KPMG

Phu Hung Securities Corporation

Financial Safety Ratio Report
as of 31 December 2018

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Phu Hung Securities Corporation
Corporate Information

Establishment and Operation Licence No.	122/GP-UBCK	20 January 2016
	18/GPDC-UBCK	22 June 2016
	23/GPDC-UBCK	25 July 2016
	03/GPDC-UBCK	23 January 2017
	03/GPDC-UBCK	11 January 2018
	100/GPDC-UBCK	29 November 2018
	107/GPDC-UBCK	26 December 2018

The Establishment and Operation Licence and its updates were issued by the State Securities Commission of Vietnam.

Board of Directors	Mr. Albert Kwang-Chin Ting	Chairman
	Mr. Nguyen Doan Hung	Member
	Mr. Wu, Jin-Jeng	Member
	Mr. Chen Chia Ken	Member
	Ms. Tsai, Hsiu-Li	Independent Member

Board of Supervisors	Ms. Chang, Wen-Ning	Chief Supervisor (from 18 July 2018)
	Ms. Kuo, Chih-Chia	Chief Supervisor (until 18 July 2018)
	Mr. Lii, San Rong	Member
	Mr. Chiu, Hsien-Chih	Member

Board of Management	Mr. Chen Chia Ken	General Director
	Ms. Pham Thi Thu Nhan	Deputy General Director

Phu Hung Securities Corporation
Corporate Information (continued)

Registered offices

Head Office	Floor 3, CR3-03A 109 Ton Dat Tien Street Tan Phu Ward, District 7 Ho Chi Minh City Vietnam
Phu My Hung Transaction Office	Ground Floor, CR2-08 107 Ton Dat Tien Street Tan Phu Ward, District 7 Ho Chi Minh City Vietnam
District 3 Branch	Floor 2, Phuong Nam Building 157 Vo Thi Sau Street Ward 6, District 3 Ho Chi Minh City Vietnam
Tan Binh Branch	Ground Floor, G.4A Room, E-Town 2 Building 364 Cong Hoa Street Ward 13, Tan Binh District Ho Chi Minh City Vietnam
Hanoi Branch	Floor 3, Naforimex Building 19 Ba Trieu Street Hoan Kiem District Hanoi Vietnam
Thanh Xuan Branch	Floor 5, Udic Complex Building, N04 Hoang Dao Thuy Trung Hoa Ward, Cau Giay District Hanoi Vietnam
Hai Phong Branch	Floor 2, Building 18 Tran Hung Dao Street Hoang Van Thu Ward, Hong Bang District Hai Phong City Vietnam
Auditor	KPMG Limited Vietnam

Phu Hung Securities Corporation
Re: Financial Safety Ratio Report

SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness

To: The State Securities Commission of Vietnam

FINANCIAL SAFETY RATIO REPORT
As of 31 December 2018

We undertake as follows:

(1) This report has been prepared on up to date data at the reporting date and in accordance with the requirements of Circular No. 87/2017/TT-BTC dated 15 August 2017 issued by the Ministry of Finance regulating financial safety ratios and measures for non-compliance applicable to securities business organisations;

(2) The issues having impact on the Company's financial status that may arise after the reporting date will be updated in the next reporting period;

(3) We fully accept legal responsibilities for the accuracy and fairness of the contents of this report.

15 March 2019

Prepared by: Approved by:

CÔNG TY CỔ PHẦN CHỨNG KHOÁN PHÚ HƯNG

Ms. Do Thi Ai Vy	Ms. Le Thuy My Tien	Mr. Chen Chia Ken
Chief Accountant	*Head of Internal Control Department*	*General Director*

KPMG

KPMG Limited Branch
10th Floor, Sun Wah Tower
115 Nguyen Hue Street, Ben Nghe Ward
District 1, Ho Chi Minh City, Vietnam
+84 (28) 3821 9266 | kpmg.com.vn

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL SAFETY RATIO REPORT

To the Board of Directors
Phu Hung Securities Corporation

We have audited the Financial Safety Ratio Report of Phu Hung Securities Corporation ("the Company") as of 31 December 2018 including the explanatory notes thereto, which was authorised for issue by the Company's Board of Management on 15 March 2019, as set out on pages 6 to 29.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Safety 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 is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Safety 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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the Financial Safety 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 Company's Board of Management, as well as evaluating the overall presentation of the Financial Safety Ratio Report.

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

Auditor's Opinion

In our opinion, the Financial Safety Ratio Report of Phu Hung Securities Corporation as of 31 December 2018 has been prepared, in all material respects, in accordance with the requirements of Circular No. 87/2017/TT-BTC dated 15 August 2017 issued by the Ministry of Finance regulating financial safety ratios and measures for non-compliance applicable to securities business organisations.

Basis of Preparation and Restriction on Use

We draw attention to Note 2 to the Financial Safety Ratio Report, which describes the basis of preparation. The Financial Safety Ratio Report has been prepared to enable the Company to comply with the requirements of Circular 87 issued by the Ministry of Finance regulating financial safety ratios and measures for non-compliance applicable to securities business organisations referred to above. As a result, the Financial Safety Ratio Report may not be suitable for another purpose. Our report is intended solely for the Company's submission to the State Securities Commission of Vietnam and disclosure of information as required by Circular 87 and should not be used for any other purposes.

KPMG Limited's Branch in Ho Chi Minh City
Vietnam
Audit Report No.: 18-01-00213-19-2

M.S.C.N: 0100112042 C.T.T.N.H.H CHI NHÁNH CÔNG TY TNHH KPMG THÀNH PHỐ HỒ CHÍ MINH

Nguyen Thanh Nghi	Chong Kwang Puay
Practicing Auditor Registration Certificate No. 0304-2018-007-1	Practicing Auditor Registration Certificate No. 0864-2018-007-1
Deputy General Director	

Ho Chi Minh City, 15 March 2019

Phu Hung Securities Corporation
Financial Safety Ratio Report as of 31 December 2018

No.	Items	Note	31/12/2018
1	Total market risk value (VND)	4	274,975,877
2	Total settlement risk value (VND)	5	34,388,788,344
3	Total operational risk value (VND)	6	60,000,000,000
4	**Total risk values (4=1+2+3) (VND)**		**94,663,764,221**
5	**Liquid capital (VND)**	**7**	**740,874,928,406**
6	**Liquid capital ratio (6=5/4) (%)**		**783%**

15 March 2019

Prepared by: Approved by:

CÔNG TY CỔ PHẦN CHỨNG KHOÁN PHÚ HƯNG

Ms. Do Thi Ai Vy
Chief Accountant

Ms. Le Thuy My Tien
Head of Internal Control Department

Mr. Chen Chia Ken
General Director

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

1. Reporting entity

Phu Hung Securities Corporation ("the Company") is a joint stock company established in Vietnam under Establishment and Operation Licence No. 122/GP-UBCK dated 20 January 2016 issued by the State Securities Commission of Vietnam.

The Company was established on the basis of combining Phu Hung Securities Corporation ("PHS") – established under Establishment and Operation Licence No. 23/UBCK-GPHDKD dated 1 December 2006 and An Thanh Securities Joint Stock Company ("ATS"). Accordingly, the Company took over all of the assets, liabilities, rights and obligations of PHS and ATS as at 19 January 2016 and PHS and ATS ceased their operations from 20 January 2016. Assets and liabilities of PHS and ATS as at 19 January 2016 were transferred to the Company at book value and the net asset (total assets – total liabilities) of PHS and ATS as at 30 September 2015 formed the share capital of the Company.

The principal activities of the Company are to carry out securities brokerage, securities trading, securities investment advisory, securities custody and securities underwriting.

As at 31 December 2018, the Company had 213 employees.

2. Basis of preparation

(a) Statement of compliance

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

(b) Underlying financial data

The Financial Safety Ratio Report was prepared based on the Company's financial data as of 31 December 2018 and for the year then ended. This Financial Safety Ratio Report should be read in conjunction with the Company's financial statements for the year ended 31 December 2018.

(c) Accounting and presentation currency

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

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

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

(a) Liquid capital ratio

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

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

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

(b) Liquid capital

Liquid capital is the capital which can be converted into cash within 90 days, in which allowances and provisions provided in accordance with the prevailing regulations at the reporting date, are added back to the retained profits/(accumulated losses).

Lidquid capital is determined in accordance with the requirements of Circular 87 as described in Note 7.

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

- 50% value of upward revaluations of fixed assets, if any, in accordance with the prevailing regulations;
- All increases in the values of investments, financial assets stated at book value excluding the securities issued by a related organisation of the Company and the securities with the remaining restricted trading period exceeding 90 days at the reporting date;
- Convertible bonds and preference shares issued by the Company with the original terms to maturity of at least five (5) years and registered with the State Securities Commission of Vietnam to supplement the liquid capital; and
- Other debt instruments issued by the Company with the original terms to maturity of more than ten (10) years and registered with the State Securities Commission of Vietnam to supplement the liquid capital.

Value of items used to supplement the liquid capital is capped at 50% of the Company's equity. For debts convertible to equity and registered with the State Securities Commission of Vietnam to supplement the liquid capital, the Company deducts 20% of original value each year during the last five (5) years before maturity/conversion into ordinary shares and deducts 25% of the remaining value for each quarter in the last four (4) quarters before maturity/conversion into ordinary shares.

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

- Redeemable preference shares and treasury shares (if any);
- 100% value of the downward revaluations of fixed assets, if any, in accordance with the prevailing regulations;
- All decreases in the values of investments, financial assets stated at book value excluding the securities issued by a related organisation of the Company and the securities with the remaining restricted trading period exceeding 90 days at the reporting date;
- Long-term assets and current assets with remaining term to maturity of more than 90 days; and
- Asset items subject to qualifications in the audited financial statements (if any).

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

(c) Market risk value

Market risk value is the value corresponding to the level of loss which may occur if the market value of assets changes unfavourably. Market risk value is determined in accordance with the requirements of Circular 87 as follows:

*Market risk value = Net position * Asset value * Market risk coefficient*

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

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

- Treasury shares;
- Securities issued by a related organisation of the Company;
- Securities with the remaining restricted trading period exceeding 90 days at the reporting date;
- Matured bonds, debt instruments and money market valuable papers; and
- Securities being hedged by call warrants or futures contracts; call warrants and call warrants contracts are used to hedge the underlying securities.

(i) *Asset value*

Asset value is determined in accordance with principles for determining market value in Circular 87 as follows:

No.	Type of asset	Principles for determining market value
Cash and cash equivalents, money market instruments		
1	Cash in VND	Account balance at the reporting date
2	Foreign currencies	Value converted into VND at the exchange rate of credit institutions authorised for trading foreign currencies at the reporting date
3	Term deposits	Deposit amount plus accrued interest at the reporting date
4	Treasury bills, bankdrafts, commercial papers, transferable certificates of deposits, bonds and other discounted money market instruments	Purchase price plus accrued interest at the reporting date
Bonds		
5	Listed bonds	➢ Average quoted price from the Stock Exchange at the latest trading date plus accrued interest (if the quoted price is the clean price) ➢ If there was no trading in the two weeks until the reporting date, then market value is the highest value of the followings: + Purchase price plus accrued interest; + Par value plus accrued interest; and + Value determined in accordance with the Company's internal methodology plus accrued interest. *In other words:* Max (Purchase price plus accrued interest; Par value plus accrued interest; Value determined in accordance with the Company's internal methodology plus accrued interest)
6	Unlisted bonds	The highest value of the followings: + Quoted price (if any) from the quoting system selected by the Company plus accrued interest; + Purchase price plus accrued interest; + Par value plus accrued interest; and + Value determined in accordance with the Company's internal methodology plus accrued interest. *In other words:* Max (Quoted price (if any); Purchase price plus accrued interest; Par value plus accrued interest; Value determined in accordance with the Company's internal methodology plus accrued interest)

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

No.	Type of asset	Principles for determining market value
10	Shares already custodied but not yet listed and not yet registered for trading	➢ Average price from the quoted prices from at least three securities companies which are not related to the Company at the latest trading date until the reporting date ➢ If there were not sufficient quoted prices from three securities companies, then the market value is the highest value of the followings: + Quoted prices from securities companies; + Price of the latest period; + Book value; + Purchase price; and + Value determined in accordance with the Company's internal methodology. *In other words:* Max (Quoted prices from securities companies; Price of the latest period; Book value; Purchase price; Value determined in accordance with the Company's internal methodology)
11	Shares for which trading has been suspended or delisted shares or shares with trading cancellation	The highest of the followings: + Book value; + Par value; and + Value determined in accordance with the Company's internal methodology. *In other words:* Max (Book value; Par value; Value determined in accordance with the Company's internal methodology)
12	Shares of organisations which are currently being dissolved or bankrupt	80% of the liquidation value of such shares at the latest balance sheet date, or value determined in accordance with the Company's internal methodology
13	Other shares and capital contribution	The highest of the followings: + Book value; + Purchase price/capital contribution amount; and + Value determined in accordance with the Company's internal methodology. *In other words:* Max (Book value; Purchase price/capital contribution amount; Value determined in accordance with the Company's internal methodology)

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

(ii) Market risk coefficient

Market risk coefficient is determined for each type of asset in accordance with the requirements of Circular 87 as diclosed in Note 4.

(iii) Increase in market risk value

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

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

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

(d) Settlement risk value

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

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

  Settlement risk before due date:
  = *Settlement risk coefficient by counterparty * Value of the asset with settlement risk*

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

  - Term deposits at credit institutions, loans to other organisations and individuals;
  - Securities lending contracts and securities borrowing contracts in compliance with laws;
  - Repurchase agreements in compliance with laws;
  - Reverse repurchase agreements in compliance with laws;
  - Margin loan contracts in compliance with laws;
  - Underwriting contracts signed with other organisations in an underwriting syndicate in the form of a firm undertaking in which the Company is the lead underwriter; and
  - Undue accounts receivable, other receivables from customers relating to securities brokerage activities.

- For underwriting contracts signed with other organisations in an underwriting syndicate in the form of a firm undertaking in which the Company is the lead underwriter, the settlement risk value shall be 30% of the residual value of an underwriting contract for which payment has not been made.

- For overdue accounts receivable, other receivables and securities which are not transferred on time, including securities and cash not yet received from following contracts:
  - Term deposits at credit institutions, loans to other organisations and individuals;
  - Securities lending contracts and securities borrowing contracts in compliance with laws;
  - Repurchase agreements in compliance with laws;
  - Reverse repurchase agreements in compliance with laws;
  - Margin loan contracts in compliance with laws; and
  - Overdue accounts receivable, including matured bonds, valuable papers, debt instruments not yet redeemed on maturity date.

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

  Overdue settlement risk:

  = *Settlement risk coefficient by overdue status * Value of the asset with settlement risk*

(i) Settlement risk coefficient

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

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

In cases of underwriting contracts signed with other organisations in an underwriting syndicate in the form of a firm undertaking in which the Company is the lead underwriter, the settlement risk is calculated at 30% of the remaining value of underwriting contracts not yet settled.

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

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

Time for payment/transfer of securities is in accordance with regulations on derivative securities (for derivative securities), T+2 (for listed securities), T+1 (for listed bonds), or T+n (for transactions agreed outside the trading system).

(ii) Value of assets with settlement risk

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

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

Outstanding balance comprises the principal, interest and related fees.

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

➢ *Value of assets with settlement risk in securities trading activities:*

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

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

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

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

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

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

*Value of collateral assets = Asset quantity * Asset value per unit * (1 - Market risk coefficient)*

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

Market risk coefficient is determined in accordance with the requirements of Circular 87 as described in Note 4.

(iv) *Settlement risk value increase*

Settlement risk values are increased in the following cases:

- Increase by 10% if the value of term deposits, loans, undue receivables, reserve repurchase agreements, repurchase agreements to any organisation or individual and group of related organisations and individuals (if any) accounts for from 10% to 15% of the Company's equity;
- Increase by 20% if the value of term deposits, loans, undue receivables, reserve repurchase agreements, repurchase agreements to any organisation or individual and group of related organisations and individuals (if any), accounts for from more than 15% to 25% of the Company's equity;
- Increase by 30% if the value of term deposits, loans, undue receivables, reserve repurchase agreements, repurchase agreements to any organisation or individual and group of related organisations and individuals (if any), or to any individuals and entities related to such individuals (if any), accounts for more than 25% of the Company's equity.

(v) *Netting off values of assets with settlement risk*

The values of assets with settlement risk are netted off if:

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

(e) Operational risk value

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

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

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

- Depreciation and amortisation expenses;
- Addition/(reversal) of allowance for diminution in the value of short-term financial investments;
- Addition/(reversal) of allowance for diminution in the value of long-term financial investments;
- Addition/(reversal) of allowance for doubtful debts;
- Addition/(reversal) of allowance for other short-term assets; and
- Addition/(reversal) of allowance for other long-term assets.

4. Market risk value

Investment portfolio as of 31 December 2018		Risk coefficient	Risk exposure VND	Risk value VND
		(1)	(2)	(3)=(1)*(2)
I.	**Cash and cash equivalents, money market instruments**		**271,293,156,417**	-
1.	Cash	0%	3,453,255	-
2.	Cash equivalents	0%	188,544,767,542	-
3.	Valuable papers and transferable money market instruments, term deposits	0%	82,744,935,620	-
II.	**Government bonds**		-	-
4.	Zero-coupon Government bonds	0%	-	-
5.	Government coupon bonds: Government bonds issued by governments of countries in the OECD or bonds guaranteed by the government or central bank of countries in the OECD, and bonds issued by IBRD, ADB, IADB, AfDB, EIB and EBRD	3%	-	-
III.	**Corporate bonds**		-	-
6.	Listed bonds with remaining terms to maturity of less than 1 year, including convertible bonds	8%	-	-
	Listed bonds with remaining terms to maturity of 1 year up to 3 years, including convertible bonds	10%	-	-
	Listed bonds with remaining terms to maturity of 3 years up to 5 years, including convertible bonds	15%	-	-
	Listed bonds with remaining terms to maturity of more than 5 years, including convertible bonds	20%	-	-
7.	Unlisted bonds with remaining term to maturity of less than 1 year, including convertible bonds	25%	-	-
	Unlisted bonds with remaining terms to maturity of 1 year up to 3 years, including convertible bonds	30%	-	-
	Unlisted bonds with remaining terms to maturity of 3 years up to 5 years, including convertible bonds	35%	-	-
	Unlisted bonds with remaining terms to maturity of more than 5 years, including convertible bonds	40%	-	-

Investment portfolio as of 31 December 2018		Risk coefficient	Risk exposure VND	Risk value VND
		(1)	(2)	(3)=(1)*(2)
IV.	**Shares**		**2,574,211,308**	**272,483,236**
8.	Ordinary shares and preference shares of companies listed on the Ho Chi Minh City Stock Exchange; fund units of open-ended funds	10%	2,275,322,608	227,532,261
9.	Ordinary shares and preference shares of companies listed on the Hanoi Stock Exchange	15%	296,535,300	44,480,295
10.	Ordinary shares and preference shares of unlisted public companies registered for UpCom trading	20%	2,353,400	470,680
11.	Ordinary shares and preference shares of public companies which have been registered for depository, but have not been listed or not yet registered for trading; shares of Initial Public Offerings (IPO)	30%	-	-
12.	Shares of other public companies	50%	-	-
V.	**Securities investment fund certificates**		-	-
13.	Public Funds, including public investment companies	10%	-	-
14.	Member Funds, separate investment companies	30%	-	-
VI.	**Securities restricted for trading**		**4,985,282**	**2,492,641**
15.	Temporary stop-trading securities	40%	-	-
16.	Securities with delisting or trading cancellation	50%	4,985,282	2,492,641
VII.	**Derivative securities**		-	-
17.	Futures contract on stock index	8%	-	-
18.	Futures contract on government bonds	3%	-	-
VIII.	**Other securities**		-	-
19.	Shares, capital contributions and other securities	80%	-	-
20.	Shares listed in foreign markets are belong to standard index	25%	-	-
21.	Shares listed in foreign markets are not belong to standard index	100%	-	-
22.	Covered warrants listed on the Ho Chi Minh City Stock Exchange	8%	-	-
23.	Covered warrants listed on the Hanoi Stock Exchange	10%	-	-

Investment portfolio as of 31 December 2018		**Risk coefficient**	**Risk exposure VND**	**Risk value VND**
		(1)	**(2)**	**(3)=(1)*(2)**
24.	Covered warrants issued by securities companies		-	-
25.	Securities formed from risk hedging activities for covered warrants issued by securities companies (in case of covered warrants being free of interest)		-	-
26.	The difference between the value of underlying securities used for hedging risks and the value of underlying securities necessary to hedge risks for covered warrants		-	-
IX.	**Increased risks (if any)**		-	-
TOTAL MARKET RISK (I+II+III+IV+V+VI+VII+VIII+IX)				**274,975,877**

5. Settlement risk value

	Type of transaction	Risk value (VND)						Total risk value VND
		(1)	(2)	(3)	(4)	(5)	(6)	
I.	**Settlement risk before due date as of 31 December 2018**							
1.	Term deposits and unsecured loans, and receivables from the securities trading and securities services and other items bore settlement risk (i)	-	122,075,124	-	-	16,137,250,756	59,828,819	16,319,154,699
2.	Financial asset loans/other economic contracts of a similar nature	-	-	-	-	-	-	-
3.	Financial asset borrowings/other economic contracts of a similar nature	-	-	-	-	-	-	-
4.	Reverse repurchase agreements/other economic contracts of a similar nature	-	-	-	-	-	-	-
5.	Repurchase agreements/other economic contracts of a similar nature	-	-	-	-	-	-	-
6.	Margin loan contracts/other economic contracts of a similar nature	-	-	-	-	-	-	-
	Sub-total							**16,319,154,699**
II.	**Overdue settlement risk as of 31 December 2018**							
	Overdue status					**Risk coefficient %**	**Risk exposure VND**	**Risk value VND**
1.	0 - 15 days after the due date for payment/transfer of securities					16%	-	-
2.	16 - 30 days after the due date for payment/transfer of securities					32%	-	-
3.	31 - 60 days after the due date for payment/transfer of securities					48%	-	-
4.	Above 60 days after the due date for payment/transfer of securities					100%	17,449,466,412	17,449,466,412
	Sub-total							**17,449,466,412**
III.	**Other increased risks (if any) as of 31 December 2018**				**Increased amount**	**Risk coefficient %**	**Risk exposure VND**	**Risk value VND**
1.	Bank for Investment and Development of Vietnam				10%	6%	103,361,205,485	620,167,233
	TOTAL SETTLEMENT RISK (I+II+III)							**34,388,788,344**

(1) Settlement risk value applicable to the Government, issuing organisations guaranteed by the Government or the Ministry of Finance, the State Bank of Vietnam, governments and central banks of OECD countries, people's committees of provinces and cities under central authority;

(2) Settlement risk value applicable to the Stock Exchanges, Vietnam Securities Depository;

(3) Settlement risk value applicable to credit institutions, financial institutions, and securities companies established in the OECD countries;

(4) Settlement risk value applicable to credit institutions, financial institutions, and securities companies established outside the OECD countries;

(5) Settlement risk value applicable to credit institutions, financial institutions, and securities companies established and operating in Vietnam;

(6) Settlement risk value applicable to other organisations and individuals.

(i) Term deposits and unsecured loans, and receivables from the securities trading and securities services and other items bore settlement risk includes the followings:

	Risk exposure VND	**Settlement risk coefficient %**	**Risk value VND**
Term deposits at banks	265,949,868,312	6.0%	15,956,992,099
Interest receivables from term deposit at banks	3,004,310,951	6.0%	180,258,657
Interest receivables from deposits at Payment Support Fund	220,752,925	0.8%	1,766,023
Receivables from the clearing and settlement of securities transactions	15,038,637,600	0.8%	120,309,101
Receivables from services rendered	688,378,363	8.0%	55,070,269
Other receivables	59,481,868	8.0%	4,758,550

6. Operational risk value

No.	Items	31/12/2018 VND
I.	**Total operating expenses for twelve-month period ended 31 December 2018**	**138,134,264,933**
II.	**Deductions from total operating expenses**	**4,271,414,620**
	1. Depreciation and amortisation expenses	1,900,888,848
	2. Addition of allowance for diminution in the value of short-term financial investments	2,551,177,323
	3. Addition/(reversal) of allowance for diminution in the value of long-term financial investments	-
	4. Reversal of allowance for doubtful debts	(180,651,551)
	5. Addition/(reversal) of allowance for other short-term assets	-
	6. Addition/(reversal) of allowance for other long-term assets	-
III.	**Total expenses after deductions (III = I – II)**	**133,862,850,313**
IV.	**25% of total expenses after deductions (IV = 25% III)**	**33,465,712,578**
V.	**20% of legal capital of the Company**	**60,000,000,000**
TOTAL OPERATIONAL RISK (=Max {IV, V})		**60,000,000,000**

7. Liquid capital

No.	Items	Liquid capital as of 31 December 2018		
		Liquid capital VND	**Deductions VND**	**Additions VND**
A.	**Equity**			
1	Share capital, excluding redeemable preference shares (if any)	700,000,000,000		
2	Capital surplus, excluding redeemable preference shares (if any)	-		
3	Treasury shares	(1,185,000)		
4	Convertible bonds options - Capital component	-		
5	Other capital	-		
6	Differences on revaluation of assets at fair value	-		
7	Reserve to supplement charter capital	-		
8	Financial reserve and operational risk fund	-		
9	Other equity funds	-		
10	Retained profits **(i)**	45,892,785,709		
11	Allowance for diminution in value of financial assets	15,341,329,147		
12	Differences on revaluation of fixed assets	-		
13	Foreign exchange differences	-		
14	Convertible debts			-
15	Total reductions increases in securities included in financial investments **(ii)**	-	49,357,900	21,491,757
16	Other capital (if any)	-		
1A	**Sub-total**	**761,205,063,713**		
B	**Current assets**			
I	**Financial assets**			
1	Cash and cash equivalents			
2	Financial assets at fair value through profit or loss (FVTPL)			
	- Securities with potential market risks			
	- Securities deducted from liquid capital		-	
3	Held-to-maturity investments (HTM)			

Phu Hung Securities Corporation
Notes to the Financial Safety Ratio Report as of 31 December 2018 (continued)

No.	Items	Liquid capital as of 31 December 2018		
		Liquid capital VND	Deductions VND	Additions VND
	- Securities with potential market risks			
	- Securities deducted from liquid capital		-	
4	Loans			
5	Available-for-sale financial assets (AFS)			
	- Securities with potential market risks			
	- Securities deducted from liquid capital		-	
6	Allowance for diminution in value of financial assets			
7	Receivables (from sale of financial assets, receivables and dividends and interest receivables from financial assets)			
	- Receivables with remaining term to maturity of 90 days or less			
	- Receivables with remaining term to maturity of more than 90 days		-	
8	Undistributed covered warrant			
9	Underlying security for hedging purpose when issue of covered warrants			
10	Receivables from services rendered			
	- Receivables with remaining term to maturity of 90 days or less			
	- Receivables with remaining term to maturity of more than 90 days		-	
11	Internal receivables			
	- Internal receivables with remaining term to maturity of 90 days or less			
	- Internal receivables with remaining term to maturity of more than 90 days		-	
12	Receivables from securities trading errors			
	- Receivables with remaining term to maturity of 90 days or less			
	- Receivables with remaining term to maturity of more than 90 days		-	
13	Other receivables			
	- Other receivables with remaining term to maturity of 90 days or less			

Phu Hung Securities Corporation
Notes to the Financial Safety Ratio Report as of 31 December 2018 (continued)

No.	Items	Liquid capital as of 31 December 2018		
		Liquid capital VND	Deductions VND	Additions VND
	- Other receivables remaining term to maturity of more than 90 days		-	
14	Allowance for diminution in value of receivables			
II	**Other short-term assets**			
1	Advances			
	- Advances with remaining term to maturity of 90 days or less			
	- Advances remaining term to maturity of more than 90 days		-	
2	Office tools and supplies		-	
3	Short-term prepaid expenses		1,403,413,459	
4	Short-term mortgage, collaterals and deposits		-	
5	Deductible VAT		-	
6	Taxes and other receivables from the State		-	
7	Other short-term assets		1,151,226,550	
8	Allowances for diminution in value of other short-term assets			
1B	**Sub-total**			**2,554,640,009**
C	**Long-term assets**			
I	**Long-term financial assets**			
1	Long-term receivables		-	
2	Investments			
21	Held-to-maturity investments (HTM)			
	- Securities with potential market risks			
	- Securities deducted from liquid capital		-	
22	Investments in subsidiaries		-	
23	Investments in joint ventures and associates		-	
24	Other long-term investments		-	
II	**Fixed assets**		7,368,001,106	
III	**Investment properties**		-	
IV	**Construction in progress**		-	
V	**Other long-term assets**			
1	Long-term mortgage, collaterals and deposits		1,888,074,824	
2	Long-term prepaid expenses		4,055,303,300	
3	Deferred tax assets		-	
4	Deposits at Payment Support Fund		4,464,116,068	

No.	Items	Liquid capital as of 31 December 2018		
		Liquid capital VND	Deductions VND	Additions VND
5	Other long-term assets		-	
VI	**Allowances for diminution in value of long-term assets**			
	Asset items subject to qualification, adverse opinion or disclaimer in audited/reviewed financial statements but not yet calculated as deductions pursuant to Article 5		-	
1C	**Sub-total**			**17,775,495,298**
D	**Long-term deposits**			
1	Deposit amount			
1.1	Contribution value to Payment Support Fund of the Securities Depository Center (for derivative market)		-	
1.2	Contribution value to Clearing Fund of the central payment partner for the open position of the clearing member (for derivatives market)		-	
1.3	Cash deposit and bank's payment guarantee when issue of covered warrants		-	
2	The value of the collateral for liabilities has remaining term of more than 90 days		-	
1D	**Sub-total**			**-**
LIQUID CAPITAL = 1A-1B-1C-1D				**740,874,928,406**

(i) Retained profits excluding allowances and provisions in accordance with the prevailing regulations:

	31/12/2018 VND
Retained profits	45,864,919,566
Adjust for allowances and provisions	
1. Revaluation losses of financial assets at FVTPL	49,357,900
2. Revaluation gains of financial assets at FVTPL	(21,491,757)
	45,892,785,709

(ii) Additions and deductions relating to financial investments

Details of deductions and additions relating to financial investments which were added back/deducted from the liquid capital as of 31 December 2018 are as follows:

	Cost VND	Market value VND	Difference VND
Additions			
Financial assets at FVTPL			
Listed shares	1,503,254,573	1,524,746,330	21,491,757

	Cost VND	Market value VND	Difference VND
Deductions			
Financial assets at FVTPL			
Listed shares	1,098,822,878	1,049,464,978	(49,357,900)

15 March 2019

Prepared by: Approved by:

CÔNG TY CỔ PHẦN CHỨNG KHOÁN PHÚ HƯNG

Ms. Do Thi Ai Vy	Ms. Le Thuy My Tien	Mr. Chen Chia Ken
Chief Accountant	*Head of Internal Control Department*	*General Director*