

Bao Viet Securities Joint Stock Company

Financial safety ratio report (liquid capital ratio report)

31 December 2015



Bao Viet Securities Joint Stock Company

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Bao Viet Securities Joint Stock Company

GENERAL INFORMATION (continued)

COMPANY

Bao Viet Securities Joint Stock Company ("the Company", "BVSC") is a joint-stock company established in Vietnam under Incorporation Licence No. 4640/GP-UB issued on 1 October 1999 by the Hanoi People's Committee and Business Licence No. 01/GPHDKD issued on 26 November 1999 by the State Securities Commission with its original charter capital of VND 43,000,000,000.

On 13 December 2006, the Company's shares were officially traded on Hanoi Securities Trading Center (now Hanoi Stock Exchange) pursuant to an approval in Decision No. 51/QD-TTGDHN issued on 30 November 2006 by Hanoi Securities Trading Center and the Certificate of Securities Custody Registration No. 33/2006-GCNCP-TTLK issued on 13 December 2006 by Vietnam Securities Depository. On 10 December 2009, the Company was granted Amended Certificate of securities operating license No.01/GPHDKD in accordance with Decision No.288/UBCK-GP issued by the State Securities Commission on increasing its charter capital to VND 722,339,370,000.

The principal activities of the Company are brokerage services, custodian services, proprietary trading, underwriting for share issuance, and corporate finance and investment advisory services.

The Company's head office is located at Bao Viet Group Building, No. 8 Le Thai To, Hoan Kiem District, Hanoi and its branch is located at Bao Viet Group Building No. 233, Dong Khoi Street, District 1, Ho Chi Minh City.

BOARD OF DIRECTORS

Members of the Board of Directors during the year ended 31 December 2015 and at the date of this report are:

Name	Position	Date of appointment/ resignation
Mr. Phan Kim Bang	Chairman	Appointed on 15 April 2015
Mr. Le Van Binh	Member	Appointed on 03 April 2010 Reappointed on 15 April 2015
Mr. Nhu Dinh Hoa	Member	Appointed on 03 April 2010 Reappointed on 15 April 2015
Mr. Bui Tuan Trung	Member	Appointed on 15 April 2015
Mr. Trinh Tuan Anh	Member	Appointed on 15 April 2015 Resigned on 15 September 2015
Mr. Pham Ngoc Tu	Member	Appointed on 15 September 2015
Mr. Nguyen Duc Tuan	Chairman	Appointed on 26 April 2013 Resigned on 15 April 2015
Mr. Le Hai Phong	Vice Chairman	Appointed on 03 April 2010 Resigned on 15 April 2015
Mr. Truong Ngoc Lan	Member	Appointed on 26 April 2013 Resigned on 15 April 2015

Bao Viet Securities Joint Stock Company

GENERAL INFORMATION (continued)

BOARD OF SUPERVISION

Members of the Board of Supervision during the year ended 31 December 2015 and at the date of this report are:

<u>Name</u>	<u>Position</u>	<u>Date of appointment/ resignation</u>
Mr. Nguyen Xuan Hoa	Head of the Board	Appointed on 15 April 2015
Mr. Hoang Giang Binh	Member	Appointed on 15 April 2015
Ms. Nguyen Thi Thanh Van	Member	Appointed on 15 April 2015
Mr. Pham Trung Thanh	Head of the Board	Appointed on 03 April 2010 Resigned on 15 April 2015
Ms. Tran Thi Bich	Member	Appointed on 03 April 2010 Resigned on 15 April 2015
Ms. Luong Thi Bich Ngoc	Member	Appointed on 03 April 2010 Resigned on 15 April 2015

BOARD OF MANAGEMENT

Members of Board of Management during the year ended 31 December 2015 and at the date of this report are:

<u>Name</u>	<u>Position</u>	<u>Date of appointment</u>
Mr. Nhu Dinh Hoa	Chief Executive Officer	Appointed on 18 March 2011 Reappointed on 05 May 2014
Mrs. Nguyen Thi Thanh Thuy	Deputy Chief Executive Officer	Appointed on 15 July 2010 Reappointed on 15 July 2013
Mr. Vo Huu Tuan	Deputy Chief Executive Officer Director of Ho Chi Minh Branch	Appointed on 04 February 2011 Reappointed on 05 May 2014

LEGAL REPRESENTATIVE

The legal representative of the Company during the year ended on 31 December 2015 and at the date of this report is Mr. Nhu Dinh Hoa - Chief Executive Officer.

AUDITORS

The auditor of the Company are Ernst & Young Vietnam Limited.

Bao Viet Securities Joint Stock Company

REPORT OF MANAGEMENT

Management of Bao Viet Securities Company ("the Company") is pleased to present its report and the financial safety ratio report (the liquid capital ratio report) of the Company as at 31 December 2015.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL SAFETY RATIO REPORT (THE LIQUID CAPITAL REPORT)

Management confirmed that it has complied with the requirements of Circular No. 226/2010/TT-BTC and Circular No. 165/2012/TT-BTC amending and supplementing a number of articles of Circular No. 226/2010/TT-BTC dated 31 December 2010 issued by the Ministry of Finance on financial safety ratios and remedies applicable to securities companies that fail to meet the stipulated financial safety ratios for the year ended 31 December 2015.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying financial safety ratio report (the Liquid capital ratio report) is prepared in accordance with the requirements of Circular No. 226/2010/TT-BTC and Circular No. 165/2012/TT-BTC amending and supplementing a number of articles of Circular No. 226/2010/TT-BTC dated 31 December 2010 issued by the Ministry of Finance on financial safety ratios and remedies applicable to securities companies that fail to meet the stipulated financial safety ratios.



For and on behalf of Management:

[Signature]
Mr. Nhu Dinh Hoa
Chief Executive Officer

Hanoi, Vietnam

25 March 2016

Reference: 60758149/17122758

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)

To: Shareholders of Bao Viet Securities Joint Stock Company

We have audited the accompanying financial safety ratio report (liquid capital ratio report) of Bao Viet Securities Joint Stock Company ("the Company") as at 31 December 2015 as presented on 25 March 2016 and as set out on pages from 06 to 25.

Management's responsibility

The Company's management is responsible for the preparation and fair presentation of this financial safety ratio report (liquid capital ratio report) in accordance with Circular No. 226/2010/TT-BTC dated 31 December 2010 issued by the Ministry of Finance on financial safety ratios and remedies applicable to securities companies that fail to meet the stipulated financial safety ratios and Circular No. 165/2012/TT-BTC dated 9 October 2012 amending and supplementing a number of articles of Circular No. 226/2010/TT-BTC.

Auditor's responsibility

Our responsibility is to express an opinion on the financial safety ratio report (liquid capital ratio 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 to obtain reasonable assurance about whether the financial safety ratio report (liquid capital ratio report) is free from material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the information in the financial safety ratio report (liquid capital ratio report). The audit procedures selected depend on the auditor's judgment, including examining, on a test basis, evidence supporting the information in the financial safety ratio report (liquid capital ratio report).


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

Opinion

In our opinion, the financial safety ratio report (liquid capital ratio report) as at 31 December 2015 was prepared and presented, in all material respects, in accordance with Circular No. 226/2010/TT-BTC dated 31 December 2010 issued by the Ministry of Finance on financial safety ratios and remedies applicable to securities companies that fail to meet the stipulated financial safety ratios and Circular No. 165/2012/TT-BTC dated 9 October 2012 amending and supplementing a number of articles of Circular No. 226/2010/TT-BTC and Note 2.1 of the financial safety ratio report (liquid capital ratio report).

Ernst & Young Vietnam Limited




Saman Bandara
Deputy General Director
Audit Practising Registration
Certificate No. 2036-2014-004-1


Trinh Hoang Anh
Auditor
Audit Practising Registration
Certificate No. 2071-2013-004-1

Hanoi, Vietnam

25 March 2016

Company's name: Bao Viet Securities
Joint Stock Company
Official Letter No: :.../2015/BVSC-TCKT.

SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness

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Re: Financial safety ratio report

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Hanoi, 25 March 2016

To: State Securities Commission

FINANCIAL SAFETY RATIO REPORT
(LIQUID CAPITAL RATIO REPORT)

As at: 31 December 2015

We hereby confirm that:

- (1) The report is prepared based on the updated data at the reporting date in accordance with Circular No. 226/2010/TT-BTC on 31 December 2010 issued by the Ministry of Finance on financial safety ratios and remedies applicable to securities companies that fail to meet the stipulated financial safety ratios and Circular No. 165/2012/TT-BTC dated 9 October 2012 amending and supplementing a number of articles of Circular No. 226/2010/TT-BTC;
- (2) Subsequent events after the date of this report that can have effects on the financial position of the Company will be updated in the next reporting period.
- (3) We bear full legal responsibility for the accuracy and truthfulness of the contents of our report.



Ms. Nguyen Hong Thuy
Head of Financial
Accounting Department



Ms. Vu Thu Hoa
Deputy Head of Internal control



Mr. Nhu Dinh Hoa
Chief Executive Officer

Hanoi, Vietnam

25 March 2016


Bao Viet Securities Joint Stock Company


NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)
as at 31 December 2015

Unit: VND

No	Items	Note	Exposures to risk/ Liquid Capital
1	Total exposures to market risk	4	89,359,681,378
2	Total exposures to settlement risk	5	47,633,437,873
3	Total exposures to operational risk	6	60,000,000,000
4	Total exposures to risk (4=1+2+3)		196,993,119,251
5	Liquid Capital	7	1,447,752,923,830
6	Liquid Capital ratio (6=5/4) (%)		735%




Ms. Nguyen Hong Thuy
Head of Financial
Accounting Department


Ms. Vu Thu Hoa
Deputy Head of Internal control


Mr. Nhu Dinh Hoa
Chief Executive Officer

Hanoi, Vietnam

25 March 2016

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)
as at 31 December 2015

1. THE COMPANY

Bao Viet Securities Joint Stock Company ("the Company", "BVSC") is a joint-stock company established in Vietnam under Incorporation Licence No. 4640/GP-UB issued on 1 October 1999 by the Hanoi People's Committee and Business Licence No. 01/GPHDKD issued on 26 November 1999 by the State Securities Commission with its original charter capital of VND 43,000,000,000.

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The principal activities of the Company are brokerage service, custodian service, proprietary trading, underwriting, and corporate finance and investment advisory service.

The Company's head office is located at Bao Viet Group Building, No. 8 Le Thai To, Hoan Kiem District, Hanoi and its branch is located at Bao Viet Group Building No. 233, Dong Khoi Street, District 1, Ho Chi Minh City.

The number of Company's employees as at 31 December 2015 was 224 people (as at 31 December 2014 was 213 people).

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)
as at 31 December 2015

2. BASIS OF PRESENTATION

2.1 *The applicable regulations*

The financial safety ratio report (liquid capital ratio report) of the Company is prepared in accordance with Circular No. 226/2010/TT-BTC and Circular No. 165/2012/TT-BTC dated 9 October 2012, amending and supplementing Circular No. 226/2010/TT-BTC dated 31 December 2010 issued by the Ministry of Finance on financial safety ratios and remedies applicable to securities companies that fail to meet the stipulated financial safety ratios.

The financial safety ratio report (the liquid capital ratio report) is prepared based on the financial figures of the Company.

Interpretations internally applied for certain cases for which there is no specific guidance in Circular No. 226/2010/TT-BTC and Circular No. 165/2012/TT-BTC amending and supplementing Circular No. 226/2010/TT-BTC

In the preparation and presentation of this report, the Company has applied the following interpretations for certain cases for which no specific guidance is available in Circular No. 226/2010/TT-BTC and Circular No. 165/2-12/TT-BTC based on the Company's understanding and own assessment as follows:

STT	Items	The Company's interpretation
1	The item " Retained earnings and undistributed profit after tax before establishing statutory reserves " (Item g, Clause 1, Article 4 – Liquid Capital, Circular No. 226/2010/TT-BTC)	This item is determined by the sum of: <ul style="list-style-type: none">- Retained earnings;- Undistributed profit after tax as at 31 December 2014;- Closing balance of provisions as at 31 December 2015.
2	The item " Receivables " (Item g, Clause 1, Article 9 - The exposures to settlement risk, Circular No. 226/2010/TT-BTC)	"Receivables" also include other receivables and other assets exposed to settlement risk and the exposures to settlement risk are calculated using the formula specified in Circular No. 226/2010/TT-BTC.

2.2 *Reporting currency*

The Company prepares this report in Vietnam dong ("VND").

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)
as at 31 December 2015

3. SUMMARY OF SIGNIFICANT POLICIES FOR THE PREPARATION OF FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)

3.1 *Liquid capital ratio*

Liquid capital ratio is a measure of financial safety of the Company, reflecting the Company's ability to quickly settle its financial obligations and its ability to absorb the risks arising in the course of business operations.

Liquid capital ratio of the Company is determined using the formula specified in Circular No. 226/2010/TT-BTC and Circular 165/2012/TT-BTC as follows:

$$\text{Liquid Capital ratio} = \frac{\text{Liquid Capital} \times 100\%}{\text{Total exposures to risks}}$$

In particular, total exposures to risks are the sum of exposures to market risk, exposures to settlement risk, and exposures to operational risk.

3.2 *Liquid Capital*

As stipulated in No. Circular 226/2010/TT-BTC, the Company's liquid capital is the total equity that can be converted into cash within ninety (90) days. In particular:

- ▶ Owners' equity, excluding redeemable preferred shares (if any);
- ▶ Share premium ;
- ▶ Supplementary capital reserve;
- ▶ Investment and development fund;
- ▶ Financial reserve;
- ▶ Other reserves belonging to owners' equity;
- ▶ Retained earnings and undistributed profit after tax before making statutory reserves;
- ▶ The difference of asset revaluation (50% of the increase or 100% of the decrease)
- ▶ Differences in foreign exchange rate;
- ▶ Minorities' interests.

The Company's liquid capital is adjusted (i.e.increased/decreased) for the following items:

3.2.1 *Increases to Liquid Capital*

- ▶ Convertible debts of the Company with original maturity of 5 years;
- ▶ Debts with original maturity of more than 10 years which have been registered to supplement the Company's liquid capital with the State Securities Commission; and
- ▶ Total surplus value of investments, excluding the securities issued by the Company's related parties as well as securities restricted to transfer with the remaining restriction period of more than 90 days as from the date of the financial safety ratio report (liquid capital ratio report).

The maximum value of items used to supplement liquid capital is 50% of the Company's owners' equity. Regarding convertible debts and debts registered to supplement the Company's liquid capital with the State Securities Commission, the Company deducts 20% of their original value each year during the last five (05) years prior to maturity/conversion into common shares and deducts 25% of residual value quarterly during the last four (04) quarters prior to maturity/conversion into common shares.

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)
as at 31 December 2015

3. SUMMARY OF SIGNIFICANT POLICIES FOR THE PREPARATION OF FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)

3.2 *Liquid Capital* (continued)

3.2.2 *Decreases to liquid capital*

- ▶ Redeemable preferred shares and treasury shares (if any);
- ▶ Total decreased value of investments, excluding the securities issued by the Company's related parties as well as the securities restricted to transfer with the remaining restriction period of more than 90 days as from the date of financial safety ratio report (liquid capital ratio report);
- ▶ Long-term assets and short-term assets with the remaining recovery period or settlement period of more than 90 days; and
- ▶ The qualified items on the audited financial statements (if any).

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

3.3 *Exposures to market risk*

Exposures to market risk are the potential losses which may occur when the market value of the Company's assets fluctuates in a negative trend and are determined by the Company at the end of the transaction day using the following formula:

Exposures to market risk = Net position x Asset price x Market risk coefficient

In particular, net position is the net volume of securities held by the Company at the reporting date, after being deducted by the number of securities lent and increased by the number of securities borrowed in accordance with prevailing regulations.

All of the Company's assets are subject to market risk at the reporting date.

3.3.1 *Market risk coefficient*

Market risk coefficient is determined for each item of assets as specified in Circular No. 226/2010/TT-BTC.

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)
as at 31 December 2015

3. SUMMARY OF SIGNIFICANT POLICIES FOR THE PREPARATION OF FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)

3.3 *Exposures to market risk* (continued)

3.3.2 *Asset price*

a. Cash and cash equivalents, money market instruments

Value of cash in VND is the balance of cash at the calculation date.

Value of cash in foreign currencies is the equivalent value in VND using the exchange rate published by credit institutions which are allowed to conduct foreign currencies trading at the calculation date.

Value of term deposits and money market instruments is the amount deposited or acquisition cost plus accrued interest as at the calculation date.

b. Bonds

Value of listed bonds is the average price quoted on the trading system of Securities Stock Exchange on the latest trading day plus accrued interest. In case there is no transaction for such bonds during more than two (2) weeks prior to the date of calculation, the value of bonds is the highest of the following values: acquisition cost; face value and price determined by the internal valuation methods, including accrued interest.

Value of unlisted bonds is the highest of the following values: quoted price on the quotation system selected by the Company (if any); acquisition cost plus accrued interest; price determined by the internal valuation methods, including accrued interest.

c. Shares

Value of listed shares are determined based on the quoted closing prices on the Ho Chi Minh Stock Exchange and the Hanoi Stock Exchange of the latest trading day prior to the date of calculation.

Value of unlisted shares which have been registered on the unlisted public companies market (UPCoM) is the closing prices of the latest trading day prior to the date of calculation.

In case there is no transaction of the shares during more than two (2) weeks prior to the date of calculation or the shares are suspended, delisted or cancelled, value of these shares is the highest of the following values: book value; acquisition cost and price determined by internal valuation methods of the Company.

Value of shares which are registered or custodied but have not been listed or registered for trading is the average price of quotations from at least three (03) securities companies which are not related to the Company on the latest trading day prior to the date of calculation. If there are no sufficient quotation from at least three (03) securities companies, the value of shares is the highest of the following values: quoted price; value determined in the latest reporting period; book value; acquisition cost; price determined by internal valuation methods of the Company.

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)
as at 31 December 2015

3. SUMMARY OF SIGNIFICANT POLICIES FOR THE PREPARATION OF FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)

3.3 *Exposures to market risk* (continued)

3.3.3 *Adjustment to increase the exposures to market risk*

Except for the securities under firm commitment issuance underwriting contract, Government bonds and bonds guaranteed by the Government, exposures to market risk of an asset will be adjusted to increase if the Company makes significant investment in such asset. The exposures to market risk will be adjusted in accordance with following principles:

- ▶ An increase of 10% if the value of this investment accounts for 10% to 15% of the owners' equity of the Company.
- ▶ An increase of 20% if the value of this investment accounts for 15% to 25% of the owners' equity of the Company.
- ▶ An increase of 30% if the value of this investment accounts for more than 25% of the owners' equity of the Company.

Dividends, coupons, preference right of shares (if any) or interest of deposits, cash equivalents, negotiable instruments and valuable papers shall be added to the value of asset for the purpose of determining the exposures to market risk.

3.4 *Exposures to settlement risk*

Exposures to settlement risk are the potential losses which may occur when a partner fails to fulfill its settlement obligation or transfer assets on time as committed. Exposures to settlement risk are determined at the transaction date as follows:

- ▶ For term deposits at credit institutions; loans to organizations and individuals; securities borrowing contracts in accordance with legal regulations; repurchase agreements and reversed repurchase agreements in accordance with prevailing regulations; margin loans in accordance with prevailing regulations; receivables, other receivables and other assets exposed to settlement risk, exposures to settlement risk before the date of securities transfer / cash settlement / contract liquidation shall be determined using the following formula:

Exposures to settlement risk = Settlement risk coefficient of partner x Value of assets exposed to settlement risk;

- ▶ For underwriting contracts in the form of firm commitment signed with other organizations in a syndicated underwriting contract in which the Company is the lead underwriter, the exposures to settlement risk value equals 30% of the remaining value of unpaid underwriting contracts.
- ▶ For overdue receivables, other receivables and other assets, securities which have not been received on time, including securities and cash which have not been received from term deposits at credit institutions; loans to organizations and individuals; securities borrowing contracts in accordance with prevailing regulations; repurchase and reverse repurchase agreements in accordance with prevailing regulations; matured margin loans in accordance with prevailing regulations, exposures to settlement risk is determined as follows:

Exposures to settlement risk = Settlement risk coefficient by time x Value of assets exposed to settlement risk.

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)
as at 31 December 2015

3. SUMMARY OF SIGNIFICANT POLICIES FOR THE PREPARATION OF FINANCIAL PRUDENT RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)

3.4 Exposures to settlement risk (continued)

3.4.1 Settlement risk coefficient

Settlement risk coefficient is determined based on the type of counterparties and the overdue period as stipulated in Circular No. 226/2010/TT-BTC.

Settlement/transfer period of securities is T+3 (for listed securities), T+1 (for listed bonds); or T+n (for transactions outside the official trading system within n days under agreement of both parties).

3.4.2 Value of assets exposed to settlement risk

a. Purchase or sale of securities for customers or the Company

Value of assets exposed to settlement risk is the market value of the contract determined as follows:

- ▶ Value of assets exposed to settlement risk in securities borrowing and lending contracts, margin trading, repurchase transactions, loans for margin trading, repurchase or reverse repurchase agreements:

No	Type of transaction	Value of assets exposed to settlement risk
1.	Term deposits and loans without collaterals	Total loan value
2.	Securities lending	$\text{Max}\{(\text{Market value of the contract} - \text{Collateral value (if any)}), 0\}$
3.	Securities borrowing	$\text{Max}\{(\text{Collateral value} - \text{Market value of the contract}), 0\}$
4.	Reverse repurchase agreements	$\text{Max}\{(\text{Contract value based on purchase price} - \text{Market value of the contract} \times (1 - \text{Market risk coefficient})), 0\}$
5.	Repurchase agreements	$\text{Max}\{(\text{Market value of the contract} \times (1 - \text{Market risk coefficient}) - \text{Contract value based on selling price}), 0\}$
6.	Margin contracts (loans to customers to purchase securities)/other economic agreements with the similar nature	$\text{Max}\{(\text{Margin balance} - \text{Collateral value}), 0\}$

Margin balance includes outstanding loan principal, interest and other fees.

Collateral value is the market value of collaterals. In case the value of collaterals has no reference in the market, its value is determined by the internal methods of the Company.

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)
as at 31 December 2015

3. SUMMARY OF SIGNIFICANT POLICIES FOR THE PREPARATION OF FINANCIAL PRUDENT RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)

3.4 Exposures to settlement risk (continued)

3.4.2 Value of assets exposed to settlement risk (continued)

► Value of assets exposed to settlement risk in securities trading

No.	Period	Value of assets exposed to settlement risk
A – For the selling transactions (the seller is the Company or its customers under the securities brokerage activities)		
1.	Before the settlement date/period	0
2.	After the settlement date/period	Market value of the contract (if market value is less than trading value)
		0 (if market value is greater than trading value)
B – For the buying transactions (the buyer is the Company or the Company's customer)		
1.	Before the securities transfer date/period	0
2.	After the securities transfer date/period	Market value of the contract (if market value is less than trading value)
		0 (if market value is greater than trading value)

b. Receivables, matured bonds, matured debt instruments

Value of assets exposed to settlement risk is the value of receivables calculated based on par value, plus accrued interest, related costs and less cash received previously (if any).

3.4.3 Deduction to value of assets exposed to settlement risk

The value of collaterals shall be deducted from the Company's value of assets exposed to settlement risk if the related contracts and transactions satisfy the following conditions:

- Partners or customers use collaterals to ensure their fulfillment of obligations and their collaterals are cash, cash equivalents, valuable papers, negotiable instruments on the money market, securities listed and registered on the Securities Stock Exchange, Government bonds, bonds guaranteed by the Ministry of Finance;
- The Company has rights to control, manage, use, and transfer collaterals if partners fail to make payment fully and timely as agreed in the contracts.

Value of asset subjected to deduction is determined as follows:

Collateral value = Volume of assets x Asset price x (1 – Market risk coefficient)

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)
as at 31 December 2015

3 SUMMARY OF SIGNIFICANT POLICIES FOR THE PREPARATION OF FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)

3.4 Exposures to settlement risk (continued)

3.4.4 Increase in exposures to settlement risk

Exposures to settlement risk are adjusted to increase in the following cases:

- ▶ An increase of 10% if the value of loans to an organization, an individual and a group of related organizations / individuals (if any) accounts for from 10% to 15% of the owners' equity of the Company;
- ▶ An increase of 20% if the value of loan to an organization, an individual and a group of related organizations / individuals (if any) accounts for from 15% to 25% of the owners' equity of the Company;
- ▶ An increase of 30% if the value of loan to an organization, an individual and a group of related organizations / individuals (if any), or an individual and related parties of that individual (if any), accounts for more than 25% of the owners' equity of the Company.

3.4.5 Net-off of assets exposed to settlement risk

Values of assets exposed to settlement risk are net-off when:

- ▶ Settlement risk is attributable to the same partners;
- ▶ Settlement risk arises in the same type of transactions;
- ▶ The net-off has been agreed in written documents by both parties.

Settlement/transfer period of securities is T+3 (for listed securities), T+1 (for listed bonds); or T+n (for transactions outside the official trading system within n days under agreement of both parties).

3.5 Exposures to operational risk

Exposures to operational risk are the potential losses which may occur due to technical errors, system errors and business processes, human errors during performing their work, or due to the lack of capital resulting from expenses, losses arising from investment activities, or other objective reasons.

Exposures to operational risk of the Company is determined at the higher of 25% of the Company's operating expenses within twelve (12) consecutive months up to the latest month and 20% of the Company's legal capital.

The Company's operating expenses are determined from total expenses incurring in the period less: depreciation expense; provision expense for the impairment of short-term and long-term investments; and allowance for doubtful debts.

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)
as at 31 December 2015

4. EXPOSURES TO MARKET RISK

Investment items		Risk coefficient %	Scale of risk VND	Exposures to risk VND
		(1)	(2)	(3) = (1) x (2)
I. Cash and cash equivalents, money market instruments				
1	Cash (VND)	0	447,893,744,732	-
2	Cash equivalents	0	316,750,000,000	-
3	Valuable papers and negotiable instruments in the money market	0	-	-
II. Government bonds				
4	Zero-coupon Government bonds	0	-	-
5	Coupon Government bonds			
5.1	Government bonds, Government bonds of OECD countries or guaranteed by the Government or the Central Bank of the OECD countries, Bonds issued by international institutions such as IBRD, ADB, IADB, ADB, EIB and EBRD	3	80,806,153,903	2,424,184,617
5.2	Project bonds guaranteed by the Government or Ministry of Finance having remaining maturity of less than 1 year;	3	-	-
	Project bonds guaranteed by the Government, Ministry of Finance having remaining maturity of 1 to 5 years;	4	-	-
	Project bonds guaranteed by the Government, Ministry of Finance having remaining maturity of more than 5 years;	5	-	-
III. Corporate bonds				
6	Listed bonds having remaining maturity of less than 1 year, including convertible bonds	8	-	-
	Listed bonds having maturity of 1 to 5 years, including convertible bonds	15	-	-
	Listed bonds having maturity of more than 5 years, including convertible bonds	20	51,320,234,416	10,264,046,883
7	Unlisted bonds having remaining maturity of less than 1 year, including convertible bonds	25	-	-
	Unlisted bonds having maturity of 1 to 5 years, including convertible bonds	30	-	-
	Unlisted bonds having maturity of more than 5 years, including convertible bonds	40	-	-

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2015

4. EXPOSURES TO MARKET RISK (continued)

<i>Investment items</i>		<i>Risk coefficient %</i>	<i>Scale of risk VND</i>	<i>Exposures to risk VND</i>
		(1)	(2)	(3) = (1) x (2)
IV. Shares				
8	Ordinary shares, preferred shares of entities listed on Ho Chi Minh Stock Exchange; open-end fund certificates	10	112,832,021,800	11,283,202,180
9	Ordinary shares, preferred shares of entities listed on Hanoi Stock Exchange	15	16,749,036,900	2,512,355,535
10	Ordinary shares, preferred shares of unlisted public entities registered for trading through UPCOM system	20	159,228,226	31,845,645
11	Ordinary shares, preferred shares of public entities registered for depository, but not yet listed or registered for trading; shares under IPO	30	-	-
12	Shares of other public companies	50	66,435,578,315	33,217,789,158
V. Certificates of investment securities funds				
13	Public funds, including public securities investment companies	10	52,683,257,400	5,268,325,740
14	Private funds, including private securities investment companies	30	81,192,000,000	24,357,600,000
VI. Securities under trading restriction				
15	Securities suspended temporarily from trading	40	781,800	312,720
16	Delisted, cancelled securities	50	37,800	18,900
VII. Other securities				
17	Shares, contributed capital and other securities	80	-	-
Total exposures to market risk (I+II+III+IV+V+VI+VII+VIII)				89,359,681,378

5. EXPOSURES TO SETTLEMENT RISK

	<i>Exposures to settlement risk VND</i>
Risks before payment terms (Note 5.1)	27,258,850,157
Risks of overdue payments (Note 5.2)	20,374,587,716
Total exposures to settlement risk	47,633,437,873

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2015

5. EXPOSURES TO SETTLEMENT RISK (continued)

5.1 Risks before payment terms

The exposures to settlement risk of undue items are determined as follows:

Type of transactions	Risk coefficient						Total VND
	(1)	(2)	(3)	(4)	(5)	(6)	
	0%	0,8%	3,2%	4,8%	6%	8%	
1 Term deposits and loans without collaterals (Note 5.1.1)	-	-	-	-	26,415,000,000	-	26,415,000,000
2 Securities lendings	-	-	-	-	-	-	-
3 Securities borrowings	-	-	-	-	-	-	-
4 Reverse repurchase agreements	-	-	-	-	-	-	-
5 Repurchase agreements	-	-	-	-	843,850,157	-	843,850,157
6 Margin trading contracts (loans to customers to purchase securities)/other agreements with similar nature	-	-	-	-	-	-	-
TOTAL EXPOSURES TO SETTLEMENT RISK BEFORE PAYMENT TERMS							27,258,850,157

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2015

5. EXPOSURES TO SETTLEMENT RISK (continued)

5.1 Risks before payment term (continued)

Details of settlement risk coefficients by counterparties are determined as follows:

	Counterparties of the Company	Settlement risk coefficient
(1)	Government, issuers guaranteed by the Government, Ministry of Finance, State Bank, Government and Central Banks of OECD countries; People's committees of provinces and centrally-controlled municipalities	0%
(2)	Securities Stock Exchanges and Vietnam Securities Depository	0,8%
(3)	Credit institutions, financial institutions, and securities trading institutions which are established in OECD countries and have credit ratings in accordance with the internal policies of securities trading institutions	3,2%
(4)	Credit institutions, financial institutions, and securities trading institutions which are established in OECD countries and do not meet the requirements specified in the internal policies of securities trading institutions or which are not established in OECD countries	4,8%
(5)	Credit institutions, financial institutions, and securities trading institutions being established and operating in Vietnam	6%
(6)	Other entities and individuals	8%

5.1.1 Term deposits and loans to customers

	Book value VND	Value of collaterals VND	Uncollaterised value VND	Coefficient	Exposures to settlement risk VND
Term deposits	440,250,000,000	-	440,250,000,000	6%	26,415,000,000
	440,250,000,000	-	440,250,000,000	6%	26,415,000,000

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2015

5. EXPOSURES TO SETTLEMENT RISK (continued)

5.2 Risks of overdue payments

The total exposures to settlement risk of overdue items are as follows:

<i>No</i>	<i>Overdue period</i>	<i>Settlement risk coefficient (%)</i>	<i>Scale of risk (VND)</i>	<i>Exposures to settlement risk (VND)</i>
1.	0 – 15 days after the settlement / securities transfer date/term	16	-	-
2.	16 – 30 days after the settlement / securities transfer date/term	32	-	-
3.	31 – 60 days after the settlement / securities transfer date/term	48	-	-
4.	From 60 days and above	100	20,374,587,716	20,374,587,716
TOTAL EXPOSURES TO SETTLEMENT RISK OF OVERDUE PAYMENTS				20,374,587,716

6. EXPOSURES TO OPERATIONAL RISK

	<i>Items</i>	<i>Amount VND</i>
I.	Total operating expenses incurring over the last 12 months	179,321,876,452
II.	Deductions from total expenses (<i>Note 6.1</i>)	(2,311,675,651)
III.	Total expenses after deductions (III = I – II)	181,633,552,103
IV.	25% of total expense after deductions (IV = 25% III)	45,408,388,026
V.	20% legal capital of the Company	60,000,000,000
TOTAL EXPOSURES TO OPERATIONAL RISK (Max {IV, V})		60,000,000,000

6.1 Deductions from total expenses

	<i>Amount VND</i>
Depreciation expenses	3,172,429,002
Provision for impairment of short-term securities investments	(10,946,171,802)
Provision for impairment of long-term securities investment	5,462,067,149
Allowance for doubtful debts	-
	(2,311,675,651)

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2015

7. LIQUID CAPITAL

NO	CONTENTS	Liquid capital		
		Liquid capital VND	Deductions VND	Increases VND
A	Equity	(1)	(2)	(3)
1	Owners' equity, excluding of redeemable preferred shares	722,339,370,000		
2	Share premium	610,253,166,720		
3	Treasury shares	(228,000,000)		
4	Supplementary capital reserve	-		
5	Investment and development fund	18,808,728,387		
6	Financial reserve	18,808,728,387		
7	Other reserves belonging to owners' equity	-		
8	Retained earnings and undistributed profit after tax before making statutory reserves	227,631,696,565		
9	Differences in asset revaluation (increasing 50% or decreasing 100%)	-		
10	Differences in foreign exchange	-		
11	Minorities' interests	-		
12	Convertible debts			-
13	Total increase or decrease of securities in financial investments (Note 7.1)		(126,499,221,649)	24,372,123,034
1A	Total			1,495,486,591,444
B	Short-term assets			
I	Cash and cash equivalents			
II	Short-term financial investments		-	
1	Short-term financial investments			
	Securities exposed to market risks (Note 4)			
	Securities deducted from Liquid Capital (Note 7.3)		-	
2	Provision for impairment of short-term investments			
III	Short-term receivables		(13,379,814,197)	
1	Trade receivables		-	
	Receivables from customers due in 90 days or less			
	Receivables from customers due in more than 90 days		-	

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2015

7. LIQUID CAPITAL (continued)

NO.	CONTENTS	Liquid capital		
		Liquid capital VND	Deductions VND	Increases VND
2	Advances to suppliers		(9,413,140,391)	
3	Short-term internal receivables		-	
	Internal receivables due in 90 days or less			
	Internal receivables due in more than 90 days		-	
4	Receivables from securities trading		-	
	Receivables from securities trading due in 90 days or less			
	Receivables from securities trading due in more than 90 days		-	
5	Other receivables		(3,966,673,806)	
	Other receivables due in 90 days or less			
	Other receivables due in more than 90 days		(3,966,673,806)	
6	Allowance for doubtful short-term debts			
IV	Inventories		-	
V	Other short-term assets		(1,530,198,945)	
1	Short-term prepaid expenses		(1,205,498,945)	
2	Deductible VAT			
3	Tax and other receivables from the State			
4	Other short-term assets		(324,700,000)	
4.1	Advances		-	
	Advances to be cleared in 90 days or less			
	Advances to be cleared in more than 90 days		-	
4.2	Other receivables, short-term assets		(324,700,000)	
1B	Total			(14,910,013,142)
C	Long-term assets			
I	Long-term receivables, including receivables from trust activities			
1	Long-term trade receivables		-	
	Long-term receivables from customers due in 90 days or less			
	Long-term receivables from customers due in more than 90 days		-	
2	Capital investments in subsidiaries		-	

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2015

7. LIQUID CAPITAL (continued)

NO.	CONTENTS	Liquid capital		
		Liquid capital VND	Deductions VND	Increases VND
3.	Long-term internal receivables		-	
	Long-term internal receivables due in 90 days or less			
	Long-term internal receivables due in 90 days		-	
4.	Other long-term receivables		-	
	Other long-term receivables due in 90 days or less			
	Other long-term receivables due in more than 90 days		-	
1.5	Provisions for long-term doubtful debts			
II	Fixed assets		(2,947,129,741)	
III	Investment properties		-	
IV	Long-term financial investments		-	
1.	Investments in subsidiaries		-	
2.	Investments in associates and joint-venture		-	
3.	Long-term investments in securities		-	
	Securities exposed to market risk (Note 4)			
	Securities deducted from Liquid Capital		-	
4.	Other long-term investments		-	
5.	Provision for impairment of long-term financial investments (*)			
V	Other long-term assets		(29,876,524,731)	
	Assets qualified in audited financial statements that are not deducted in accordance with Article 5-Circular 226		-	
1C	Total		(32,823,654,472)	
TOTAL LIQUID CAPITAL = 1A+1B+1C				1,447,752,923,830

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2015

7. LIQUID CAPITAL (continued)

7.1 Increases and decreases in value of securities

Details of the increases and decreases in value of securities in financial investments which are adjusted to liquid capital as at 31 December 2015 are as follows:

	Cost(*) VND	Market value VND	Difference VND
Increases			
Listed shares	22,485,554,417	22,960,135,200	474,580,783
Unlisted shares	1,207,600	2,437,200	1,229,600
Listed bonds	123,765,236,306	132,126,388,322	8,361,152,016
Fund certificates	134,125,695,365	149,660,856,000	15,535,160,635
	280,377,693,688	304,749,816,722	24,372,123,034
Decreases			
Listed shares	94,493,646,276	75,312,667,500	(19,180,978,776)
Unlisted shares	147,619,462,860	61,724,307,737	(85,895,155,123)
Fund certificates	7,907,950,000	5,522,657,400	(2,385,292,600)
Others	19,037,795,150	-	(19,037,795,150)
	269,058,854,286	142,559,632,637	(126,499,221,649)
	549,436,547,974	447,309,449,359	(102,127,098,615)

(*) Cost of listed and unlisted bonds includes book value of these bonds and accrued interest from last coupon payment to the financial safety ratio report date.

8. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the financial safety ratio report (liquid capital ratio report) as at 31 December 2015.



Ms. Nguyen Hong Thuy
Head of Financial
Accounting Department



Ms. Vu Thu Hoa
Deputy Head of Internal control




Mr. Nhu Dinh Hoa
Chief Executive Officer

Hanoi, Vietnam

25 March 2016