

**Viet Capital Securities  
Joint Stock Company**

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

March <sup>29<sup>th</sup></sup> 2018

**DISCLOSURE OF INFORMATION  
ON THE STATE SECURITIES COMMISSION'S PORTAL  
AND HO CHI MINH STOCK EXCHANGE'S PORTAL**

**To: State Securities Commission  
Ho Chi Minh Stock Exchange  
Ha Noi Stock Exchange  
Vietnam Securities Depository**

Company's name:	Viet Capital Securities Joint Stock Company
Securities' Ticker:	VCI
Address:	Bitexco Financial Tower, 15 <sup>th</sup> Floor, 02 Hai Trieu St, Dist 1, HCMC
Telephone:	028-39143588
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Information Disclosure Representative:	Dinh Quang Hoan
Position:	Deputy Chief Executive Officer
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Information disclosure type: ☐ 24 hours ☐ 72 hours ☐ Irregular ☐ On demand ☒ Periodic

Content of information disclosure:  
Report on capital adequacy ratio as at 31 December 2017

This information was published on VCSC's website on March <sup>29<sup>th</sup></sup> 2018 at the following link:  
<http://www.vcsc.com.vn>

We hereby commit the information published above this is true and will be responsible before law for the contents of the information published.

**Company's Information Disclosure Representative**



**DINH QUANG HOAN**

**VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2017**

**VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2017**

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## **VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

### **Establishment and operation licence No.**

68/UBCK-GP dated 6 November 2007 issued by the State Securities Commission. The Establishment and operation licence was amended several times and the latest amendment No. 35/GPDC-UBCK was issued on 2 August 2017.

### **Board of Directors (“BOD”)**

Ms. Nguyen Thanh Phuong	Chairperson
Mr. To Hai	Member
Mr. Huynh Richard Le Minh	Member
Mr. Tran Quyet Thang	Member
Mr. Nguyen Hoang Bao	Member
Mr. Nguyen Quang Bao	Member
Mr. Pham Gia Tuan	Member (until 19.4.2017)

### **Board of Management (“BOM”)**

Mr. To Hai	Chief Executive Officer
Mr. Nguyen Quang Bao	Deputy Chief Executive Officer
Mr. Dinh Quang Hoan	Deputy Chief Executive Officer

### **Legal Representative**

Mr. To Hai	Chief Executive Officer
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### **Head Office**

15<sup>th</sup> Floor, Bitexco Financial Tower  
No. 2, Hai Trieu Street, District 1  
Ho Chi Minh City, Vietnam

### **Auditor**

PwC (Vietnam) Limited

## **VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

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

The Board of Management of Viet Capital Securities Joint Stock Company ("the Company") is responsible for preparing the report on capital adequacy ratio as at 31 December 2017 ("the Report") in accordance with Circular 87/2017/TT-BTC issued by the Ministry of Finance on 15 August 2017 ("Circular 87/2017/TT-BTC") and prevailing regulations applicable to securities companies operating in Vietnam. In preparing the Report, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently; and
- make judgments and estimates that are reasonable and prudent.

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time the financial position of the Company and which enable the Report to be prepared which comply with the basis of accounting set out in Note 2 and Note 3 to the Report. The Board of Management is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other errors.

### **APPROVAL OF THE REPORT ON CAPITAL ADEQUACY RATIO**

We hereby approve the accompanying report on capital adequacy ratio as set out on pages 5 to 29. The Report was prepared and presented in accordance with Circular 87/2017/TT-BTC and prevailing regulations applicable to securities companies operating in Vietnam.

On behalf of the Board of Management



To Hai  
Chief Executive Officer

Ho Chi Minh City, Vietnam  
28 March 2018





## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

We have audited the accompanying report on capital adequacy ratio as at 31 December 2017 ("the Report") of Viet Capital Securities Joint Stock Company ("the Company") which was approved by the Board of Management on 28 March 2018. The Report includes the report on capital adequacy ratio and explanatory notes including basis of preparation as set out on pages 5 to 29.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Report based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance as to whether the Report is free from material misstatement.

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

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

### **Auditor's Opinion**

In our opinion, in all material respects, the Company's report on capital adequacy ratio as at 31 December 2017 had been prepared and presented in accordance with Circular 87/2017/TT-BTC and Note 2 and Note 3 to the Report.

### **Other matters**

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

### **For and on behalf of PwC (Vietnam) Limited**



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Nguyen Hoang Nam  
Audit Practising Licence No.  
0849-2018-006-1  
Authorised signatory



\_\_\_\_\_  
Ho Ngoc Thang  
Audit Practising Licence No.  
2262-2018-006-1

Report reference number: HCM6733  
Ho Chi Minh City, 28 March 2018

**Viet Capital Securities Joint Stock Company**  
Ref:

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

Re: Report on Liquid Capital Ratio

Ho Chi Minh City, 28 March 2018

**To: The State Securities Commission**

**REPORT ON LIQUID CAPITAL RATIO**  
As at 31 December 2017

We undertake that:

- (1) The Report is prepared on the basis of data updated as at the date of the report in accordance with Circular 87/2017/TT-BTC issued by the Ministry of Finance on 15 August 2017 ("Circular 87/2017/TT-BTC") providing guidance on capital adequacy ratio applicable to securities dealing institutions and sanctions imposed on non-compliance cases;
- (2) For matters that may affect the financial position of the Company after the date of this report, we will update them 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**

Doan Minh Thien

**Head of Internal Control**

Trinh Thi Thu Huyen

**Chief Executive Officer**

To Hai



**VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2017**

**I. LIQUID CAPITAL**

No.	DESCRIPTION	Liquid capital		
		Liquid capital	Deduction	Addition
		(1)	(2)	(3)
<b>A</b>	<b>Equity</b>			
1	Owners' capital	1,200,000,000,000		
2	Share premium	572,400,000,000		
3	Treasury shares	(60,000,000)		
4	Equity component of convertible bonds	-		
5	Other components of equity	-		
6	Financial assets' revaluation reserve	497,706,089,367		
7	Supplementary capital reserve	44,485,624,092		
8	Financial and operational risk reserve	78,404,663,590		
9	Other equity's funds	-		
10	Undistributed earnings	626,458,820,196		
11	Provision for impairment losses of assets	24,271,288,057		
12	Fixed assets' revaluation reserve	-		
13	Foreign currencies translation reserves	-		
14	Convertible bonds			-
15	Market valuation downside/upside value of financial investments being carried at cost	-	-	-
16	Others (if any)	-		
<b>1A</b>	<b>Subtotal</b>			<b>3,043,666,485,302</b>

The notes on pages 14 to 29 are an integral part of this Report.

VIET CAPITAL SECURITIES JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2017

I. LIQUID CAPITAL (continued)

No.	DESCRIPTION	Liquid capital		
		Liquid capital (1)	Deduction (2)	Addition (3)
<b>B</b>	<b>Current assets</b>			
<b>I</b>	<b>Financial assets</b>			
1	Cash and cash equivalents			
2	Financial assets at fair value through profit or loss (FVTPL)			
	- Those exposed to position risk			
	- Those excluded from liquid capital		1,604,400,000	
3	Held-to-maturity financial assets (HTM)			
	- Those exposed to position risk			
	- Those excluded from liquid capital		-	
4	Loans			
5	Available-for-sale financial assets (AFS)			
	- Those exposed to position risk			
	- Those excluded from liquid capital		193,600,000,000	
6	Provisions for impairment loss of financial assets and mortgages			
7	Receivables from disposals of financial assets, dividend receivables and interest receivables			
	- Those due to collect within 90 days			
	- Those due to collect after 90 days		-	
8	Covered warrants not yet issued			
9	Underlying securities designated as hedges against covered warrants issued		-	
10	Service related receivables			
	- Those due to collect within 90 days			
	- Those due to collect after 90 days		-	
11	Internal receivables			
	- Those due to collect within 90 days			
	- Those due to collect after 90 days		-	
12	Receivables from failed trades			
	- Those due to collect within 90 days			
	- Those due to collect after 90 days		-	
13	Other receivables			
	- Those due to collect within 90 days			
	- Those due to collect after 90 days		-	
14	Provision for doubtful debts			
<b>II</b>	<b>Other current assets</b>			
1	Advances			
	- Those due to collect within 90 days			
	- Those due to collect after 90 days		62,500,000	
2	Office tools and supplies		113,490,000	
3	Prepaid expenses		1,880,878,087	
4	Pledged assets, mortgages, security deposits in short term		-	
5	Value Added Tax to be reclaimed			
6	Taxes and other receivables from the State Budget		-	
7	Other current assets		119,772,892,085	
8	Provisions for impairment losses of other current assets			
<b>1B</b>	<b>Subtotal</b>			<b>317,034,160,172</b>

The notes on pages 14 to 29 are an integral part of this Report.

VIET CAPITAL SECURITIES JOINT STOCK COMPANY

REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2017

I. LIQUID CAPITAL (continued)

TT	DESCRIPTION	Liquid capital		
		Liquid capital	Deduction	Addition
		(1)	(2)	(3)
<b>C</b>	<b>Non-current assets</b>			
<b>I</b>	<b>Non-current financial assets</b>			
1	Long-term receivables		-	
2	Investments			
2.1	Investments held to maturity			
	- Those exposed to position risk			
	- Those excluded from liquid capital		-	
2.2	Investment in subsidiaries		-	
2.3	Investment in associates		-	
2.4	Other long-term assets		-	
<b>II</b>	<b>Fixed assets</b>		25,326,131,092	
<b>III</b>	<b>Investment properties</b>		-	
<b>IV</b>	<b>Construction in progress</b>		136,200,000	
<b>V</b>	<b>Other non-current assets</b>			
1	Pledged assets, mortgages, security deposits in long term		5,678,374,385	
2	Long-term prepaid expenses		2,171,535,344	
3	Deferred income tax assets		-	
4	Deposits in the Settlement Supporting Fund		15,870,264,731	
5	Other non-current assets		-	
<b>VI</b>	<b>Provisions for impairment losses of non-current assets</b>			
	Assets which auditors qualify, express adverse opinion or disclaim to express opinion but not yet excluded according to Article No.5			-
<b>1C</b>	<b>Subtotal</b>			<b>49,182,505,552</b>
<b>D</b>	<b>Statutory deposits and collaterals</b>			
1	Statutory deposits			
1.1	Statutory deposits in the Derivatives trading Settlement Fund		10,022,498,708	
1.2	Statutory deposits for derivatives self-trading activities		-	
1.3	Cash deposits and bank guarantee for issued covered warrants		-	
2	Value of assets used as collaterals for liabilities due after 90 days		-	
<b>1D</b>	<b>Subtotal</b>			<b>10,022,498,708</b>
<b>LIQUID CAPITAL = 1A-1B-1C-1D</b>				<b>2,667,427,320,870</b>

The notes on pages 14 to 29 are an integral part of this Report.



**VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2017**

**II. RISK VALUE WORKING**

**A POSITION RISK VALUE**

Subject items		Risk coefficient (%)	Risk exposure	Risk value
		(1)	(2)	(3)=(1) x (2)
<b>I. Cash and cash equivalents, money market instruments</b>				
1	Cash (VND)	0	486,703,202,803	-
2	Cash equivalents	0	-	-
3	Valuable papers, money market instruments, certificates of deposits	0	-	-
<b>II. Government bonds</b>				
4	Zero-coupon government bonds	0	-	-
5	Government bonds with coupons		-	-
5.1	Government bonds, government bonds of OECD countries, or bonds guaranteed by the Governments or Central Banks of these countries, bonds issued by international organisations like IBRD, ADB, IADB, AfDB, EIB and EBRD	3	-	-
<b>III. Corporate bonds</b>				
6	Listed bonds with a remaining maturity period of less than 1 year, including convertible bonds	8	-	-
	Listed bonds with a remaining maturity period of 1 to less than 3 years, including convertible bonds	10	-	-
	Listed bonds with a remaining maturity period of 3 to less than 5 years, including convertible bonds	15	-	-
	Listed bonds with a remaining maturity period of 5 years or more, including convertible bonds	20	-	-
7	Unlisted bonds with a remaining maturity period of less than 1 year, including convertible bonds	25	-	-
	Unlisted bonds with a remaining maturity period of 1 to less than 3 years, including convertible bonds	30	-	-
	Unlisted bonds with a remaining maturity period of 3 to less than 5 years, including convertible bonds	35	-	-
	Unlisted bonds with a remaining maturity period of 5 years or more, including convertible bonds	40	-	-
<b>IV. Shares</b>				<b>224,183,107,360</b>
8	Ordinary shares, preference shares of entities listed in the Ho Chi Minh Stock Exchange, open-ended fund certificates	10	1,549,186,245,803	154,918,624,580
9	Ordinary shares, preference shares of entities listed in the Hanoi Stock Exchange	15	2,052,460	307,869
10	Ordinary shares, preference shares of unlisted public companies, registered for trading through the UpCom	20	69,982,492,104	13,996,498,421
11	Ordinary shares, preference shares of public companies registered for depositing, but not listed or registered for trading; shares in an Initial Public Offering (IPO)	30	184,225,588,300	55,267,676,490
12	Shares of other public companies	50	-	-
<b>V. Fund certificates</b>				
13	Public funds, including public securities investment companies	10	-	-
14	Member funds, private securities investment companies	30	-	-

The notes on pages 14 to 29 are an integral part of this Report.

**VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2017**

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

**A POSITION RISK VALUE (continued)**

Subject items		Risk coefficient (%)	Risk exposure	Risk value
		(1)	(2)	(3)=(1) x (2)
<b>VI. Restricted securities</b>				<b>355,600</b>
15	Suspended securities	40	-	-
16	Delisted securities, cancelled securities	50	711,200	355,600
<b>VII. Derivatives</b>				<b>-</b>
17	Share-index futures contracts	8	-	-
Formula: Risk value = (Closing trade value – value of stocks already purchased to fulfil the future contract obligation) x risk coefficient of future contracts – Value of statutory deposits associated with open positions.  Closing trade value = Closing price x open quantity of contracts.				
18	Government bond futures contracts	3	-	-
Formula: Risk value = (Closing trade value – value of stocks already purchased to fulfil the future contract obligation) x risk coefficient of future contracts – Value of statutory deposits associated with open positions.  Closing trade value = Closing price x open quantity of contracts.				
<b>VIII.</b>	<b>Other securities</b>			<b>222,215,667,012</b>
19	Other shares, capital contributions and other securities	80	277,769,583,765	222,215,667,012
20	Listed shares on foreign stock exchanges with qualified indices	25	-	-
21	Listed shares on foreign stock exchanges without qualified indices	100	-	-
22	Covered warrants listed on Ho Chi Minh City Stock Exchange	8	-	-
23		10	-	-
24	Covered warrants issued by the Company		-	-
	Formula: Risk value = $(P_0 \times Q_0 \times k - P_1 \times Q_1) \times R - MD$		-	-
25	Securities designated as hedges against risk from issued covered warrants (when the covered warrants are out of the money)		-	-
26	The difference between the value of underlying securities designated as hedges and the value of underlying securities designated as hedges for risk from issued covered warrants		-	-
<b>IX. Risk value of large exposures (if any)</b> <i>(based on equity after required provisions are made)</i>				<b>-</b>
	Share	Increased by	Risk exposure	Risk value
1	-	-	-	-
<b>TOTAL POSITION RISK VALUE (I+II+III+IV+V+VI+VII+VIII+IX)</b>				<b>446,399,129,972</b>

The notes on pages 14 to 29 are an integral part of this Report.



**VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2017**

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

**B COUNTERPARTY RISK VALUE**

	(in VND)
	<b>Risk value</b>
Risk value of balances not yet due (Note 1)	3,202,276,518
Risk value of overdue balances (Note 2)	19,918,450,000
Risk value of large exposures (Note 3)	-
<b>Total counterparty risk value</b>	<b>23,120,726,518</b>

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

Risk coefficient (%)		Risk value (VND)						Total risk value
		0%	0,8%	3,2%	4,8%	6%	8%	
Balances by category		(1)	(2)	(3)	(4)	(5)	(6)	
1	Term deposits and unsecured loans and balances from securities trading activities and brokerage activities	-	987,593,526	-	-	-	2,214,682,992	3,202,276,518
2	Financial asset loans/ Agreements of common substance	-	-	-	-	-	-	-
3	Financial asset borrowings/ Agreements of common substance	-	-	-	-	-	-	-
4	Reverse repo contracts/ Agreements of common substance	-	-	-	-	-	-	-
5	Repo contracts/ Agreements of common substance	-	-	-	-	-	-	-
<b>TOTAL RISK VALUE OF BALANCES NOT YET DUE</b>								<b>3,202,276,518</b>

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

TT	Counterparty	Counterparty risk coefficient
(1)	The Government, Government guarantee issuers, governments and central banks of countries in OECD; People's Committees of Municipalities	0%
(2)	Stock Exchanges, Securities Depository Centre	0.8%
(3)	Credit institutions, financial institutions, securities securities dealing institutions incorporated in OECD countries and with credit ratings qualifying certain internal requirements of the Company	3.2%
(4)	Credit institutions, financial institutions, securities dealing institutions incorporated outside OECD countries; or incorporated in OECD countries but not qualify certain internal requirements of the Company	4.8%
(5)	Credit institutions, financial institutions, securities dealing institutions incorporated and operating in Vietnam	6%
(6)	Other institutions and individuals	8%

The notes on pages 14 to 29 are an integral part of this Report.

**VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2017**

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

**B COUNTERPARTY RISK VALUE (continued)**

**2. Risk value of overdue balances**

	Overdue periods	Risk coefficient (%)	Risk exposure	Risk value
	0 – 15 days since due date	16	-	-
	16 – 30 days since due date	32	-	-
	30 – 60 days since due date	48	-	-
	More than 60 days since due date	100	19,918,450,000	19,918,450,000
<b>TOTAL RISK VALUE OF OVERDUE BALANCES</b>				<b>19,918,450,000</b>

Due date is determined as in table below:

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

**3. Risk value of large exposures**

No.	Counterparty name	Risk coefficient (%)	Risk exposure	Risk value
<b>TOTAL RISK VALUE OF LARGE EXPOSURES</b>				<b>-</b>

The notes on pages 14 to 29 are an integral part of this Report.

**VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2017**

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

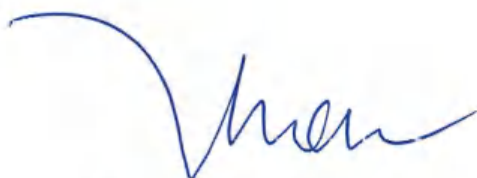
**C OPERATIONAL RISK VALUE**

	Items	Value
I	Total operating expenses incurred in recent twelve (12) months up to 31 December 2017	751,154,559,447
II	Adjustments to expenses (Note 1)	13,512,157,170
III	Adjusted expenses (III = I - II)	737,642,402,277
IV	25% of adjusted expenses (IV = 25% III)	184,410,600,569
V	20% of the Company's legal capital	180,000,000,000
<b>OPERATIONAL RISK VALUE (Max {IV, V})</b>		<b>184,410,600,569</b>

1. Adjustments to expenses	Value
Depreciations and amortisations	9,773,790,332
Provisions/(reversals of provisions) for impairment losses of financial assets and mortgages	(1,621,463,162)
Provisions/(reversals of provisions) for impairment losses of non-current financial assets	-
Provisions/(reversals of provisions) for doubtful debts	5,359,830,000
Provisions/(reversals of provisions) for impairment losses of other current assets	-
Provisions/(reversals of provisions) for impairment losses of other non-current assets	-
<b>Total adjustments to expenses</b>	<b>13,512,157,170</b>

**III. CAPITAL ADEQUACY RATIO WORKING**

No.	Items	Risk value/ Liquid capital value
1	Total position risk value	446,399,129,972
2	Total counterparty risk value	23,120,726,518
3	Total operational risk value	184,410,600,569
4	<b>Total risk value (4=1+2+3)</b>	<b>653,930,457,059</b>
5	<b>Liquid capital</b>	<b>2,667,427,320,870</b>
6	<b>Capital Adequacy Ratio (6=5/4)</b>	<b>408%</b>



Doan Minh Thien  
Chief Accountant



Trinh Thi Thu Huyen  
Head of Internal Control



To Hai  
Chief Executive Officer

The notes on pages 14 to 29 are an integral part of this Report.



# **VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

## **REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2017**

### **1 GENERAL INFORMATION**

Viet Capital Securities Joint Stock Company ("the Company") is a joint stock company incorporated in Vietnam under Establishment and operation licence No. 68/UBCK – GP dated 6 November 2007 issued by State Securities Commission. The Establishment and operation licence was amended several times and the latest amendment No. 35/GPDC-UBCK was issued on 2 August 2017.

The Company was listed on the Ho Chi Minh City Stock Exchange in accordance with Decision No. 233/QĐ-SGDHCM issued by the Ho Chi Minh City Stock Exchange on 30 June 2017.

The principal activities of the Company are brokerage services; securities trading; underwriting; custodian services; consultancy services for securities investment.

### **2 BASIS OF PREPARATION**

#### **2.1 Applicable regulations and interpretations**

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

The Report is prepared based on the Company's financial statements as at 31 December 2017.

#### **2.2 Reporting currency**

The reporting currency is Vietnamese Dong ("VND") and presented in VND.

### **3 PRINCIPLE REPORTING POLICIES**

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

Capital adequacy ratio is an indicator that measures the Company's financial safety and ability to meet its financial liabilities and absorb certain losses resulting from risks arising during its business operation.

The Company's capital adequacy ratio is determined according to the formula 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.

## VIET CAPITAL SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2017

#### 3 PRINCIPLE REPORTING POLICIES (continued)

##### 3.2 Liquid capital

According to Circular 87/2017/TT-BTC, liquid capital is total equity capital which can be converted into cash within 90 days, including the followings:

- a) Owners' capital, excluding redeemable preference shares (if any);
- b) Share premium, excluding premium of redeemable preference shares (if any);
- c) Equity component of convertible bonds (applicable to securities companies issuing convertible bonds);
- d) Financial assets' revaluation reserve;
- e) Foreign currencies translation reserves;
- f) Supplementary capital reserve;
- g) Financial and operational risk reserve;
- h) Other equity's funds provided in according to prevailing regulations;
- i) Undistributed earnings;
- j) Provision for impairment losses of assets;
- k) Fifty percent (50%) of fixed assets' revaluation reserve (if written up) or full amount of fixed assets' revaluation reserve (if written down);
- l) Deductions as noted in section 3.2.1;
- m) Additions as noted in section 3.2.2;
- n) Other equity (if any).

##### 3.2.1 Deductions

Liquid capital of the Company are deducted by the following items:

- a) Treasury shares (if any);
- b) Statutory deposits, including:
  - Deposits in cash and securities at the settlement fund of Vietnam Securities Depository;
  - Deposits in cash and securities for speculation activities, trades and market making activities of derivatives;
  - Deposits in cash and bank guarantee for covered warrants issued. If the Company has collaterals assets to obtain bank guarantee for covered warrants, the deduction amount is minimum of (i) bank guarantee amount and (ii) value of collateral assets defined in accordance with Circular 87/2017/TT-BTC;
- c) Value of assets used as collaterals for liabilities of other entities or individuals due after ninety (90) days. Value of assets is defined in accordance with Circular 87/2107/TT-BTC;
- d) Securities excluded from liquid capital comprise:
  - Securities issued buy entities related to the Company including: (i) its parent company, subsidiaries, associates and alliances and (ii) subsidiaries, associate and alliances of the its parent company;
  - Securities being suspended for transfer with remaining duration more than ninety (90) days since calculation date.



## **VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

### **REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2017**

#### **3 PRINCIPLE REPORTING POLICIES (continued)**

##### **3.2 Liquid capital (continued)**

###### **3.2.1 Deductions (continued)**

- e) Market valuation downside value of financial investments being carried at cost, except those excluded from liquid capital. The market value is determined in accordance with Circular 87/2017/TT-BTC;
- f) Current assets with remaining term of collection above ninety (90) days;
- g) Items which auditors qualify, express adverse opinion or disclaim to express opinion in audited/reviewed financial statements.

In determining deductions, the following reliefs are permitted:

- Relief on assets being collaterals for the Company's obligations is the minimum of (i) their market value determined in accordance with Circular 87/2017/TT-BTC, (ii) their book value and (iii) the remaining value of the obligation.
- Relief on assets collateralised by customers' assets is the minimum of (i) their market value in accordance with Circular 87/2017/TT-BTC and (ii) their book value.

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

###### **3.2.2 Additions**

Liquid capital of the Company is increased by maximum 50% of equity, by addition of the following items:

- a) Market valuation upside value of financial investments being carried at cost, except those excluded from liquid capital as noted in section 3.2.1. The market value is determined in accordance with Circular 87/2017/TT-BTC;
- b) Debts convertible into equity

Debts convertible into equity are comprise two groups below, and meet all conditions listed below:

- Convertible bonds (excluding equity component which is already 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 and in any case the holders are repaid only when the Company pays off its secured debts and unsecured debts ,

## VIET CAPITAL SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2017

#### 3 PRINCIPLE REPORTING POLICIES (continued)

##### 3.2 Liquid capital (continued)

##### 3.2.2 Additions (continued)

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

Conditions to qualify debts convertible into equity include the followings:

- Not secured by the Company's assets;
- The Company only redeems before maturity upon request of holders or repurchase on secondary market after announcing to the State Securities Commission in accordance with Circular 87/2017/TT-BTC;
- The Company is able to pause interest payment and delay to following year if such interest payment resulting a loss;
- In case of liquidation, the holder is only repaid after the Company pays off its secured and unsecured debts;
- Interest increase revision, including revision of interest spread, is applied after five (5) years since issue date and only once during its duration before conversion into ordinary shares;
- The debt is registered for addition in accordance with Circular 87/2017/TT-BTC.

Addition by debts convertible into equity reduces over time following principle below.

- During the last five (5) years before maturity/conversion date, the Company reduces by 20% of initial value each year;
- During the last four (4) quarters before maturity/conversion date, the Company reduces by 25% of remaining value each quarter, after reducing by 20% of initial value each year above.

##### 3.3 Position risk value

Position risk value associates with potential loss upon adverse change in market value of assets being owned or to be owned under underwriting commitment.

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

- Group 1: Assets exposed to market risk on net position value,
- Group 2: Securities under firm underwriting commitment not yet distributed and uncollected during underwriting period;
- Group 3: The Company's covered warrants in issue
- Group 4: Future contracts.

## VIET CAPITAL SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2017

#### 3 PRINCIPLE REPORTING POLICIES (continued)

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

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

###### a) Scope

This group includes the following assets:

- Securities in the Company's own trading account, excluding covered warrants not yet issued (applicable to securities companies) or trading account at other firms (applicable to fund management companies, securities companies without trading function), securities under entrustments, and other securities investments. Such securities include those awaiting transfer from the sellers;
- Securities borrowed on the Company's behalf or on other individuals/institutions;
- Securities received as collaterals then utilised/lent to third parties in accordance with the prevailing regulations;
- Cash and cash equivalents, transferable instruments, valuable papers belong to the Company;
- Securities under firm underwriting commitment not yet distributed and collected after payment deadline to issuers.

This group does not include the following items:

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

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

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

Where:

- Net position of each security at a point of time is the quantity being held at reporting date, adjusted by:
  - Deducting securities lent and securities being hedged by put options and future contracts,
  - Adding securities borrowed in accordance with prevailing regulations.
- Valuation manual is presented in section 3.3.5
- Market risk coefficient is determined for each specific asset items in accordance with Circular 87/2017/TT-BTC and presented in Section A of Risk Value Working in the Report



## VIET CAPITAL SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2017

#### 3 PRINCIPLE REPORTING POLICIES (continued)

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

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

##### c) Risk value of large exposures

Market risk of each asset is intensified when the Company takes too long position in it. Except for securities under firm underwriting commitment, Government bonds, Government guaranteed bonds, position risk value of each asset is increased following the principle below:

- Increase by 10% where the total exposure from investment in shares and bonds of an entity ranges from 10% to 15% of the Company's equity
- Increase by 20% where the total exposure from investment in shares and bonds of an entity ranges from 15% to 25% of the Company's equity
- Increase by 30% where the total exposure from investment in shares and bonds of an entity exceeds 25% of the Company's equity

Dividends, coupons and rights (if any) or interests from loans, cash deposits, cash equivalents, transferable intruments, valuable papers are included in market risk exposure.

##### 3.3.2 Securities under firm underwriting commitment not yet distributed and uncollected during underwriting period

Position risk value of this group is determining following the formula below:

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

Where:

- $Q_o$  is quantity of Securities under firm underwriting commitment not yet distributed and uncollected;
- $P_o$  is underwriting price;
- $V_c$  is market value of collateral assets (if any), determined in accordance with Circular 87/2017/TT-BTC,
- $R$  is underwriting risk coefficient. Underwriting risk coefficient is determined base on remaining period until distribution deadline according to contract, but not exceeding the duration permitted by laws, specifically presented as below:

	Underwriting risk coefficient
Remaining period until distribution deadline	
Above sixty (60) days	20%
From thirty (30) days to sixty (60) days	40%
Within thirty (30) days	60%
During the period from distribution deadline to payment deadline	80%

## VIET CAPITAL SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2017

#### 3 PRINCIPLE REPORTING POLICIES (continued)

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

##### 3.3.2 *Securities under firm underwriting commitment not yet distributed and uncollected during underwriting period (continued)*

- $r$ : is market risk coefficient, which is determined for each specific asset items in accordance with Circular 87/2017/TT-BTC and presented in Section A of Risk Value Working in the Report.
- $P_1$ : is transacted price, determined on the same basis of valuation manual presented in section 3.3.5. In case of initial public offering, including initial equitization auction, bond auction, the transacted price is book value per share of the issuer's most recent financial statements, or opening price (if book value is undetermined) or par value (applicable to bonds)

After payment deadline, the Company must determine position risk value of securities undistributed in accordance with requirements in section 3.3.5.

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

Position risk value of this group is determined following the formula below:

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

Where:

- $P_0$  is the settlement price of underlying securities at reporting date determined and announced by the Stock Exchanges;
- $Q_0$  is the quantity of the Company's covered warrants in issue;
- $k$  is the conversion rate;
- $P_1$  is price of underlying securities determined in accordance with requirements at section 3.3.5;
- $Q_1$  is the quantity of underlying securities held to secure the issued covered warrants;
- $r$  is market risk coefficient, which is determined for each specific asset items in accordance with Circular 87/2017/TT-BTC and presented in Section A of Risk Value Working in the Report;
- $MD$  is the statutory deposits for issued covered warrants;

Underlying securities per formula above must meet all of the following conditions.

- Included in the issue plan or registered to the State Securities Commission regarding their holding purpose is hedge against risk from covered warrants;
- Being underlying securities of the covered warrants.

When the covered warrants are out of the money, according to Circular 87/2017/TT-BTC, the Company is not required to calculate position risk value of issued covered warrants, yet it must calculate market risk value on underlying securities held to hedge risk from issued covered warrants.

The Company must calculate position risk value on the difference in value of underlying securities held to hedge risk from issued covered warrants and value of underlying securities needed to hedge risk from issued covered warrants. Value of necessary underlying securities must match value of hedges.



**VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2017**

**3 PRINCIPLE REPORTING POLICIES (continued)**

**3.3 Position risk value (continued)**

**3.3.4 Future contracts**

Position risk value of future contracts is determined based on the formula below:

$$\text{Position risk value} = (\text{Closing value} - \text{Purchase value}) \times \frac{\text{Market risk coefficient of future contracts}}{\text{Statutory deposits}}$$

Where:

- Closing value = Closing price x Opening quantity
- Purchase value is the value of underlying securities the Company purchases to secure its obligation from future contracts;
- Statutory deposits are assets deposited for speculation activities, trades and market making activities of derivatives

**3.3.5 Asset valuation**

Asset valuation is applied in accordance with Circular 87/2017/TT-BTC, specifically presented in table below.

No.	Asset type	Valuation base
<b>Cash and cash equivalents, money market instruments</b>		
1	Cash in VND	Carrying value at reporting date
2	Foreign currencies	Amount equivalent in VND at exchange rate of credit institutions permitted to trade foreign currencies
3	Term deposits	Deposit value plus accrued interest up to reporting date
4	Treasury bills, banker's acceptances, commercial papers, transferable certificates of deposit, bonds and other discountable money market instruments	Purchase value plus accrued interest up to reporting date
<b>Bonds</b>		
5	Listed bonds	<ul style="list-style-type: none"> <li>- Quoted price of outright transactions on Stock Exchanges as at the latest trading date prior to the valuation date plus accrued interest (if quoted price is clean)</li> <li>- If not traded within the two (2) weeks prior to the reporting date, valuation base is the maximum of the followings: <ul style="list-style-type: none"> <li>a) Purchase price plus accrued interest</li> <li>b) Par value plus accrued interest</li> <li>c) Internal valuation base, plus accrued interest</li> </ul> </li> </ul> <p>In other words: Max (a,b,c)</p>

**VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2017**

**3 PRINCIPLE REPORTING POLICIES (continued)**

**3.3 Position risk value (continued)**

**3.3.5 Asset valuation (continued)**

TT	Asset type	Valuation base
<b>Bonds (continued)</b>		
6	Unlisted bonds	<p>Maximum of the followings:</p> <ul style="list-style-type: none"> <li>a) Quoted price on selected bond quotation system (if any) plus accrued interest;</li> <li>b) Purchase price plus accrued interest</li> <li>c) Par value plus accrued interest</li> <li>d) Internal valuation base, plus accrued interest</li> </ul> <p>In other words: Max (a,b,c,d)</p>
7	Shares listed on Ho Chi Minh City Stock Exchanges	<ul style="list-style-type: none"> <li>- Closing price of the latest trading date prior to the reporting date;</li> <li>- If not traded within the two (2) weeks prior to the reporting date, valuation base is the maximum of the followings: <ul style="list-style-type: none"> <li>a) Book value;</li> <li>b) Purchase price;</li> <li>c) Internal valuation base.</li> </ul> </li> </ul> <p>In other words: Max (a,b,c)</p>
8	Shares listed on Hanoi Stock Exchanges	<ul style="list-style-type: none"> <li>- Closing price of the latest trading date prior to the reporting date;</li> <li>- If not traded within the two (2) weeks prior to the reporting date, valuation base is the maximum of the followings: <ul style="list-style-type: none"> <li>a) Book value;</li> <li>b) Purchase price;</li> <li>c) Internal valuation base.</li> </ul> </li> </ul> <p>In other words: Max (a,b,c)</p>
9	Shares of public companies registered for trading on UPCoM	<ul style="list-style-type: none"> <li>- Closing price of the latest trading date prior to the reporting date;</li> <li>- If not traded within the two (2) weeks prior to the reporting date, valuation base is the maximum of the followings: <ul style="list-style-type: none"> <li>a) Book value;</li> <li>b) Purchase price;</li> <li>c) Internal valuation base.</li> </ul> </li> </ul> <p>In other words: Max (a,b,c)</p>

**VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2017**

**3 PRINCIPLE REPORTING POLICIES (continued)**

**3.3 Position risk value (continued)**

**3.3.5 Asset valuation (continued)**

TT	Asset type	Valuation base
<b>Shares (continued)</b>		
10	Shares unlisted, registered and unregistered for trading equities held in custody at Vietnam Securities Depository ("VSD")	<ul style="list-style-type: none"> <li>- The average of transacted prices announced by the three (03) independent quoting entities at the latest trading date within one (01) month prior to the reporting date.</li> <li>- If lack of at least 3 quotations, valuation base is the maximum of:                             <ul style="list-style-type: none"> <li>a) Quoted prices</li> <li>b) Most recently quoted prices</li> <li>c) Book value</li> <li>d) Purchase price</li> <li>e) Internal valuation base</li> </ul>                             In other words: Max (a,b,c,d,e)                         </li> </ul>
11	Suspended equities, delisted equities or cancelled equities	Valuation base is the maximum of: <ul style="list-style-type: none"> <li>a) Book value</li> <li>b) Purchase price</li> <li>c) Internal valuation base</li> </ul> In other words: Max (a,b,c,)
12	Equities of entities in the process of dissolution or bankruptcy	80% of disposal value of these equities as at the latest preparation date of the statement of the financial position prior to the reporting date, or internal valuation base.
13	Other equities, other investments	Valuation base is the maximum of: <ul style="list-style-type: none"> <li>a) Book value</li> <li>b) Purchase price</li> <li>c) Internal valuation base</li> </ul> In other words: Max (a,b,c,)



**VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

**REPORT ON CAPITAL ADEQUACY RATIO  
AS AT 31 DECEMBER 2017**

**3 PRINCIPLE REPORTING POLICIES (continued)**

**3.3 Position risk value (continued)**

**3.3.5 Asset valuation (continued)**

TT	Asset type	Valuation base
<b>Certificate/share of securities investment company</b>		
14	ETF Public Closed-end fund/ ETF	<ul style="list-style-type: none"> <li>- Closing prices of last trading date prior to reporting date;</li> <li>- If not traded within two (2) weeks before reporting date: NAV per certificate as at the fund's last valuation date prior to reporting date of the Company</li> </ul>
15	Private fund/Shares of private securities investment funds	Net asset value per unit as at the fund's last valuation date prior to reporting date of the Company
16	Other assets	Internal valuation base
<b>Fixed assets</b>		
17	Land use right	Amount reported by appointed independent valuing firm
18	Buldings including construction in progress	Amount reported by appointed independent valuing firm/cumulative cost of construction in progress
19	Equipments and motor vehicles	Carrying value
20	Other fixed assets	Amount reported by appointed independent valuing firm
<b>Other securtles</b>		
21	Covered warrants issued by another securities dealing entities	<ul style="list-style-type: none"> <li>- Closing price on last trading date prior to reporting date;</li> <li>- Purchase price (applicable to unlisted covered warrants).</li> </ul>
22	Shares listed on foreign stock exchanges	<ul style="list-style-type: none"> <li>- Price converted into VND at applicable exchange rate at reporting date</li> <li>- Closing price of the latest trading date prior to the reporting date;</li> <li>- If not traded within the two (2) weeks prior to the reporting date, valuation base is the maximum of the followings:                             <ul style="list-style-type: none"> <li>a) Book value;</li> <li>b) Purchase price;</li> <li>c) Internal valuation base.</li> </ul> </li> </ul> <p>In other words: Max (a,b,c)</p>

## VIET CAPITAL SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2017

#### 3 PRINCIPLE REPORTING POLICIES (continued)

##### 3.4 Counterparty risk value

Counterparty risk value associates with potential loss from counterparty's failure to pay or transfer assets as timely as committed.

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

- Term deposits at credit institutions, loans to other institutions and individuals;
- Securities borrowing contracts in accordance with prevailing regulations;
- Repo contracts in accordance with prevailing regulations;
- Reverse repo contracts in accordance with prevailing regulations;
- Margin loans contracts in accordance with prevailing regulations;
- Balances from co-underwriting contracts with firm commitment where the Company is the lead underwriter;
- Receivables not yet due, including those related to brokerage activities for sales transactions;
- Overdue receivables, including matured bonds, valuable papers, matured debt instruments but not yet collected;
- Assets past due but not transfer, including securities of the Company's own transactions and customer's transactions in brokerage service.

For term deposit at credit institutions; loans to other institutions or individuals; securities borrowing contracts in accordance with prevailing regulations; repo contracts in accordance with prevailing regulations; reverse repo contracts in accordance with prevailing regulations, margin loans contracts in accordance with prevailing regulations; receivables and other receivables and other assets exposed to counterparty risk, the counterparty risk is determined according to the following formula:

Counterparty risk value – Risk coefficient by counterparty x Counterparty risk exposure

For balances from co-underwriting contracts with firm commitment where the Company is the lead underwriter, the counterparty risk value is determined by 30% of the remaining value of outstanding contracts.

For overdue receivables, other receivables and other assets; assets past due but not transfer including securities, uncollected term deposits at credit institutions; overdue loans to other institutions and individuals, overdue securities borrowing contracts in accordance with prevailing regulations; overdue repo contracts in accordance with prevailing regulations; overdue reverse repo contracts in accordance with prevailing regulations, overdue margin loans contracts in accordance with prevailing regulations, the counterparty risk is determined according to the following formula:

Counterparty risk value = Risk coefficient by time x Counterparty risk exposure



## VIET CAPITAL SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2017

#### 3 PRINCIPLE REPORTING POLICIES (continued)

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

###### 3.4.1 Risk coefficient by counterparty

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

Risk coefficient by counterparty is determined as in table below:

	Type of counterparty	Risk coefficient
(1)	The Government, Government guarantee issuers, governments and central banks of countries in OECD; People's Committees of Municipalities	0%
(2)	Stock Exchanges, Securities Depository Centre	0.8%
(3)	Credit institutions, financial institutions, securities securities dealing institutions incorporated in OECD countries and with credit ratings qualifying certain internal requirements of the Company	3.2%
(4)	Credit institutions, financial institutions, securities dealing institutions incorporated outside OECD countries; or incorporated in OECD countries but not qualify certain internal requirements of the Company	4.8%
(5)	Credit institutions, financial institutions, securities dealing institutions incorporated and operating in Vietnam	6%
(6)	Other institutions and individuals	8%

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

	Overdue dates since deadlines of payments/ securities settlements	Risk coefficient
(1)	0 – 15 days since deadlines of payments/ securities settlements	16%
(2)	16 – 30 days since deadlines of payments/ securities settlements	32%
(3)	31 – 60 days since deadlines of payments/ securities settlements	48%
(4)	Over 60 days since deadlines of payments/ securities settlements	100%

## VIET CAPITAL SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2017

#### 3 PRINCIPLE REPORTING POLICIES (continued)

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

##### 3.4.3 Counterparty risk exposure

No.	Type of transactions	Counterparty risk exposure
1.	Term deposits and unsecured loans and balances from securities trading activities and brokerage activities	Entire value of the loans
2.	Financial asset loans/ Agreements of common substance	$\text{Max}\{(\text{Market value of contracts} - \text{Value of collateral assets (if any)}), 0\}$
3.	Financial asset borrowings/ Agreements of common substance	$\text{Max}\{(\text{Value of collateral assets} - \text{Market value of contracts}), 0\}$
4.	Reverse repo contracts/ Agreements of common substance	$\text{Max}\{(\text{Value of contracts at purchase price} - \text{Market value of contracts} \times (1 - \text{Market risk coefficient})), 0\}$
5.	Repo contracts/ Agreements of common substance	$\text{Max}\{(\text{Market value of contracts} \times (1 - \text{Market risk coefficient}) - \text{Value of contracts by selling price}), 0\}$
6.	Margin lending contracts/ Agreements of common substance	$\text{Max}\{(\text{Debt balance} - \text{Value of collateral assets}), 0\}$

##### 3.4.4 Counterparty risk exposure relief

Counterparty risk exposure relief is applicable to contracts and transactions that meet all of the following conditions:

- Counterparty/customer has collateral assets to secure their obligations and collateral assets are cash and cash equivalents, valuable papers, transferable money market instruments, listed securities, securities registered for trading, Government bonds, bonds guaranteed by the Ministry of Finance;
- The Company reserves discretion to control, utilise or transfer the collateral assets in case the counterparty fails to meet their obligations sufficiently and timeline as committed in the contracts.

Value of assets backing the relief is determined as follows:

Value of collateral assets = Quantity x Asset price x (1 – Market risk coefficient)

## **VIET CAPITAL SECURITIES JOINT STOCK COMPANY**

### **REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2017**

#### **3 PRINCIPLE REPORTING POLICIES (continued)**

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

###### **3.4.5 Risk value of large exposures**

Counterparty risk value is increased following the principle below:

- Increase by 10% where the total exposure from an entity, an individual and a group of related entities and individuals (if any) ranges from 10% to 15% of the Company's equity
- Increase by 20% where the total exposure from an entity, an individual and a group of related entities and individuals (if any) ranges from 15% to 25% of the Company's equity
- Increase by 30% where the total exposure from an entity, an individual and a group of related entities and individuals (if any), or an individual and their related parties (if any) exceeds 25% of the Company's equity.

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

Counterparty risk exposure can be bilateral offset if:

- Counterparty risks relates to the same counterparty
- risks arise on the same type of transactions;
- Bilateral offsetting has been agreed in written form.

##### **3.5 Operational risk value**

Operational risk value associates with potential loss from technical failure, system malfunction, control deficiencies, human errors, insufficient working capital due to unexpected expenses and investment losses, and other uncontrollable causes.

Operational risk value of the Company is determined at the maximum of the following values:

- 25% of recurring expenses of the Company in twelve (12) consecutive months preceeding reporting date,
- 20% of the Company's legal capital.

Recurring expenses of the Company is the total expenses charged to the statement of income, less the following items:

- Depreciations and amortisations;
- Provision or reversal of provision for impairment loss of short-term financial assets and mortgages;
- Provision or reversal of provision for impairment loss of long-term financial assets;
- Provision or reversal of provision for impairment loss of receivables;
- Provision or reversal of provision for impairment loss of other current assets.



## VIET CAPITAL SECURITIES JOINT STOCK COMPANY

### REPORT ON CAPITAL ADEQUACY RATIO AS AT 31 DECEMBER 2017

#### 4 SUBSEQUENT EVENTS

On 17 January 2018, the Board of Directors approved the first plan of corporate bonds issuance in 2018 to increase working capital capacity of the Company. Details of this plan are as follows:

Type of bond	Non-convertible and unsecured
Par value	VND10,000,000
Quantity of issue	50,000
Total value of issue	VND500,000,000,000
Issue price	At par value
Interest rate	Vary on each issue at the Board of Management's discretion, not exceeding the average of medium mobilising interest rate of Joint Stock Commercial Bank for Investment and Development of Vietnam and Vietnam Joint Stock Commercial Bank for Industry and Trade plus 4.5%

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

The Report was approved by the Board of Management on 28 March 2018.



Doan Minh Thien  
Chief Accountant



Trinh Thi Thu Huyen  
Head of Internal Control



To Hai  
Chief Executive Officer