directors and was effective from 11 April 2019.

(b) Charter capital

As at 30 June 2020, the Company's charter capital was VND1,675,020,900,000 (1/1/2020: VND1,675,020,900,000).

(c) Principal activities

The principal activities of the Company are: securities brokerage, securities trading, securities investment consultancy, financial consultancy, securities underwriting, securities custody and other services in accordance with the law applicable to securities companies.

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

Investment restrictions

The Company's investment portfolio and its investment restrictions shall be in compliance with the investment objectives and strategies as stipulated in its charter and the applicable securities law.

(d) Operating network

The Company’s contact address is G, 2nd and 7th Floors, Sky City Tower, 88 Lang Ha, Dong Da District, Hanoi, Vietnam. As at the date of these interim financial statements, the Company has three branches:

- Ho Chi Minh City Branch - KB Securities Vietnam Joint Stock Company was established in accordance with the Decision No. 401/QD-UBCK issued by the State Securities Commission of Vietnam on 2 July 2013. The branch is located at 2nd floor, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru, District 1, Ho Chi Minh City, Vietnam.
- Hanoi Branch - KB Securities Vietnam Joint Stock Company was established in accordance with the Decision No. 379/QD-UBCK issued by the State Securities Commission of Vietnam on 7 August 2015. The branch is located at 1st floor, Office Building, No. 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam.

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

- Saigon Branch - KB Securities Vietnam Joint Stock Company was established in accordance with the Decision No. 08/QĐ-UBCK issued by the State Securities Commission of Vietnam on 4 January 2019. The branch is located at 1st floor, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam.

(e) Operating network

The normal operating cycle of the Company is generally within 12 months.

(f) Number of employees

As at 30 June 2020, the Company had 290 employees (1/1/2020: 243 employees).

2. Basis of preparation

(a) Statement of compliance

The Financial Safety Ratio Report has been prepared to assist the Company to comply with the requirements of Circular No. 87/2017/TT-BTC dated 15 August 2017 issued by the Ministry of Finance (“Circular 87”) regulating financial safety ratios and measures for non-compliance applicable to securities business organisations. Accordingly, the Financial Safety Ratio Report and its utilisation are not designed for those who are not informed about the principles and requirements of Circular 87 on preparation and presentation of Financial Safety Ratio Report applicable to securities business organisations in Vietnam. As a result, the Financial Safety Ratio Report may not be suitable for another purpose.

(b) Underlying financial data

The Financial Safety Ratio Report is prepared based on the Company’s financial data as of 30 June 2020 and for the six-month period then ended. This Financial Safety Ratio Report should be read in conjunction with the Company’s interim financial statements for the six-month period ended 30 June 2020.

(c) Accounting and presentation currency

The Company’s accounting currency is Vietnam Dong (“VND”), which is also the currency used for Financial Safety Ratio Report presentation purpose.

3. Summary of significant policies adopted in the preparation of the Financial Safety Ratio Report

The following significant policies have been adopted by the Company in the preparation of this Financial Safety Ratio Report.

(a) Liquid capital ratio

The Company's liquid capital ratio is calculated in accordance with the requirements of Circular 87 as follows:

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

in which, total risk value is the aggregate of market risk value (Note 3(c)), settlement risk value (Note 3(d)) and operational risk value (Note 3(e)).

(b) Liquid capital

Liquid capital is the capital which can be converted into cash within 90 days. Liquid capital includes the following items:

- Share capital, excluding redeemable preference shares (if any);
- Other capital;
- Differences upon asset revaluations in fair value;
- Foreign exchange differences;
- Reserve to supplement share capital;
- Operational risk and financial reserves;
- Other equity funds appropriated in accordance with the prevailing regulations;
- Retained profits;
- Allowance for diminution in the value of assets;
- 50% value of upward revaluations of fixed assets in accordance with the prevailing regulations (in case of upward revaluations) or minus 100% value of the downward revaluations of fixed assets (in case of downward revaluations);

Additions to the Company's liquid capital include the following items:

- All increases in the values of investments and financial assets in carrying value excluding the securities issued by a related organisation of the Company and the securities with the remaining restricted trading period exceeding 90 days at the reporting date;
- Other debt instruments that meet the following conditions: being debts whose holders may, in all circumstances, receive payments only after the Company has paid its liabilities to all other secured or unsecured debt-holders; having an original term to maturity of more than 10 years; not being secured by the assets of the Company; the Company may stop paying interests and transfer the accumulated interests to the subsequent year if the interest payment will result in business losses in the year; the Company cannot make full repayment before maturity unless it is reported to the State Securities Commission of Vietnam ("SSC") in accordance with the prevailing regulations; the upward adjustment of interest rate, including the upward adjustment of interest rate added to the reference interest rate, may only be made after five years from the contracting date and only one adjustment is made during the term of the loan; they have been registered with the State Securities Commission of Vietnam to supplement the liquid capital.

The values of these debt instruments are decreased with the following principles: After each year during the last five (05) years before maturity, 20% of their original values is deducted; and after each quarter during the last four (04) quarters before maturity, another 25% of their remaining value is deducted in accordance with the above regulations.

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

Value of items used to supplement the liquid capital is capped at 50% of the Company's equity.

Deductions from the Company's liquid capital include the following items:

- Value of assets used as collaterals for the obligations of other organisations or individuals with remaining term to maturity of more than ninety (90) days;
- All decreases in the values of financial assets in carrying amounts, excluding the securities issued by a related organisation of the Company and the securities with the remaining restricted trading period exceeding 90 days at the reporting date;
- Long-term assets and current assets including securities in short-term investments, prepayments, receivables with the remaining term to maturity of more than 90 days, advances with the remaining term to clearance of more than 90 days and other current assets; and
- Asset items with a qualified, adverse or disclaimer opinion/conclusion in the audited/reviewed financial statements (if any), which have not been excluded from the liquid capital in accordance with the above regulations.

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

(c) Market risk value

Market risk value is the value corresponding to the level of loss which may occur if the market value of assets and securities securely underwritten by the Company which have not been fully distributed and paid during the underwriting period changes unfavourably. Market risk value is determined in accordance with the requirements of Circular 87 as follows:

$$\text{Market risk value} = \text{Net position} \times \text{Asset value} \times \text{Market risk coefficient}$$

In which, net position of any securities at a point of time is the quantity of securities currently held by the Company, after deducting the number of securities lent out and adding the number of securities borrowed in accordance with the prevailing regulations.

The market risk value is not determined for following securities and assets:

- Treasury shares;
- Securities issued by a related organisation of the Company which is one of the following cases:
 - Parent company, subsidiary, joint venture or associate of the Company;
 - Subsidiary, joint venture or associate of the Company's parent company.
- Securities with the remaining restricted trading period exceeding 90 days at the reporting date;
- Matured bonds, debt instruments and money market valuable papers.
- Securities hedged by put warrants or future contracts; put warrants and put options are used to hedge the underlying securities.

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

(i) Asset value

Asset value is determined in accordance with principles for valuation of securities in Circular 87 as follows:

No.	Type of asset	Principles for determining market value
Cash and cash equivalents, money market instruments		
1	Cash (VND)	Account balance at the reporting date
2	Foreign currencies	Value converted into VND at the exchange rate of credit institutions authorized for trading foreign currencies at the reporting date
3	Term deposits	Deposit amount plus accrued interest at the reporting date
4	Treasury bills, bank drafts, commercial papers, transferable certificates of deposits, bonds and other discounted money market instruments	Purchase price plus accrued interest at the reporting date
Bonds		
5	Listed bonds	<p>Average listed price from the Stock Exchanges of a normal transaction at the latest trading date plus accrued interest (if the listed price excludes accrued interest);</p> <p>If there was no trading in the previous two weeks prior to the reporting date, then market value is the highest value of the following:</p> <ul style="list-style-type: none"> + Purchase price plus accrued interest; + Par value plus accrued interest; and + Value determined in accordance with the Company's internal methodology plus accrued interest. <p><i>In other words:</i></p> <ul style="list-style-type: none"> Max (Purchase price plus accrued interest; Par value plus accrued interest; Value determined in accordance with the Company's internal methodology plus accrued interest)
6	Unlisted bonds	<p>The highest value of the following:</p> <ul style="list-style-type: none"> + Quoted price, if any, from the quoting system selected by the Company plus accrued interest; + Purchase price plus accrued interest; + Par value plus accrued interest; and + Value determined in accordance with the Company's internal methodology plus accrued interest.

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

No.	Type of asset	Principles for determining market value
<i>In other words:</i> Max (Quoted price (if any); Purchase price plus accrued interest; Par value plus accrued interest; Value determined in accordance with the Company's internal methodology plus accrued interest)		
Shares		
7	Shares listed on the Ho Chi Minh City Stock Exchange	Closing price at the latest trading date If there was no trading in the two (02) weeks prior to the reporting date, then the market value is the highest value of the following: + Book value; + Purchase price; and + Value determined in accordance with the Company's internal methodology. <i>In other words:</i> Max (Book value; Purchase price; Value determined in accordance with the Company's internal methodology)
8	Shares listed on the Hanoi Stock Exchange	Closing price at the latest trading date If there was no trading in the two (02) weeks prior to the reporting date, then the market value is the highest value of the following: + Book value; + Purchase price; and + Value determined in accordance with the Company's internal methodology. <i>In other words:</i> Max (Book value; Purchase price; Value determined in accordance with the Company's internal methodology)
9	Shares of public companies registered for UpCom trading	Closing price at the latest trading date If there was no trading in the two (02) weeks prior to the reporting date, then the market value is the highest value of the following: + Book value; + Purchase price; and + Value determined in accordance with the Company's internal methodology. <i>In other words:</i> Max (Book value; Purchase price; Value determined in accordance with the Company's internal methodology)

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

No.	Type of asset	Principles for determining market value
10	Shares already custodied but not yet listed and not yet registered for trading	<p>Average price from the quoted prices from at least three (03) securities companies which are not related to the Company</p> <p>If there were not sufficient quoted prices from three (03) securities companies, then the market value is the highest value of the following:</p> <ul style="list-style-type: none"> + Quoted prices from securities companies; + Price of the latest period; + Book value; + Purchase price; and + Value determined in accordance with the Company's internal methodology. <p><i>In other words:</i></p> <p>Max (Quoted prices from securities companies; Price of the latest period; Book value; Purchase price; Value determined in accordance with the Company's internal methodology)</p>
11	Shares for which trading has been suspended or delisted shares or shares with trading cancellation	<p>The highest of the following:</p> <ul style="list-style-type: none"> + Book value; + Par value; and + Value determined in accordance with the Company's internal methodology. <p><i>In other words:</i></p> <p>Max (Book value; Par value; Value determined in accordance with the Company's internal methodology)</p>
12	Shares of organisations which are currently being dissolved or bankrupt	<p>80% of the liquidation value of such shares at the latest balance sheet date, or value in accordance with the Company's internal methodology.</p>
13	Other shares and capital contribution	<p>The highest of the following:</p> <ul style="list-style-type: none"> + Book value; + Purchase price/capital contribution amount; and + Value determined in accordance with the Company's internal methodology. <p><i>In other words:</i></p> <p>Max (Book value; Purchase price/capital contribution amount; Value determined in accordance with the Company's internal methodology).</p>

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

No.	Type of asset	Principles for determining market value
Funds/Shares of securities investment companies		
14	Closed-end public funds	Closing price at the latest trading date prior to the reporting date If there was no trading in more than (02) weeks prior to the reporting date, then the latest NAV/fund unit prior to the reporting date
15	Member funds/Open-end funds/Shares issued in private placement of securities investment companies	Latest Net asset value per one capital contribution unit/fund certificate/share prior to the reporting date
16	Other cases	Value determined in accordance with the Company's internal methodology
Fixed assets		
17	Land use rights, etc.	Value determined by an independent valuation organisation selected by the Company
18	Buildings and structures, including construction in progress	Value determined by an independent valuation organisation selected by the Company/Accumulated costs of construction in progress
19	Machineries, equipment and motor vehicles etc.	Net book value of the asset
20	Other fixed assets	Value determined by an independent valuation organisation selected by the Company
Other securities		
21	Covered warrants issued by other securities business organisations	- Closing price at the latest trading date; - Purchase price (for unlisted covered warrants).
22	Shares listed on foreign stock exchanges	- Price (in foreign currency) x foreign exchange rate for conversion to VND at the reporting date - Closing price at the latest trading date; - If there was no trading in the two (02) weeks prior to the reporting date, then market value is the highest value of the following: + Book value; + Purchase price; + Value determined in accordance with the Securities Business Organisation's internal methodology. <i>In other words:</i> Max (Book value; Purchase price; Value determined in accordance with the Company's internal methodology).

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

(ii) Market risk coefficient

Market risk coefficient is determined for each type of asset in accordance with the provisions of Circular 87 as disclosed in Note 5(a).

(iii) Increase in market risk value

The market risk values of assets will be increased if the Company significantly invests in such assets, except for secured underwriting securities, Government bonds and bonds guaranteed by the Government. Market risk value is increased in accordance with the following principles:

- Increase by 10% if the total value of any investment in shares and bonds of an organisation accounts for from 10% to 15% of the Company's equity;
- Increase by 20% if the total value of any investment in shares and bonds of an organisation accounts for from 15% to 25% of the Company's equity;
- Increase by 30% if the total value of any investment in shares and bonds of an organisation accounts for more than 25% of the Company's equity.

Dividends, coupons, value of privileged rights of securities (if any) or interest receivables from cash and cash equivalents, transferrable instruments and valuable papers are added to the asset values when determining the market risk value.

(d) Settlement risk value

Settlement risk value is the value corresponding to the level of loss which may occur if counterparty is unable settle obligations or transfer assets on time as committed. Settlement risk value is determined at the end of transaction date or contract date as follows:

- Settlement risk value before the due date for payment/transfer of securities is determined in accordance with following principle:

$$\text{Settlement risk before due date} = \text{Settlement risk coefficient by counterparty} \times \text{Value of the asset with settlement risk}$$

The above principle to determine settlement risk value before due date is applicable for following contracts:

- Term deposits at credit institutions, loans to other organisations and individuals;
 - Securities lending contracts and securities borrowing contracts in compliance with laws;
 - Repurchase agreements in compliance with laws;
 - Reverse repurchase agreements in compliance with law;
 - Margin loan contracts in compliance with laws; and
 - Undue accounts receivable of the securities business organisation, amounts to be collected on behalf of customers in securities brokerage transactions.
- For underwriting contracts signed with other organisations in an underwriting syndicate in the form of a firm undertaking in which the Company is the lead underwriter, the settlement risk value shall be 30% of the residual value of an underwriting contract for which payment has not been made.

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

- Overdue settlement risk value is determined in accordance with following principle:

$$\text{Overdue settlement risk} = \text{Settlement risk coefficient by overdue status} \times \text{Value of the asset with settlement risk}$$

The above principle to determine settlement risk value after due date is applicable for:

- Overdue receivables, including matured bonds, valuable papers, matured but unpaid debt instruments;
- Assets that are overdue for transfer, including securities incurred during the normal business of the Company, customers' securities in securities brokerage transactions;
- Securities, cash not received from term deposit transactions/contracts at credit institutions, loans to other organizations and individuals; securities lending contracts and securities borrowing contracts in compliance with laws; repurchase agreements in compliance with laws; reverse repurchase agreements in compliance with laws; and margin loan contracts in compliance with laws.

(i) Settlement risk coefficient

In accordance with the requirements of Circular 87, settlement risk coefficient by counterparty is as follows:

No.	Counterparty	Settlement risk coefficient
1	The Government, issuing organizations guaranteed by the Government and central banks of countries in the OECD, people's committee of provinces and cities under central authority	0%
2	Stock Exchanges, Vietnam Securities Depository	0.8%
3	Credit institutions, financial institutions, and securities companies established in countries in the OECD and with a credit rating satisfying the internal rules of the Company	3.2%
4	Credit institutions, financial institutions, and securities companies established in countries outside the OECD; or established in countries in the OECD but with a credit rating not satisfying the internal rules of the Company	4.8%
5	Credit institutions, financial institutions and securities companies established and operating in Vietnam	6%
6	Other organizations and individuals	8%

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

In accordance with the requirements of Circular 87, settlement risk coefficient by overdue status is as follows:

No.	Overdue status	Settlement risk coefficient
1	0 - 15 days after the due date for payment/transfer of securities	16%
2	16 - 30 days after the due date for payment/transfer of securities	32%
3	31 - 60 days after the due date for payment/transfer of securities	48%
4	Above 60 days after the due date for payment/transfer of securities	100%

Time for payment/transfer of securities is T+2 (for listed securities), T+1 (for listed bonds), T+n (for transactions agreed outside the trading system in n days as agreed by the two parties).

(ii) Value of assets with settlement risk

- *Value of assets with settlement risk in securities borrowing activities, securities lending activities, margin trading activities, and repurchase/reverse repurchase agreements:*

No.	Type of transaction	Value of assets with settlement risk
1	Term deposits and unsecured loans	Total value of the deposits and loans
2	Securities lending	Max {(Market value of the contract – Value of collateral assets (if any)), 0}
3	Securities borrowings	Max {(Value of collateral assets – Market value of the contract), 0}
4	Reverse repurchase agreements	Max {(Contract value calculated in accordance with purchase price – Market value of the contract * (1 – Market risk coefficient)), 0}
5	Repurchase agreements	Max {Market value of the contract * (1 – Market risk coefficient) – Contract value based on the selling price), 0}
6	Margin loans (lending to customers to purchase securities)/Other arrangements with similar nature	Max {(Outstanding loan balance – Value of collateral assets), 0}

Outstanding balance comprises the principal, interest and related fees.

Value of collateral assets is based on the market value. When the market values of collateral assets are not available, market values are determined in accordance with Company's internal methodology.

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

Value of assets with settlement risk when the market values of collateral assets are not available:

No.	Time	Value of assets with settlement risk
A. For the sale of securities transactions (seller is the Company or the Company's customers in brokerage activities)		
1	Before the due date for payment	Nil
2	After the due date for payment	Market value of the contract (if the market value is lower than the transaction price)
		Nil (if the market value is higher than the transaction price)
B. For the purchase of securities transactions (buyer is the Company or the Company's customers in brokerage activities)		
1	Before the due date for securities transfer	Nil
2	After the due date for securities transfer	Market value of the contract (if the market value is higher than the transaction price)
		Nil (if the market value is lower than the transaction price)

- *Settlement risk values of overdue accounts receivable, matured bonds and debt instruments are the underlying amounts including par value plus accrued interest and fees, less actual cash previously received, if any).*

(iii) Deductions from the value of assets with settlement risk

The Company deducts the value of collateral asset received from counterparties or customers from the value of assets with settlement risk when determining the value of assets with settlement risks if the contracts and transactions meet the following criteria:

- The counterparties or customers have collateral assets to secure for their obligations including cash, cash equivalents, valuable papers, transferable money market instruments, listed securities on the Stock Exchanges, Government bonds, or bonds underwritten by the Ministry of Finance;
- The Company has the right to control, manage, use or transfer the collateral assets if the counterparties fail to settle the obligations according to the contractual schedules.

Value of collateral assets deducted from the value of assets with settlement risk is calculated as follows:

$$\text{Value of collateral assets} = \text{Asset quantity} \times \text{Asset value per unit} \times (1 - \text{Market risk coefficient})$$

Asset value is determined in accordance with the requirements of Circular 87 as described in Note 3c(i).

Market risk coefficient is determined in accordance with the requirements of Circular 87 as disclosed in Note 5(a).

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

(iv) Settlement risk value increase

Settlement risk values are increased in the following cases:

- Dividends, coupons, value of privileged rights of securities, if any (for securities) or interest receivables and other charges (for credit facilities);
- Increase by 10% if the value of deposit contracts, loans, undue accounts receivable, reverse repurchase agreements, repurchase agreements, total loans to any organisation or individual and group of related organisations and individuals (if any), accounts for 10% to 15% of the Company's equity;
- Increase by 20% if the value of deposit contracts, loans, undue accounts receivable, reverse repurchase agreements, repurchase agreements, total loans to any organisation or individual and group of related organisations and individuals (if any), accounts for 15% to 25% of the Company's equity;
- Increase by 30% if the value of deposit contracts, loans, undue accounts receivable, reverse repurchase agreements, repurchase agreements, total loans to any organisation or individual and group of related organisations and individuals (if any), or any individual and its related parties (if any), accounts for over 25% of the Company's equity.

(v) Netting off value of assets with settlement risk

The value of assets with settlement risk is netted off if:

- The settlement risk is related to the same counter party;
- The settlement risk arises from the same type of transactions; and
- The netting off is agreed by the parties in writing in advance.

(e) Operational risk value

Operational risk value is the value corresponding to the level of loss which may occur due to a technical or system error, human error during the operations, shortage of capital arising from expenses, losses from investment activities, or other objective reasons.

The operational risk value of the Company is calculated at the higher of 25% of the operating expenses in the latest 12-month period to the reporting date and 20% of its legal capital.

Operating expenses include all costs incurred during the period after deducting:

- Depreciation expenses
- Expense or reversal of allowance for diminution in the value of current financial assets and collaterals;
- Expense or reversal of allowance for diminution in the value of long-term financial assets;
- Expense or reversal of allowance for diminution in the value of accounts receivable;
- Expense or reversal of allowance for diminution in the value of other current assets;

4. Liquid capital

No.	Items	Liquid capital as of 30/6/2020		
		Liquid capital VND	Deductions VND	Additions VND
A.	Owners' equity			
1	Owners' equity excluding redeemable preference shares (if any)	1,675,020,900,000		
2	Capital surplus, other capital excluding redeemable preference shares (if any)	-		
3	Treasury shares	-		
4	Options to convert bonds - equity component	-		
5	Other capital	-		
6	Differences upon asset revaluations at fair value	-		
7	Reserve to supplement share capital	9,930,623,462		
8	Operational risk and financial reserves	24,801,043,988		
9	Other equity funds	-		
10	Retained profits (i)	373,397,757,908		
11	Allowance for diminution in the value of assets	550,965,657		
12	Differences upon fixed asset revaluations	-		
13	Foreign exchange differences	1,782,000		
14	Convertible debts			-
15	Deductions or additions relating to investments (ii)		21,052,747	1,916,864
16	Other capital	-		
1A	Sub-total			2,083,683,937,132
B	Current assets			
I	Financial assets			
1	Cash and cash equivalents			
2	Financial assets at Fair Value through Profit or Loss (FVTPL)			
	- Securities with market risks			
	- Securities deducted from the liquid capital			-
3	Held-to-maturity investments (HTM)			
	- Securities with market risks			

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

No.	Items	Liquid capital as of 30/6/2020		
		Liquid capital VND	Deductions VND	Additions VND
	- Securities deducted from the liquid capital		-	
4	Loans			
5	Available-for-sale financial assets (AFS)			
	- Securities with market risks			
	- Securities deducted from the liquid capital		-	
6	Allowance for diminution in the value of financial assets and collaterals			
7	Accounts receivable (Receivables from sales of financial assets, Receivable and accrued dividends, interest from financial assets)			
	Accounts receivable with remaining terms to maturity of 90 days or less			
	Accounts receivable with remaining terms to maturity of more than 90 days		41,591,835,618	
8	Covered warrants not yet issued			
9	Underlying securities for hedging upon issuance of covered warrants			
10	Receivables from securities services provided			
	- Accounts receivable with remaining terms to maturity of 90 days or less		-	
	- Accounts receivable with remaining terms to maturity of more than 90 days			
11	Intra-company receivables			
	- Intra-company receivables with remaining terms to maturity of 90 days or less			
	- Intra-company receivables with remaining terms to maturity of more than 90 days		-	
12	Receivables on securities transaction errors			
	- Accounts receivable with remaining terms to maturity of 90 days or less			
	- Accounts receivable with remaining terms to maturity of more than 90 days		-	
13	Other receivables			
	- Accounts receivable with remaining terms to maturity of 90 days or less			
	- Accounts receivable with remaining terms to maturity of more than 90 days		-	
14	Allowance for diminution in the value of receivables			

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

No.	Items	Liquid capital as of 30/6/2020		
		Liquid capital VND	Deductions VND	Additions VND
II	Other current assets			
1	Advances			
	- Advances with remaining terms of 90 days or less			
	- Advances with remaining terms of more than 90 days		-	
2	Office supplies, tools and instruments		-	
3	Short-term prepaid expenses		5,383,082,281	
4	Short-term deposits and collaterals		3,133,536,010	
5	Deductible value added tax		-	
6	Taxes and others receivable from State Treasury		-	
7	Other current assets		1,347,429,950	
8	Allowance for diminution in the value of other current assets			
1B	Sub-total			51,455,883,859
C	Long-term assets			
I	Long-term financial assets			
1	Long-term receivables		-	
2	Investments			
	Held-to-maturity investments (HTM)			
2.1	- Securities with market risks			
	- Securities deducted from the liquid capital		-	
2.2	Investments in subsidiaries		-	
2.3	Investments in associates, joint-ventures		-	
2.4	Other long-term investments		-	

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

No.	Items	Liquid capital as of 30/6/2020		
		Liquid capital VND	Deductions VND	Additions VND
II	Fixed assets		30,092,424,661	
III	Investment property		-	
IV	Construction in progress		-	
V	Other long-term assets			
1	Long-term deposits and collaterals		-	
2	Long-term prepayments		10,563,035,734	
3	Deferred tax assets		-	
4	Deposits at Payment Support Fund		15,774,400,248	
5	Other long-term assets		10,012,961,008	
VI	Allowance for diminution in the value of long-term assets			
	Assets being qualified, subject to adverse opinion or disclaimer of opinion in the audited/reviewed annual financial statements but not yet included in the deductions		-	
1C	Sub-total			66,442,821,651
D	Deposits			
1	Deposited amounts			
1.1	Amounts deposited at Payment Support Fund of the Vietnam Securities Depository (for derivative securities market)			-
1.2	Amount deposited at the clearance fund of central counterparties for open position of clearing members (for derivative securities market)			-
1.3	Deposit of cash and payment guarantee of bank upon issuance of covered warrants			-
2	Value of collaterals for liabilities with the remaining term exceeding 90 days			-
1D	Sub-total			-
LIQUID CAPITAL = 1A - 1B - 1C - 1D				1,965,785,231,622



KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

(i) Retained profits

	30/6/2020 VND
Retained profits	373,376,840,025
Plus: Unrealised losses	
Revaluation of financial asset at fair value through profit and loss	19,135,883
Unrealised foreign exchange differences	1,782,000
	<hr/> 373,397,757,908 <hr/>

(ii) Additions and deductions relating to investments

Details of deductions and additions relating to investments which were added back/deducted from the liquid capital as of 30 June 2020 are as follows:

	Cost VND	Market value VND	Difference VND
Increases			
Shares	7,467,267	9,384,131	1,916,864
	<hr/>		
Decreases			
Shares	91,547,657	70,494,910	(21,052,747)
	<hr/>		

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

5. Risk value

(a) Market risk value

Investment portfolio as at 30 June 2020		Risk coefficient	Risk exposure (VND)	Risk value (VND)
		(1)	(2)	(3)=(1)*(2)
I.	Cash and cash equivalents, money market instruments			
1.	Cash	0%	19,869,609,326	-
2.	Cash equivalents	0%	1,162,593,758,904	-
3.	Valuable papers and transferable money market instruments, certificates of deposits	0%	2,717,640,909,122	-
II.	Government bonds			
4.	Zero-coupon Government bonds	0%	-	-
5.	Government coupon bonds			
5.1	Government bonds (including treasury bonds and project bonds previously issued), bonds issued by governments of countries in the OECD or bonds guaranteed by the government or central bank of countries in the OECD, and bonds issued by IBRD, ADB, IADB, AFDB, EIB and EBRD	3%	-	-
III.	Corporate bonds			
6	Listed bonds with remaining terms to maturity of less than 1 year, including convertible bonds	8%	-	-
	Listed bonds with remaining terms to maturity of 1 year up to 3 years, including convertible bonds	10%	-	-
	Listed bonds with remaining terms to maturity of 3 years up to 5 years, including convertible bonds	15%	-	-
	Listed bonds with remaining terms to maturity of more than 5 years, including convertible bonds	20%	-	-
7	Unlisted bonds with remaining term to maturity of less than 1 year, including convertible bonds	25%	-	-
	Unlisted bonds with remaining terms to maturity of 1 year up to 3 years, including convertible bonds	30%	-	-
	Unlisted bonds with remaining terms to maturity of 3 years up to 5 years, including convertible bonds	35%	-	-
	Unlisted bonds with remaining terms to maturity of more than 5 years, including convertible bonds	40%	209,819,486,493	83,927,794,597

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

Investment portfolio as at 30 June 2020		Risk coefficient	Risk exposure (VND)	Risk value (VND)
		(1)	(2)	(3)=(1)*(2)
IV	Shares			
8	Ordinary shares and preference shares of companies listed on the Ho Chi Minh City Stock Exchange; shares of open-ended funds	10%	18,101,150	1,810,115
9	Ordinary shares and preference shares of companies listed on the Hanoi Stock Exchange	15%	21,900	3,285
10	Ordinary shares and preference shares of unlisted public companies registered for UpCom trading	20%	62,736,691	12,547,338
11	Ordinary shares and preference shares of public companies which have been registered for depository, but have not been listed or not yet registered for trading; shares of Initial Public Offerings (IPO)	30%	-	-
12	Shares of other public companies	50%	-	-
V	Securities investment fund certificates			
13	Public funds, including public securities investment companies	10%	-	-
14	Member funds, individual securities investment companies	30%	-	-
VI	Securities restricted for trading			
15	Temporary non-trading securities	40%	-	-
16	Securities with delisting or trading cancellation	50%	-	-
VII	Derivative securities			
17	Future contracts on share index	8%	-	-
18	Future contracts on government bonds	3%	-	-
VIII	Other securities			
19	Shares, capital contribution and other securities	80%	897,376,000	717,900,800
20	Shares listed on foreign stock markets within standard indexes	25%	-	-
21	Shares listed on foreign stock markets not within standard indexes	100%	-	-
22	Covered warrants listed on Ho Chi Minh Stock Exchange	8%	-	-
23	Covered warrants listed on Hanoi Stock Exchange	10%	-	-
24	Covered warrants listed issued by the securities company		-	-

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

Investment portfolio as at 30 June 2020		Risk coefficient	Risk exposure (VND)	Risk value (VND)
		(1)	(2)	(3)=(1)*(2)
25	Securities generated from hedging of covered warrants issued by the security company (for interest-free covered warrants)		-	-
26	Difference between the value of underlying securities used for hedging and the value of underlying securities necessary for hedging for covered warrants		-	-
IX	Increased risks			
	Bonds issued by Bank for Investment and Development of Vietnam	10%	83,927,794,597	8,392,779,460
TOTAL MARKET RISK				93,052,835,595

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

(b) Settlement risk value

I.	Settlement risk before due date as at 30 June 2020	Risk value VND						Total risk value VND
		(1)	(2)	(3)	(4)	(5)	(6)	
	Type of transaction							
	Settlement risk coefficient	0%	0.8%	3.2%	4.8%	6%	8%	
1.	Term deposits, unsecured loans and receivables from securities trading activities	-	1,762,135,255	-	-	232,814,080,082	1,618,837,953	236,195,053,290
2.	Loans for securities transactions/other arrangements with similar nature	-	-	-	-	-	-	-
3.	Financial assets borrowings/other economic contract with a similar nature	-	-	-	-	-	-	-
4.	Reverse repurchase agreements/other economic contract with a similar nature	-	-	-	-	-	-	-
5.	Repurchase agreements/other economic contract with a similar nature	-	-	-	-	-	-	-
6.	Margin loans (lending to customers to purchase securities)/other economic contract with a similar nature	-	-	-	-	-	-	-
7.	Other items with settlement risk	-	-	-	-	-	-	-
8.	Other receivables	-	-	66,910,490	-	-	61,311,104	128,221,594
9.	Other current assets	-	-	-	-	-	14,256,000	14,256,000
	Total	-	-	-	-	-	-	236,337,530,884

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

II. Overdue settlement risk as of 30 June 2020				
	Overdue period	Risk coefficient (%)	Risk exposure VND	Risk value VND
1.	0 - 15 days after the due date for payment/transfer of securities	16	-	-
2.	16 - 30 days after the due date for payment/transfer of securities	32	-	-
3.	31 - 60 days after the due date for payment/transfer of securities	48	-	-
4.	Above 60 days after the due date for payment/transfer of securities	100	550,965,657	550,965,657
	Total			550,965,657
III. Incremental risk (if any) as of 30 June 2020				
		Risk coefficient (%)	Risk exposure VND	Risk value VND
Details by loan/counterparty				
1.	Term deposits and accrued interest at Asia Commercial Joint Stock Bank	20	26,000,000,000	5,200,000,000
2.	Term deposits and accrued interest at Maritime Commercial Joint Stock Bank	10	31,736,547,945	3,173,654,795
3.	Term deposits and accrued interest at Vietnam Joint Stock Commercial Bank for Industry and Trade	20	24,000,000,000	4,800,000,000
4.	Term deposits and accrued interest at Vietnam Prosperity Joint Stock Commercial Bank	20	64,397,676,712	12,879,535,342
5.	Term deposits and accrued interest at Bank for Investment and Development of Vietnam	30	147,625,490,444	44,287,647,133
6.	Term deposits and accrued interest at Ho Chi Minh City Development Joint Stock Commercial Bank	20	31,214,826,775	6,242,965,355
	Sub-total			76,583,802,625
TOTAL SETTLEMENT RISK (I+II+III)				313,472,299,166

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

Details of partners to make payments to the Company are as follows:

- (1) Settlement risk value applicable to the Government, issuing organisations guaranteed by the Government or the Ministry of Finance, the State Bank of Vietnam, governments and central banks of OECD countries, people's committees of provinces and cities under central authority;
- (2) Settlement risk value applicable to the Stock Exchanges, Vietnam Securities Depository;
- (3) Settlement risk value applicable to credit institutions, financial institutions, and securities companies established in the OECD countries;
- (4) Settlement risk value applicable to credit institutions, financial institutions, and securities companies established outside the OECD;
- (5) Settlement risk value applicable to credit institutions, financial institutions, and securities companies established and operating in Vietnam;
- (6) Settlement risk value applicable to other organisations and individuals.

KB Securities Vietnam Joint Stock Company
Notes to Financial Safety Ratio Report as at 30 June 2020 (continued)

(c) Operational risk value

No.	Items	Period from 1 July 2019 to 30 June 2020 VND
I.	Total operating expenses from 1 July 2019 to 30 June 2020	412,935,886,500
II.	Deductions from total operating expenses	8,921,232,575
1.	Depreciation and amortisation expenses	8,408,431,529
2.	Expenses/reversal of allowance for diminution in the value of financial assets and collaterals	550,965,657
3.	Expenses/reversal of allowance for diminution in the value of receivables	(38,164,611)
III.	Total operating expenses after deductions (III = I – II)	404,014,653,925
IV.	25% of total operating expenses after deductions (IV = 25% III)	101,003,663,481
V.	20% of legal capital of the securities business organisation	50,000,000,000
TOTAL OPERATIONAL RISK (C=Max {IV, V})		101,003,663,481

14 August 2020

Prepared by:



Nguyen Thanh Huyen
Chief Accountant

Approved by:



Nguyen Duc Hoan
General Director