

Bao Viet Securities Joint Stock Company

Financial safety ratio report (liquid capital ratio report)

31 December 2016



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Bao Viet Securities Joint Stock Company

GENERAL INFORMATION

THE COMPANY

Bao Viet Securities Joint Stock Company ("the Company") 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 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.

Major features of the Company's operation

Capital

The Company's charter capital as at 31 December 2016 was VND 722,339,370,000. Its owners' equity was VND 1,548,162,323,584 and its total assets were VND 1,855,255,471,025.

Investment objectives

Being a listed securities company in Vietnam securities market, major business activities of the Company include brokerage service, proprietary trading, underwriting, securities investment advisory and financial advisory services. The Company aims at contributing to the development of securities market and offering benefits to its customers, investors and shareholders.

Investment restrictions

The Company complies with Article 44 of Circular No. 210/2012/TT-BTC dated 30 November 2012 providing guidance on the establishment and operation of securities companies, Circular No. 07/2016/TT-BTC dated 18 Jan 2016 amending and supplementing certain articles of Circular No. 210/2012/TT-BTC and other prevailing regulations on investment restrictions.

BOARD OF DIRECTORS

Members of the Board of Directors for the financial year ended 31 December 2016 and at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment/ resignation</i>
Mr. Dau Minh Lam	Chairman	Appointed on 12 May 2016
Mr. Phan Kim Bang	Chairman	Appointed on 15 April 2015 Resigned on 12 May 2016
Mr. Pham Ngoc Tu	Member	Appointed on 15 September 2015 Approved by the Shareholders' Annual General Meeting on 12 May 2016
Mr. Nguyen Anh Tuan	Member	Appointed on 12 May 2016
Mr. Nhu Dinh Hoa	Member	Appointed on 15 April 2015
Mr. Le Van Binh	Member	Appointed on 15 April 2015
Mr. Bui Tuan Trung	Member	Appointed on 15 April 2015 Resigned on 12 May 2016

Bao Viet Securities Joint Stock Company

GENERAL INFORMATION (continued)

BOARD OF SUPERVISION

Members of the Board of Supervision for the financial year ended 31 December 2016 and at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
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

BOARD OF MANAGEMENT

Members of Board of Management for the financial year ended 31 December 2016 and at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
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 2013 Reappointed on 14 July 2016
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 for the financial year ended 31 December 2016 and at the date of this report is Mr. Nhu Dinh Hoa - Chief Executive Officer.

AUDITORS

The auditors 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 2016.

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 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 for the financial year ended 31 December 2016.

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 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.

For and on behalf of the Board of Management:



Mr. Nhu Dinh Hoa
Chief Executive Officer

Hanoi, Vietnam

27 March 2017

Reference: 60780870/18715138-VKD

INDEPENDENT AUDITORS' 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 2016 as prepared on 27 March 2017 and set out on pages 6 to 27. The financial safety ratio report (liquid capital ratio report) has been prepared by the Company's management in accordance with regulations 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 and Circular No. 165/2012/TT-BTC dated 9 October 2012 amending and supplementing some articles of Circular No. 226/2010/TT-BTC (collectively referred to as "the regulations on preparation of the financial safety ratio report (liquid capital ratio report)") and Note 2.1 to the financial safety ratio report (liquid capital ratio report).

Management's responsibility

The Company's management is responsible for the preparation and presentation of the financial safety ratio report (liquid capital ratio report) in accordance with the regulations on preparation of the financial safety ratio report (liquid capital ratio report) and Note 2.1 to the accompanying financial safety ratio report (liquid capital ratio report), and for such internal control as management determines is necessary to enable the preparation and presentation of the financial safety ratio report (liquid capital ratio report) that are free from material misstatement, whether due to fraud or error.

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 reasonable assurance about whether the financial safety ratio report (liquid capital ratio report) is free from material misstatements.

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



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Opinion


In our opinion, the financial safety ratio report (liquid capital ratio report) as at 31 December 2016 is prepared and presented, in all material respects, in accordance with the regulations on preparation of the financial safety ratio report (liquid capital ratio report) and Note 2.1 to the financial safety ratio report (liquid capital ratio report).

Basis of preparation and restriction on use of audit report

Without modifying our opinion, we draw attention to Note 2.1 and Note 3 to the financial safety ratio report (liquid capital ratio report), which describes the applicable regulations, interpretations and policies to preparation of the financial safety ratio report (liquid capital ratio report). Also as describes in Note 2.2 the financial safety ratio report (liquid capital ratio report) is prepared to comply with the regulations on preparation and disclosure of the financial safety ratio report (liquid capital ratio report). As a result, this report may not be suitable for other purposes.

Ernst & Young Vietnam Limited




Trinh Hoang Anh
Deputy General Director
Audit Practising Registration
Certificate No. 2071-2013-004-1



Le Duc Linh
Auditor
Audit Practising Registration
Certificate No. 1672-2013-004-1

Hanoi, Vietnam

29 March 2017

Company's name: Bao Viet Securities
Joint Stock Company
Official Letter No:/2016/BVSC-TCKT.

SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness

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Re: Financial safety ratio report

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Hanoi, 27 March 2017

To: State Securities Commission

FINANCIAL SAFETY RATIO REPORT
(LIQUID CAPITAL RATIO REPORT)

As at: 31 December 2016

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

27 March 2017

Bao Viet Securities Joint Stock Company

FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)
as at 31 December 2016

Unit: VND

No.	Items	Notes	Exposures to risk/ Liquid Capital
1	Total exposures to market risk	4	104,795,553,946
2	Total exposures to settlement risk	5	42,295,024,007
3	Total exposures to operational risk	6	60,000,000,000
4	Total exposures to risk (4=1+2+3)		207,090,577,953
5	Liquid Capital	7	1,404,194,639,403
6	Liquid Capital ratio (6=5/4) (%)		678%



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

27 March 2017

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT)
as at 31 December 2016

1. THE COMPANY

Bao Viet Securities Joint Stock Company ("the Company") 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 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.

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2016

2. BASIS OF PRESENTATION

2.1 *The applicable regulations*

The financial safety ratio report (liquid capital ratio report) of the Company is prepared and presented 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.

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

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. 165/2012/TT-BTC based on the Company's understanding and own assessment as follows:

No.	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 2016;- Ending balance of allowance as at 31 December 2016.
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 *Purpose of preparation*

The financial safety ratio report (liquid capital ratio report) is prepared to comply with the regulations on preparation and disclosure of the financial safety ratio report (liquid capital ratio report) and may not be suitable for other purposes.

2.3 *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) (continued)
as at 31 December 2016

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 Circular No. 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;
- ▶ Treasury stock;
- ▶ Supplementary capital reserves;
- ▶ Investment and development fund;
- ▶ Operational risk and financial reserves;
- ▶ Other reserves belonging to owners' equity;
- ▶ Retained earnings and undistributed profit after tax before making statutory reserves;
- ▶ The difference of fixed 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) (continued)
as at 31 December 2016

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;
- ▶ The qualified items on the audited financial statements (if any);
- ▶ Securities issued by parent company, subsidiaries, joint ventures and associates of the Company;
- ▶ Securities issued by subsidiaries, joint ventures and associates of the parent company; and
- ▶ 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).

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.

Market risk shall be determined with regard to the following assets:

- ▶ Securities on the proprietary trading account, including securities in transfer from sellers;
- ▶ Securities received as supports from other individuals and organizations in accordance with prevailing regulations, including securities borrowed for the Company and securities borrowed on behalf of other individuals and organizations;
- ▶ Customers' securities taken by the Company as collateral and later used, re-pledged, put in an escrow account or provided as loans to a third party by the Company;
- ▶ Cash, cash equivalents, other instruments and valuable papers owned by the Company; and
- ▶ Securities under firm commitment issuance underwriting contracts, which remain undistributed and for which full payment has not been received in the issuance underwriting duration.

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2016

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)

Securities and assets specified above do not include:

- ▶ Treasury stock;
- ▶ Securities issued by parent, subsidiaries, joint ventures and associates of the Company;
- ▶ Securities issued by subsidiaries, joint ventures and associates of the parent company of the Company;
- ▶ 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); and
- ▶ Due debt instruments and valuable papers.

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.

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 is 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.

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2016

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)

c. Shares (continued)

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 is 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.

d. Fund certificates

Value of fund certificate are determined based on the quoted closing prices of the latest trading day prior to the date of calculation. In case there is no transactions of the fund certificates during more than two (2) weeks prior to the date of calculation, value of these fund certificates is the net asset value (NAV) per fund certificate of the latest reporting date prior to the date of calculation.

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 assets. The exposures to market risk will be adjusted in accordance with the 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.

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2016

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

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.

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+2 (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, margin lending, repurchase or reverse repurchase agreements:

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2016

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)

3.4.2 Value of assets exposed to settlement risk (continued)

a. Purchase or sale of securities for customers or the Company (continued)

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) (continued)
as at 31 December 2016

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)

3.4.2 Value of assets exposed to settlement risk (continued)

a. Purchase or sale of securities for customers or the Company (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) (continued)
as at 31 December 2016

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 if fully satisfying the following conditions:

- ▶ 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+2 (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 are 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; allowance 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) (continued)
as at 31 December 2016

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			117,958,400,723	-
1	Cash (VND)	0	7,450,071,427	-
2	Cash equivalents	0	110,508,329,296	-
3	Valuable papers and negotiable instruments in the money market	0	-	-
II. Government bonds			83,328,966,298	2,499,868,989
4	Zero-coupon Government bonds	0	-	-
5	Coupon Government bonds		83,328,966,298	2,499,868,989
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, AfDB, EIB and EBRD	3	83,328,966,298	2,499,868,989
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			70,942,900,076	21,282,870,023
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	-	-
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	70,942,900,076	21,282,870,023
	Unlisted bonds having maturity of more than 5 years, including convertible bonds	40	-	-

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NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2016

4. EXPOSURES TO MARKET RISK (continued)

Investment items		Risk coefficient %	Scale of risk VND	Exposures to risk VND
		(1)	(2)	(3) = (1) x (2)
IV. Shares			243,191,434,294	76,997,326,214
8	Ordinary shares, preferred shares of entities listed on Ho Chi Minh Stock Exchange; open-end fund certificates	10	93,103,769,770	9,310,376,977
9	Ordinary shares, preferred shares of entities listed on Hanoi Stock Exchange	15	18,546,762,100	2,782,014,315
10	Ordinary shares, preferred shares of unlisted public entities registered for trading through UPCOM system	20	2,885,054,300	577,010,860
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	128,655,848,124	64,327,924,062
V. Certificates of securities investment funds			40,151,060,000	4,015,106,000
13	Public funds, including public securities investment companies	10	40,151,060,000	4,015,106,000
14	Private funds, including private securities investment companies	30	-	-
VI. Securities under trading restriction			921,800	382,720
15	Securities suspended temporarily from trading	40	781,800	312,720
16	Delisted, cancelled securities	50	140,000	70,000
VII. Other securities			-	-
17	Shares, contributed capital and other securities	80	-	-
Total exposures to market risk (I+II+III+IV+V+VI+VII)				104,795,553,946

5. EXPOSURES TO SETTLEMENT RISK

	<i>Exposures to settlement risk VND</i>
Risks before payments are due (Note 5.1)	22,015,656,180
Risks of overdue payments (Note 5.2)	15,901,229,699
Increase in exposures to settlement risk (Note 5.3)	4,378,138,128
Total exposures to settlement risk	42,295,024,007

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2016

5. EXPOSURES TO SETTLEMENT RISK (continued)

5.1 Risks before payments are due

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

Type of transactions		Exposures to risk(VND)						Total exposures to risk VND
		(1)	(2)	(3)	(4)	(5)	(6)	
1	Term deposits and loans without collaterals	-	-	-	-	21,890,690,640	-	21,890,690,640
2	Securities lendings	-	-	-	-	-	-	-
3	Securities borrowings	-	-	-	-	-	-	-
4	Reverse repurchase agreements	-	-	-	-	-	-	-
5	Repurchase agreements	-	-	-	-	124,965,540	-	124,965,540
6	Margin trading contracts (loans to customers to purchase securities)/other agreements with similar nature	-	-	-	-	-	-	-
TOTAL EXPOSURES TO SETTLEMENT RISK BEFORE PAYMENT TERMS								22,015,656,180

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2016

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 the Company	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 the Company 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%

5.2 Risks of overdue payments

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

No.	Overdue period	Settlement risk coefficient (%)	Scale of risk (VND)	Exposures to settlement risk (VND)
1.	0 – 15 days after the settlement date	16	-	-
2.	16 – 30 days after the settlement date	32	-	-
3.	31 – 60 days after the settlement date	48	-	-
4.	From 60 days and above	100	15,901,229,699	15,901,229,699
TOTAL EXPOSURES TO SETTLEMENT RISK OF OVERDUE PAYMENTS				15,901,229,699

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2016

5. EXPOSURES TO SETTLEMENT RISK (continued)

5.3 Increase in exposures to settlement risk

The increase in exposures to settlement risk is determined as follow:

	<u>Increment coefficient</u>	<u>Amount VND</u>
The value of loans provided to an institution, individual and the group of related institutions accounts for between 10% and 15% of owner equity	10%	-
The value of loans provided to an institution, individual and the group of related institutions accounts for between 15% and 25% of owner equity	20%	364,844,844,006
The value of loans provided to an institution, individual and the group of related institutions accounts for over 25% of owner equity	30%	-
Total		<u>72,968,968,801</u>
Settlement risk coefficient		6%
Total increase in exposures to settlement risk		<u>4,378,138,128</u>

6. EXPOSURES TO OPERATIONAL RISK

	<i>Items</i>	<i>Amount VND</i>
I.	Total operating expenses incurring within 12 months	186,985,386,089
II.	Deductions from total expenses (Note 6.1)	(15,018,084,874)
III.	Total expenses after deductions (III = I – II)	202,003,470,963
IV.	25% of total expense after deductions (IV = 25% III)	50,500,867,741
V.	20% legal capital of the Company	60,000,000,000
	TOTAL EXPOSURES TO OPERATIONAL RISK (Max {IV, V})	<u>60,000,000,000</u>

6.1 Deductions from total expenses

	<u>Amount VND</u>
Depreciation expenses	2,193,974,953
Allowance for impairment of short-term securities investments	(11,622,492,678)
Allowance for impairment of long-term securities investment	(8,270,067,149)
Allowance for doubtful debts	2,680,500,000
	<u>(15,018,084,874)</u>

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2016

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	(496,682,500)		
4	Supplementary capital reserve	23,894,449,402		
5	Investment and development fund	-		
6	Operational risk and financial reserve	23,894,449,402		
7	Other reserves belonging to owners' equity	-		
8	Retained earnings and undistributed profit after tax before making statutory reserves (Note 7.1)	292,436,818,685		
9	Differences in asset revaluation (50% increasing or 100% decreasing)	-		
10	Differences in foreign exchange rate	-		
11	Minorities' interests	-		
12	Convertible debts			-
13	Total increase or decrease of securities in financial investments (Note 7.2)		50,729,636,897	32,061,340,943
1A	Total			1,653,653,275,755
B	Short-term assets			
I	Cash and cash equivalents			
II	Short-term financial investments		529,060	
1	Short-term financial investments		529,060	
	Securities exposed to market risks			
	Securities deducted from Liquid Capital (Note 7.3)		529,060	
2	Allowance for impairment of short-term securities investments			
III	Short-term receivables		43,439,389,731	
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 2016

7. LIQUID CAPITAL (continued)

NO.	CONTENTS	Liquid capital		
		Liquid capital VND	Deductions VND	Increases VND
2	Advances to suppliers		43,439,389,731	
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		-	
	Other receivables due in 90 days or less			
	Other receivables due in more than 90 days		-	
6	Allowance for doubtful short-term debts			
IV	Inventories		643,803,564	
V	Other short-term assets		2,069,415,949	
1	Short-term prepaid expenses		2,069,415,949	
2	Deductible VAT			
3	Tax and other receivables from the State			
4	Other short-term assets		-	
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		-	
1B	Total		46,153,138,304	
C	Long-term assets			
1	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 2016

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 more than 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		-	
5	Allowance for long-term doubtful debts			
II	Fixed assets		5,170,777,810	
III	Investment properties		-	
IV	Long-term financial investments		170,272,071,233	
1.	Investments in subsidiaries		-	
2.	Investments in associates and joint-venture		-	
3.	Long-term investments in securities		170,272,071,233	
	Securities exposed to market risk			
	Securities deducted from Liquid Capital (Note 7.3)		170,272,071,233	
4.	Other long-term investments		-	
5.	Allowance for impairment of long-term securities investments			
V	Other long-term assets		27,862,649,005	
	Assets qualified in audited financial statements that are not deducted in accordance with Article 5-Circular 226		-	
1C	Total		203,305,498,048	
TOTAL LIQUID CAPITAL = 1A-1B-1C			1,404,194,639,403	

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2016

7. LIQUID CAPITAL (continued)

7.1 Retained earnings and undistributed profit after tax before making statutory reserves

<i>Items</i>	<i>Carrying value VND</i>
Undistributed profit after tax	168,277,570,560
Allowance for impairment of short-term securities investments	(78,258,018,426)
Allowance for impairment of long-term securities investment	(30,000,000,000)
Allowance for doubtful debts	(15,901,229,699)
Retained earnings and undistributed profit after tax before making statutory reserves (5 = 1-2-3-4)	<u>292,436,818,685</u>

7.2 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 2016 are as follows:

	<i>Carrying value VND</i>	<i>Market value VND</i>	<i>Difference VND</i>
Increases			
Listed shares	32,271,712,029	40,942,602,290	8,670,890,261
Unlisted shares	14,151,972,400	14,676,391,100	524,418,700
Listed bonds	73,707,723,293	83,328,966,298	9,621,243,005
Unlisted bonds	70,018,763,889	70,942,900,076	924,136,187
Fund certificates	38,000,407,211	50,321,060,000	12,320,652,789
	<u>228,150,578,822</u>	<u>260,211,919,765</u>	<u>32,061,340,943</u>
Decreases			
Listed shares	63,215,951,327	50,488,074,530	(12,727,876,797)
Unlisted shares	85,886,714,000	47,884,953,900	(38,001,760,100)
	<u>149,102,665,327</u>	<u>98,373,028,430</u>	<u>(50,729,636,897)</u>

7.3 Securities deducted from Liquid Capital

	<i>Carrying value VND</i>
Short term	
Shares issued by parent company	529,060
	<u>529,060</u>
Long term	
Bond issued by associates of parent company of the company	90,272,071,233
Securities issued by subsidiary company of parent company	80,000,000,000
	<u>170,272,071,233</u>

Bao Viet Securities Joint Stock Company

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (LIQUID CAPITAL RATIO REPORT) (continued)
as at 31 December 2016

8. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen since the reporting date that requires adjustments or disclosures in the financial safety ratio report (liquid capital ratio report).



Ms. Nguyen Hong Thuy
Head of Financial
Accounting Department

Hanoi, Vietnam

27 March 2017



Ms. Vu Thu Hoa
Deputy Head of Internal control



Ms. Nhu Dinh Hoa
Chief Executive Officer

