

KB SECURITIES VIETNAM JOINT STOCK COMPANY

**REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023**

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KB SECURITIES VIETNAM JOINT STOCK COMPANY

**REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023**

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KB SECURITIES VIETNAM 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 has been amended several times and the latest amendment No. 34/GPĐC-UBCK was issued on 8 May 2023. | |
| Board of Directors | Mr. Park Chunsoo Mr. Shin Jhintak Mr. Jeon Mun Cheol Mr. Choi Yunsun | Chairperson Member Member Member |
| Board of Supervision | Ms. Nguyen Mai Huong Ms. Nguyen Thi Phuong Anh Ms. Du Thi Linh Chi Ms. Mai Thi Ha Mr. Nguyen Thai Son Ms. Hoang Ngoc Anh | Chief Supervisor (from 21 April 2023) Chief Supervisor (until 20 April 2023) Member (from 21 April 2023) Member (until 20 April 2023) Member (from 28 February 2023) Member (until 27 February 2023) |
| Board of Management | Mr. Jeon Mun Cheol Mr. Choi Yunsun | General Director (from 7 March 2023) Acting General Director (until 6 March 2023) Chief Financial Executive |
| Legal Representative | Mr. Park Chunsoo | Chairperson |
| Registered Office | Floor G, M, 2 nd and 7 th , Sky City Tower Lang Ha, 88 Lang Ha, Dong Da District, Hanoi, Vietnam (until 8 May 2023) Floor 16 th and 17 th , Tower 02 Capital Place Building, 29 Lieu Giai, Ngoc Khanh Ward, Ba Dinh District, Ha Noi (from 8 May 2023) | |
| Auditor | Branch of PwC (Vietnam) Limited in Hanoi | |

KB SECURITIES VIETNAM JOINT STOCK COMPANY

STATEMENT OF THE BOARD OF MANAGEMENT

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

The Board of Management of KB Securities Vietnam Joint Stock Company ("the Company") is responsible for preparing the report on capital adequacy ratio as at 30 June 2023 ("the Report") in accordance with Circular 91/2020/TT-BTC issued by the Ministry of Finance on 13 November 2020 ("Circular 91/2020/TT-BTC") and the 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 error.

The Legal Representative of the Company authorised the General Director of the Company to approve and sign the report on capital adequacy ratio as at 30 June 2023 pursuant to the Authorisation Letter No. 81A/2023/UQ-KBSV dated 11 July 2023.

APPROVAL OF THE REPORT ON CAPITAL ADEQUACY RATIO

I hereby, approve the accompanying report on capital adequacy ratio as set out on pages 6 to 31. The report on capital adequacy ratio has been prepared and presented in accordance with Circular 91/2020/TT-BTC and the applied interpretations as described in Note 2.1 to the Report.



Jeon Mun Cheol
General Director
Authorised signatory

Hanoi, SR Vietnam
12 August 2023

Re: Report on Capital Adequacy Ratio

Hanoi, 12 August 2023

To: The State Securities Commission

REPORT ON CAPITAL ADEQUACY RATIO

As at 30 June 2023

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 91/2020/TT-BTC issued by the Ministry of Finance on 13 November 2020 providing guidance on capital adequacy ratio applicable to securities dealing institutions and sanctions imposed on non-compliance cases;
- (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 Accountant

Head of Internal Control

General Director



Ha Thanh Hoa



Trinh Hong Ha



Jeon Mun Cheol



REPORT ON THE REVIEW OF REPORT ON CAPITAL ADEQUACY RATIO TO THE SHAREHOLDERS OF KB SECURITIES VIETNAM JOINT STOCK COMPANY

We have reviewed the accompanying report on capital adequacy ratio as at 30 June 2023 (“the Report”) of KB Securities Vietnam Joint Stock Company (“the Company”) which was approved by the General Director of the Company (pursuant to the authorisation by the Legal Representative of the Company) on 12 August 2023. The Report includes the report on capital adequacy ratio and explanatory notes including basis of preparation and reporting principles as set out on pages 6 to 31.

The Board of Management’s Responsibility

The Board of Management of the Company is responsible for the preparation and presentation of the Report in accordance with Circular 91/2020/TT-BTC issued by the Ministry of Finance on 13 November 2020 (“Circular 91/2020/TT-BTC”) providing guidance on capital adequacy ratio applicable to securities dealing institutions and sanctions imposed on non-compliance cases and the applied interpretations as described in Note 2.1 to the Report and for such internal control which the Board of Management determines is 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 a conclusion on the 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, to the extent these principles may be applied to a review of historical financial information performed by the independent auditor of the entity.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the report on capital adequacy ratio as at 30 June 2023 of the Company is not prepared and presented, in all material respects, in accordance with Circular 91/2020/TT-BTC and the applied interpretations as described in Note 2.1 to the Report.



Purpose and reporting principles and restriction on use of review report

Without qualifying our conclusion, 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 the requirements of Circular 91/2020/TT-BTC on capital adequacy ratio and information disclosure in the securities market. As a result, our review report and the accompanying report on capital adequacy ratio are not suitable for any other purpose.

Other Matter

The independent auditor's review 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



Tran Hong Kien
Audit Practising Licence:
No. 0298-2023-006-1
Authorised signatory

Review report reference number: HAN 3497
Hanoi, 12 August 2023

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023

I. LIQUID CAPITAL

| No. | DESCRIPTION | Liquid capital | | |
|-----------|--|--------------------------------|---------------------------|--------------------------|
| | | Liquid capital (VND) (1) | Deduction (VND) (2) | Addition (VND) (3) |
| A | Owners' equity | | | |
| 1 | Owners' capital | 3,001,686,130,000 | | |
| 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 | 30,307,448,921 | | |
| 8 | Financial and operational risk reserve | 45,177,869,447 | | |
| 9 | Other equity funds | - | | |
| 10 | Undistributed post-tax earnings | 948,653,657,435 | | |
| 11 | Provision for impairment of assets | 112,877,066,920 | | |
| 12 | Fixed assets' revaluation reserve | - | | |
| 13 | Foreign currency translation reserve | - | | |
| 14 | Convertible bonds | | | - |
| 15 | Revaluation adjustments on financial investments carried at cost (*) | | | - |
| 16 | Others (if any) | - | | |
| 1A | Subtotal | | | 4,138,702,172,723 |

The notes on pages 16 to 31 are an integral part of this Report.

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023

I. LIQUID CAPITAL (CONTINUED)

| No. | DESCRIPTION | Liquid capital | | |
|-----------|--|-----------------------------|------------------------|-----------------------|
| | | Liquid capital (VND) (1) | Deduction (VND) (2) | Addition (VND) (3) |
| B | Current assets | | | |
| <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 | | 50,371,452,057 | |
| 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 | | 52,887,000 | |
| 3 | Short-term prepaid expenses | | 17,018,326,685 | |
| 4 | Pledged assets, mortgages, security deposits in short term | | 10,918,782,855 | |
| 5 | Value added tax to be reclaimed | | | - |
| 6 | Tax and other receivables from the State Budget | | | - |
| 7 | Other current assets | | 3,199,325,924 | |
| 8 | Provisions for impairments of other current assets | | | |
| 1B | Subtotal | | | 81,560,774,521 |

The notes on pages 16 to 31 are an integral part of this Report.

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023

I. LIQUID CAPITAL (CONTINUED)

| No | DESCRIPTION | Liquid capital | | |
|------------|--|----------------------|--------------------------|----------------|
| | | Liquid capital (VND) | Deduction (VND) | Addition (VND) |
| | | (1) | (2) | (3) |
| C | Non-current assets | | | |
| I | Non-current financial assets | | | |
| 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 | | - | |
| II | Fixed assets | | 29,491,791,060 | |
| III | Investment properties | | - | |
| IV | Construction in progress | | - | |
| V | Other non-current assets | | | |
| 1 | Pledged assets, mortgages, security deposits in long term | | 15,000,000 | |
| 2 | Long-term prepaid expenses | | 23,224,378,082 | |
| 3 | Deferred income tax assets | | 16,742,092,940 | |
| 4 | Deposits in the Settlement support fund | | 20,000,000,000 | |
| 5 | Other non-current assets | | - | |
| VI | Provisions for impairments of non-current assets | | | |
| | 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 91/2020/TT-BTC | | - | |
| 1C | Subtotal | | 89,473,262,082 | |
| D | Statutory deposits and collaterals | | | |
| 1 | Statutory deposits | | | |
| 1.1 | Statutory deposits in the Derivatives trading clearing fund | | - | |
| 1.2 | Statutory deposits for derivatives self-trading activities | | 10,076,473,684 | |
| 1.3 | Cash deposits and bank guarantees for issued covered warrants | | - | |
| 2 | Value of assets used as collaterals for liabilities due after 90 days | | - | |
| 1D | Subtotal | | 10,076,473,684 | |
| | LIQUID CAPITAL = 1A-1B-1C-1D | | 3,957,591,662,436 | |

The notes on pages 16 to 31 are an integral part of this Report.

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023

II. RISK VALUE WORKING

A POSITION RISK VALUE

| Items | Risk coefficient (%) | Risk exposure (VND) | Risk value (VND) |
|---|----------------------|---------------------|------------------|
| | (1) | (2) | (3) = (1) x (2) |
| I. Cash and cash equivalents, money market instruments | | | |
| 1 Cash | 0 | 105,728,612,914 | - |
| 2 Cash equivalents | 0 | - | - |
| 3 Valuable papers, money market instruments, certificates of deposit | 0 | 6,219,118,718,435 | - |
| II. Government bonds | | | |
| 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, EBRD and municipal bonds | 3 | - | - |
| III. Credit institution bonds | | | |
| 6 Credit institution bonds with a remaining maturity period of less than 1 year, including convertible bonds | 3 | - | - |
| Credit institution bonds with a remaining maturity period of 1 to less than 3 years, including convertible bonds | 8 | - | - |
| Credit institution bonds with a remaining maturity period of 3 to less than 5 years, including convertible bonds | 10 | - | - |
| Credit institution bonds with a remaining maturity period of 5 years or more, including convertible bonds | 15 | - | - |
| IV. Corporate bonds | | | |
| 7 Corporate listed bonds | | | |
| 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 | - | - |
| 8 Corporate unlisted bonds | | | |
| Unlisted bonds issued by listed companies with a remaining maturity period of less than 1 year, including convertible bonds | 15 | - | - |
| Unlisted bonds issued by listed companies with a remaining maturity period of 1 to less than 3 years, including convertible bonds | 20 | - | - |
| Unlisted bonds issued by listed companies with a remaining maturity period of 3 to less than 5 years, including convertible bonds | 25 | - | - |
| Unlisted bonds issued by listed companies with a remaining maturity period of 5 years or more, including convertible bonds | 30 | - | - |
| Unlisted bonds issued by other companies with a remaining maturity period of less than 1 year, including convertible bonds | 25 | - | - |
| Unlisted bonds issued by other companies with a remaining maturity period of 1 to less than 3 years, including convertible bonds | 30 | - | - |

The notes on pages 16 to 31 are an integral part of this Report.

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023

II. RISK VALUE WORKING (CONTINUED)

A POSITION RISK VALUE (CONTINUED)

| Items | Risk coefficient (%) | Risk exposure (VND) | Risk value (VND) |
|---|----------------------|---------------------|------------------|
| | (1) | (2) | (3) = (1) x (2) |
| IV. Corporate bonds (continued) | | | |
| 8 Unlisted bonds (continued) | | | |
| Unlisted bonds issued by other companies with a remaining maturity period of 3 to less than 5 years, including convertible bonds | 35 | - | - |
| Unlisted bonds issued by other companies with a remaining maturity period of 5 years or more, including convertible bonds | 40 | - | - |
| V. Shares | | | 447,604 |
| 9 Ordinary shares, preference shares of entities listed on the Ho Chi Minh City Stock Exchange; open-ended fund certificates | 10 | 1,771,990 | 177,199 |
| 10 Ordinary shares, preference shares of entities listed on the Hanoi Stock Exchange | 15 | 480,600 | 72,090 |
| 11 Ordinary shares, preference shares of unlisted public companies, registered for trading on the UPCoM | 20 | 991,577 | 198,315 |
| 12 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 | - | - |
| 13 Shares of other public companies | 50 | - | - |
| V. Fund certificates | | | - |
| 14 Public funds, including public securities investment companies | 10 | - | - |
| 15 Member funds, private securities investment companies | 30 | - | - |
| VI. Restricted securities | | | 1,498,650 |
| 16 Unlisted securities of public interest entities being reminded for delay in information disclosure of audited/reviewed financial statements. | 30 | - | - |
| 17 Warned securities | 20 | - | - |
| 18 Controlled securities | 25 | - | - |
| 19 Suspended, restricted securities | 40 | - | - |
| 20 Delisted, cancelled securities | 80 | 1,873,313 | 1,498,650 |
| VII. Derivatives | | | - |
| 21 Share-index future contracts (*) | 8 | - | - |
| Formula: Risk value = Max {((Payment value at the end of the day - value of securities purchased to secure the futures payment obligation) x futures contract's risk coefficient - Margin value (contribution to clearing fund for open positions of securities companies)), 0}. End of day settlement value = End of day settlement price x open volume. | | | |
| 22 Government bond future contracts | 3 | | |
| Formula: Risk value = Max {((Payment value at the end of the day - value of securities purchased to secure the futures payment obligation) x futures contract's risk coefficient - Margin value (contribution to clearing fund for open positions of securities companies)), 0}. End of day settlement value = End of day settlement price x open volume. | | | |
| VIII. Other securities | | | |
| 23 Listed shares on foreign stock exchanges with qualified indices | 25 | | |
| 24 Listed shares on foreign stock exchanges without qualified indices | 100 | | |
| 25 Covered warrants listed on the Ho Chi Minh City Stock Exchange | 8 | | |

The notes on pages 16 to 31 are an integral part of this Report.

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023

II. RISK VALUE WORKING (CONTINUED)

A POSITION RISK VALUE (CONTINUED)

| Items | Risk coefficient (%) | Risk exposure (VND) | Risk value (VND) |
|---|---|---------------------|--------------------|
| | (1) | (2) | (3) = (1) x (2) |
| VIII. Other securities (continued) | | | |
| 26 | Covered warrants listed on the Hanoi Stock Exchange | 10 | - |
| 27 | Shares, bonds issued by non-public interest entities which do not have the latest audited financial statements at the preparation date of this report or have audited financial statements with an adverse opinion, a disclaimer of opinion or a qualified opinion. | 100 | - |
| 28 | Other shares, capital contributions and securities | 80 | 897,376,000 |
| 29 | Covered warrants issued by the Company Formula: Position risk value = Max {(P0 x Q0/k - P1 x Q1) x r - MD}, 0} | | - |
| 30 | Securities designated as hedges against risk from issued covered warrants (in case of out-of-the-money covered warrants) | 10 | - |
| 31 | Positive 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 | - |
| TOTAL POSITION RISK VALUE (I+II+III+IV+V+VI+VII+VIII+IX) | | | 719,847,054 |

B COUNTERPARTY RISK VALUE

| | Risk value VND |
|--|------------------------|
| Risk value of balances not past due (Note B.1) | 383,643,541,821 |
| Risk value of balances past due (Note B.2) | 112,877,066,920 |
| Risk value of particular advances, contracts and other transactions (Note B.3) | - |
| Additional risk value for large exposures (Note B.4) | 72,235,829,953 |
| Total counterparty risk value | 568,756,438,694 |

The notes on pages 16 to 31 are an integral part of this Report

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023

II. RISK VALUE WORKING (CONTINUED)

B COUNTERPARTY RISK VALUE (CONTINUED)

1. Risk value of balances not past due

| No | 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, certificates of deposits, unsecured loans, receivables from brokerage service and securities trading activities and other receivables bearing settlement risk (including term deposits held to maturity and certificate of deposits even though these investments have been included in the market risk calculation in Section II.A above) | | - | 1,588,333,910 | 40,683,463 | - | 377,467,123,106 | 4,547,401,342 | 383,643,541,821 |
| 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) | | - | - | - | - | - | - | - |
| TOTAL RISK VALUE OF BALANCES NOT PAST DUE | | | | | | | | | 383,643,541,821 |

KB SECURITIES VIETNAM JOINT STOCK COMPANY

**REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023**

II. RISK VALUE WORKING (CONTINUED)

B COUNTERPARTY RISK VALUE (CONTINUED)

1. Risk value of balances not past due (continued)

Counterparty risk coefficient by counterparty is determined as follows:

| No. | Counterparty | Counterparty risk coefficient |
|-----|--|-------------------------------|
| (1) | The Government, Government-guaranteed issuers, Governments and Central Banks of countries in the OECD; People's Committees of provinces and independent municipalities | 0% |
| (2) | Stock Exchanges, Securities 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, securities investment funds, securities investment companies incorporated and operating in Vietnam | 6% |
| (6) | Other institutions, individuals and parties | 8% |

2. Risk value of balances past due

| Past due period | Risk coefficient (%) | Risk exposure (VND) | Risk value (VND) |
|---|----------------------|---------------------|------------------------|
| 0 – 15 days from due date | 16 | - | - |
| 16 – 30 days from due date | 32 | - | - |
| 30 – 60 days from due date | 48 | - | - |
| Over 60 days from due date | 100 | 112,877,066,920 | 112,877,066,920 |
| TOTAL RISK VALUE OF OVERDUE BALANCES | | | 112,877,066,920 |

3. Risk value of particular advances, contracts and other transactions

| Past due period | Risk coefficient (%) | Risk exposure (VND) | Risk value (VND) |
|---|----------------------|---------------------|------------------|
| The contracts, transactions, payments other than those specified in Circular 91/2020/TT-BTC; receivables from debt trading with partners other than Vietnam Assets Management Company ("VAMC") and Vietnam Debt and Asset Trading Corporation ("DATC"). | 100 | | |
| Advances account for more than 5% equity due after 90 days | | - | - |
| TOTAL RISK VALUE OF PARTICULAR ADVANCES, CONTRACTS AND OTHER TRANSACTIONS | | | - |

The notes on pages 16 to 31 are an integral part of this Report.

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II. RISK VALUE WORKING (CONTINUED)

B COUNTERPARTY RISK VALUE (CONTINUED)

3. Risk value of particular advances, contracts and other transactions (continued)

Due date is determined as follows:

| <u>Type of securities/transactions</u> | <u>Due date</u> |
|--|--|
| 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 |

4. Additional risk value for 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 | 153,710,819,169 | 46,113,245,751 |
| 2 | Vietnam Prosperity Joint Stock Commercial Bank | 30 | 66,919,849,315 | 20,075,954,795 |
| 3 | Vietnam – Asia Commercial Joint Stock Bank | 10 | 30,451,158,904 | 3,045,115,890 |
| 4 | LienViet Post Joint Stock Commercial Bank | 10 | 30,015,135,170 | 3,001,513,517 |
| TOTAL RISK VALUE FOR LARGE EXPOSURE | | | | 72,235,829,953 |

C OPERATIONAL RISK VALUE

| TT | Item | Risk value VND |
|---|---|------------------------|
| I | Total operating expenses incurred in the most recent six-month period up to 30 June 2023 | 921,034,146,010 |
| II | Less: Deductions from total operating expenses (<i>Note C</i>) | 559,323,408,975 |
| III | Total adjusted operating expenses (III = I - II) | 361,710,737,035 |
| IV | 25% of Total adjusted operating expenses (IV = 25% x III) | 90,427,684,259 |
| V | 20% of the minimum required capital applicable to business activities of the Company | 180,000,000,000 |
| OPERATIONAL RISK VALUE (Max {IV, V}) | | 180,000,000,000 |

The notes on pages 16 to 31 are an integral part of this Report.

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023

II. RISK VALUE WORKING (CONTINUED)

C OPERATIONAL RISK VALUE (CONTINUED)

Note C – Deductions from total operating expenses

| Item | Value VND |
|---|------------------------|
| Depreciation and amortisation | 10,128,995,998 |
| Provision for impairments of current financial assets and mortgages | 112,326,101,263 |
| Decrease in revaluation losses of FVTPL financial assets | (85,141,563) |
| Interest expense | 436,953,453,277 |
| Total deductions from operating expenses | 559,323,408,975 |

III. CAPITAL ADEQUACY RATIO WORKING

| No. | Item | Value VND |
|-----|---------------------------------------|--------------------------|
| 1 | Total position risk value | 719,847,054 |
| 2 | Total counterparty risk value | 568,756,438,694 |
| 3 | Total operational risk value | 180,000,000,000 |
| 4 | Total risk value (4=1+2+3) | 749,476,285,748 |
| 5 | Liquid capital | 3,957,591,662,436 |
| 6 | CAPITAL ADEQUACY RATIO (6=5/4) | 528% |



Ha Thanh Hoa
Chief Accountant



Trinh Hong Ha
Head of Internal Control



Jeon Mun Cheol
General Director
Authorised signatory

The notes on pages 16 to 31 are an integral part of this Report.

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2023

1 GENERAL INFORMATION

KB Securities Vietnam Joint Stock Company (“the Company”) is a joint stock company established in Vietnam in accordance with the Establishment and Operation Licence No. 77/UBCK-GPHĐKD issued by the Vietnam State Securities Commission on 11 June 2008. The Establishment and Operation Licence has been amended several times and the latest amendment No. 34/GPĐC-UBCK was issued on 8 May 2023.

The principal activities of the Company are to provide securities brokerage services, proprietary trading, securities investment advisory services, financial consultancy, underwriting securities, securities depository and other services in accordance with laws and regulations applicable for securities companies.

On 25 April 2019, the Company received the Certificate No. 32/GCN-UBCK indicating that the Company is eligible to provide clearing and settlement services for derivative transactions, including derivative brokerage, derivative proprietary trading and derivative investment advisory services.

2 BASIS OF PREPARATION

2.1 Applicable regulations and interpretations

The Company’s report on capital adequacy ratio as at 30 June 2023 (“the Report”) is prepared and presented in accordance with Circular 91/2020/TT-BTC issued by the Ministry of Finance on 13 November 2020 (“Circular 91/2020/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 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 91/2020/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. |
| 3 | Counterparty risk – Risk value of balances not yet due | Risk value of balances not yet due includes term deposits, certificates of deposits, unsecured loans, receivables from brokerage service and securities trading activities and other receivables bearing settlement risk, including term deposits held to maturity and certificate of deposits even though these investments have been included in the market risk calculation. |

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

2.2 Underlying financial information

The Report is prepared based on the Company’s financial information as at 30 June 2023 (“the reporting date” or “the calculation date”) and for the twelve-month period ended 30 June 2023.

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

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2023

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 91/2020/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;
- e) Financial assets’ revaluation reserve;
- f) Foreign currency translation reserve;
- g) Supplementary capital reserve;
- h) Financial and operational risk reserve;
- i) Other equity funds made in accordance with prevailing regulations;
- j) Undistributed earnings;
- k) Provision for impairments of assets;
- l) 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);
- m) Deductions specified in Note 3.2.1;
- n) Additions specified in Note 3.2.2;
- o) Other equity (if any).

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2023

3 REPORTING PRINCIPLES (CONTINUED)

3.2 Liquid capital (continued)

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 Circular 91/2020/TT-BTC;
 - d) Securities excluded from liquid capital, including:
 - Securities issued by entities related to the Company including: (i) its parent company and its subsidiaries and (ii) subsidiaries 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 Circular 91/2020/TT-BTC, except for those excluded from liquid capital;
 - f) Current assets after applicable reliefs in note (*) below;
 - g) Receivables and advances with remaining maturity above ninety (90) days, prepayments and other current assets (excluding provisions made);
 - h) Items on which the auditor expressed a qualified opinion, an adverse opinion or a disclaimer of opinion (if any) in the audited/reviewed financial statements. Items no longer qualified, as confirmed by auditors, are exempted from deduction.
- (*) In determining such deductions, the Company is permitted to take into account the following reliefs:
- Relief on assets used as collaterals for the Company's own obligations is the minimum of (i) their market value determined in accordance with Circular 91/2020/TT-BTC (ii) their book value and (iii) the remaining value of the obligations;
 - Relief on assets collateralised by customers' assets is the minimum of (i) their market value in accordance with Circular 91/2020/TT-BTC and (ii) their book value.

According to Circular 91/2020/TT-BTC, the Company is not required to calculate risk values of assets excluded from liquid capital.

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2023

3 REPORTING PRINCIPLES (CONTINUED)

3.2 Liquid capital (continued)

3.2.2 Additions

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

- a) Upward revaluation of financial assets carried at cost compared to market value determined in accordance with Circular 91/2020/TT-BTC, except for those excluded from liquid capital as specified in Note 3.2.1
- b) Debts convertible into equity

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

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

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 91/2020/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 adjustment in interest rate must assure that: For fixed interest rates, margin on top of reference interest rate shall only be increased after five (05) years from the issuance date, or contract date and only once throughout the subordinate debt's life; For interest rates calculated by a formula, the formula must not be changed and the interest spread (if any) may only be changed once after five (05) years from the issuance date, or contract date;
- It is registered as an addition to liquid capital in accordance with Circular 91/2020/TT-BTC.

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

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

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2023

3 REPORTING PRINCIPLES (CONTINUED)

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.

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

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2023

3 REPORTING PRINCIPLES (CONTINUED)

3.3 Position risk value (continued)

3.3.1 Assets exposed to market risk on net position value (continued)

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 3.3.3. Dividends, coupons, rights (if any) or accrued interests on loans, cash equivalents, deposits, valuable papers should be added to asset prices in position risk value calculation.
- Market risk coefficient is determined for each specific asset in accordance with Appendix II of Circular 91/2020/TT-BTC and presented in section A of Risk Values in the Report.

c) Additional 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.

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023

3 REPORTING PRINCIPLES (CONTINUED)

3.3 Position risk value (continued)

3.3.2 Future contracts

Position risk value of future contracts is determined as follows:

$$\text{Position risk value} = \text{Max} \{ (\text{Closing trade value} - \text{Value of hedge portfolios} \times \text{Risk coefficient of future contracts} - \text{Statutory deposits}), 0 \}$$

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.

3.3.3 Asset valuation

Asset valuation is in accordance with Circular 91/2020/TT-BTC, in particular:

| No. | Type of asset | Valuation principles |
|--|--|--|
| Cash and cash equivalents, money market instruments | | |
| 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 |
| Bonds | | |
| 5 | Listed bonds | <ul style="list-style-type: none"> - 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); - 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"> a) Purchase price plus accrued interest; b) Par value plus accrued interest; c) Price based on the Company's internal valuation policy, plus accrued interest. i.e. Max {a, b, c} |

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023

3 REPORTING PRINCIPLES (CONTINUED)

3.3 Position risk value (continued)

3.3.3 Asset valuation (continued)

| No. | Type of asset | Valuation principles |
|--------------------------|--|--|
| Bonds (continued) | | |
| 6 | Unlisted bonds | <p>The highest of the followings:</p> <ul style="list-style-type: none"> a) Quoted price on selected bond quotation system (if any) plus accrued interest; b) Purchase price plus accrued interest; c) Par value plus accrued interest; d) Price based on the Company's internal valuation policy, plus accrued interest <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> |
| Shares | | |
| 7 | Shares listed on the Ho Chi Minh City Stock Exchange | <ul style="list-style-type: none"> - Closing price of the latest trading date prior to the reporting date; - 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"> a) Book value; b) Purchase price; c) Price based on the Company's internal valuation policy. <p>i.e. Max {a, b, c}</p> |
| 8 | Shares listed on the Hanoi Stock Exchange | <ul style="list-style-type: none"> - Closing price of the latest trading date prior to the reporting date; - 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"> a) Book value; b) Purchase price; c) Price based on the Company's internal valuation policy. <p>i.e. Max {a, b, c}</p> |

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023

3 REPORTING PRINCIPLES (CONTINUED)

3.3 Position risk value (continued)

3.3.3 Asset valuation (continued)

| No. | Type of asset | Valuation principles |
|---------------------------|--|---|
| Shares (continued) | | |
| 9 | Shares of public companies registered for trading on the UPCoM | <ul style="list-style-type: none"> - Closing price of the latest trading date prior to the reporting date; - 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"> a) Book value; b) Purchase price; c) Price based on the Company's internal valuation policy. i.e. Max {a, b, c} |
| 10 | Shares that are deposited at Vietnamese Securities Depositories ("VSD") but not yet listed or registered for trading | <ul style="list-style-type: none"> - The average of transacted prices quotes by at least three (3) independent securities for the latest trading date prior to the reporting date. - In case the Company cannot obtain quotations from at least three independent securities firms, the shares' value is the highest of: <ul style="list-style-type: none"> a) Price from quotations; b) Price from the most recent reporting date; c) Book value; d) Purchase price; e) Price based on the Company's internal valuation policy. i.e. Max {a, b, c, d, e} |
| 11 | Suspended, delisted or cancelled securities | The highest of the followings: <ul style="list-style-type: none"> a) Book value; b) Purchase price; c) Price based on the Company's internal valuation policy. i.e. Max {a, b, c} |
| 12 | Securities of entities in liquidation or bankruptcy process | 80% of the securities' disposal value (announced by the entities or book value) on the latest balance sheet date prior to the reporting date, or price based on the Company's internal valuation policy. |
| 13 | Other equities and investments | The highest of the followings: <ul style="list-style-type: none"> a) Book value; b) Purchase price; c) Price based on the Company's internal valuation policy. i.e. Max {a, b, c} |

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023

3 REPORTING PRINCIPLES (CONTINUED)

3.3 Position risk value (continued)

3.3.3 Asset valuation (continued)

| No. | Type of asset | Valuation principles |
|--|--|--|
| Fund certificates/shares of securities investment companies | | |
| 14 | Fund certificates of public closed-end funds/ exchange-traded funds | <ul style="list-style-type: none"> - Closing price of the latest trading date prior to the reporting date; - 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. |
| 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 |
| Fixed assets | | |
| 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 |
| Other securities | | |
| 21 | Covered warrants issued by other securities dealing entities | <ul style="list-style-type: none"> - Closing price of the latest trading date prior to the reporting date; - Purchase price (for unlisted covered warrants). |
| 22 | Shares listed on foreign stock exchanges | <ul style="list-style-type: none"> - Price in VND translated at applicable exchange rate at reporting date; - Closing price of the latest trading date prior to the reporting date; - 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"> a) Book value; b) Purchase price; c) Price based on the Company's internal valuation policy. i.e. Max {a, b, c} |

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.

KB SECURITIES VIETNAM JOINT STOCK COMPANY

**REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023**

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 |
|--|---|
| a) Term deposits at credit institutions, certificates of deposit issued by credit institutions; b) Securities borrowing agreements in accordance with prevailing regulations c) Securities repo agreements in accordance with prevailing regulations d) Securities reverse repo agreements in accordance with prevailing regulations; đ) Margin lending agreements for listed securities in accordance with prevailing regulations; e) Receivables from customers in securities trading business; f) Other assets bearing counterparty risk; | Counterparty risk value of balances not past due = Counterparty risk exposure x Risk coefficient by counterparty Counterparty risk value of balances past due = Counterparty risk exposure x Risk coefficient by past due period |
| g) Balances from co-underwriting contracts with firm underwriting commitment where the Company is the lead underwriter | Counterparty risk value is determined at 30% of the remaining value of outstanding contracts. |
| h) Receivables past due, including matured bonds, valuable papers, debt instruments but not yet collected; | Counterparty risk value of balances past due = Counterparty risk exposure x Risk coefficient by past due period |
| i) Assets not received after due date for transfer, including securities in proprietary trading and securities of customers in brokerage activities; | Counterparty risk value = Counterparty risk exposure x 100% |
| j) Contracts, transactions, capital usages other than those specified in points a, b, c, d, e, f, g, h above; receivables from debt trading with business partners besides Vietnam Asset Management Company (VAMC), Vietnam Debt and Asset Trading Corporation (DATC). | Counterparty risk value = Counterparty risk exposure x 8% |
| k) Advances with reimbursement period of less than 90 days. - Accounting for 0% - 5% of owners' equity at calculation date - Accounting for more than 5% of owners' equity at calculation date | Counterparty risk value = Counterparty risk exposure x 100% |

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2023

3 REPORTING PRINCIPLES (CONTINUED)

3.4 Counterparty risk value (continued)

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 91/2020/TT-BTC.

3.4.1 Risk coefficient by counterparty

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

3.4.2 Risk coefficient by past due period

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

KB SECURITIES VIETNAM JOINT STOCK COMPANY

**REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023**

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 if any.

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

| No. | Type of transaction | Counterparty risk exposure |
|------------|--|--|
| 1 | Term deposits, certificate of deposit, unsecured loans, contracts, transactions, capital usages in Note 3.4(j) | Entire balance of term deposits, certificate of deposit, lending balances, contracts value, transactions value including dividends, coupons, preferred rights (for securities) or deposit interest, loan interest, other charges (for credit amounts). |
| 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.

KB SECURITIES VIETNAM JOINT STOCK COMPANY

**REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023**

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:

| <u>Type of securities/transactions</u> | <u>Due date</u> |
|--|---|
| 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

Except for contracts, transactions as stated in Note 3.4(j) and Note 3.4(k), in determining counterparty 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.

KB SECURITIES VIETNAM JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO AS AT 30 JUNE 2023

3 REPORTING PRINCIPLES (CONTINUED)

3.4 Counterparty risk value (continued)

3.4.4 *Reliefs on counterparty risk exposure (continued)*

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 3.3.3.
- Market risk coefficient is determined for each specific asset in accordance with Appendix II of Circular 91/2020/TT-BTC and presented in section A of Risk Values in the Report.

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, certificates of deposit, 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, certificates of deposit, 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, certificates of deposit, 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") in the contexts described in the Clause 46 of Article 4 of the Securities Law.

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**REPORT ON CAPITAL ADEQUACY RATIO
AS AT 30 JUNE 2023**

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 minimum required capital applicable to business activities of the Company.

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;
- Increase in revaluation loss of financial assets carried at fair value through profit or loss (FVTPL);
- Increase in revalued amount of covered warrants issued by the Company
- Interest expense.

4 SUBSEQUENT EVENTS

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

The report on capital adequacy as at 30 June 2023 was approved by the General Director of the Company on 12 August 2023.



Ha Thanh Hoa
Chief Accountant



Trinh Hong Ha
Head of Internal Control



Jeon Mun Cheol
General Director
Authorised signatory