

# **Maybank Kim Eng Securities Limited**

Financial safety ratio report

31 December 2020



# Maybank Kim Eng Securities Limited

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# Maybank Kim Eng Securities Limited

## GENERAL INFORMATION

### THE COMPANY

Maybank Kim Eng Securities Limited ("the Company") was incorporated under License No. 117/GP-UBCK dated 3 January 2014 and Amended License No. 30/GPDC-UBCK dated 17 April 2018, which supersedes License No. 71/UBCK-GP on 14 December 2007.

The principal activities of the Company are to provide brokerage services, securities trading, underwriting for share issues, custodian services, investment advisory services and margin trading services.

The Company's head office is located at Floor 4A - 15 + 16, Vincom Center Dong Khoi, 72 Le Thanh Ton, Ben Nghe Ward, District 1, Ho Chi Minh City and its branches are located at Ho Chi Minh city, Ha Noi and other provinces which are listed below:

- ▶ Cho Lon Branch: Floor 1, 86 Tan Da, Ward 11, District 5, Ho Chi Minh City;
- ▶ Phu Nhuan Branch: Floor 1, Tan Ha Phan Building, 465 Phan Xich Long, Phu Nhuan District, Ho Chi Minh City;
- ▶ An Giang Branch: Floor 3, Nguyen Hue Shopping Center, 9/9 Tran Hung Dao, My Xuyen Ward, Long Xuyen City, An Giang province;
- ▶ Dong Nai Branch: Room 303, Floor 3, NK Building, 208D Pham Van Thuan, Tan Tien District, Bien Hoa City, Dong Nai province; and
- ▶ Ha Noi Branch: Floor 3A-06, Horison Building, 40 Cat Linh Street, Cat Linh Ward, Dong Da District, Ha Noi.

### MEMBERS' COUNCIL

Members of the Members' Council during the year and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/resignation</i>
Mr. Mohamad Yasin Bin Abdullah	Chairman	Appointed on 7 August 2020
Ms. Che Zakiah Binti Che Din	Chairman	Resigned on 7 August 2020
Mr. Rajiv Vijendran	Member	Appointed on 30 December 2019
Mr. Lok Eng Hong	Member	Appointed on 7 August 2020
Mr. Ronnie Royston Fernandiz	Member	Resigned on 7 August 2020
Mr. Goh Cho Kiat Jeffrey	Member	Resigned on 7 August 2020

### SUPERVISORY BOARD

Members of the Supervisory Board during the year and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment /resignation</i>
Ms. Che Zakiah Binti Che Din	Chief Supervisor	Appointed on 7 August 2020
Mr. Malique Firdauz Bin Ahmad Sidique	Member	Resigned on 7 August 2020
Ms. Tran Ngoc Nhu Hien	Member	Re-appointed on 30 December 2019
Ms. Nguyen Tuyet Van	Member	Re-appointed on 30 December 2019

# Maybank Kim Eng Securities Limited

## GENERAL INFORMATION (continued)

### MANAGEMENT

Members of the Management and the Chief Accountant of the Company during the period and at the date of this report are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/resignation</i>
Mr. Kim Thien Quang	Chief Executive Officer	Appointed on 12 August 2015
Mr. To Quoc Tuan	Chief Financial Officer	Appointed on 9 September 2019
Mr. Tran Chau Tien	Head, Information Technology	Appointed on 1 April 2019
Mr. Vu Gia Vinh	Head, Investment Banking and Advisory	Appointed on 24 June 2017
Ms. Le Hong Lien	Head, Institutional Research	Resigned on 29 August 2020
Ms. Tran Thi Ngoc Huong	Chief Accountant	Appointed on 10 March 2014

### LEGAL REPRESENTATIVE

The legal representative of the Company during the period and at the date of this report is Mr. Kim Thien Quang, the Chief Executive Officer.

### AUDITOR

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

## REPORT OF MANAGEMENT

## MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL SAFETY RATIO REPORT

## STATEMENT BY THE CHIEF EXECUTIVE OFFICER

financial safety ratio report and Note



Kim Thien Quang  
Chief Executive Officer

9 February 2021

Reference: 60994674/22196163-ATTC

## INDEPENDENT AUDITOR'S REPORT

**To: The owner of  
Maybank Kim Eng Securities Limited**

We have audited the accompanying financial safety ratio report of Maybank Kim Eng Securities Limited ("the Company") as at 31 December 2020 as prepared on 9 February 2021 and set out on pages 6 to 29. The financial safety ratio report has been prepared by the Company's Management in accordance with regulations under Circular No. 87/2017/TT-BTC dated 15 August 2017 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 (collectively referred to as "the regulations on preparation of the financial safety ratio report") and *Note 2.1* to the financial safety ratio report.

### ***Chief Executive Officer's responsibility***

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

### ***Auditors' responsibility***

Our responsibility is to express an opinion on the financial safety ratio report based on our audit. We concluded our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' judgment, 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 auditors consider internal control relevant to the entity's preparation and fair 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

### ***Auditors' opinion***

In our opinion, the financial safety ratio report as at 31 December 2020 is prepared and presented, in all material respects, in accordance the Circular No. 87/2017/TT-BTC dated 15 August 2017 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 *Note 2.1* to the financial safety ratio report

### ***Basis of preparation of the financial safety report and restriction on use of report***

Without modifying our conclusion, we draw attention to *Note 2.1* and *Note 3* to the financial safety ratio report, which describes the applicable regulations, interpretations and policies for preparation of the financial safety ratio report. Also as described in *Note 2.2*, the financial safety ratio report has been prepared to comply with the regulations on preparation and disclosure of the financial safety ratio report. Accordingly, this report may be inappropriate for use by other parties and for other purposes.

### **Ernst & Young Vietnam Limited**



\_\_\_\_\_  
Nguyễn Thụy Dương  
Deputy General Director  
Audit Practicing Registration  
Certificate No. 0893-2018-004-1

\_\_\_\_\_  
Nguyễn Đăng Tung  
Auditor  
Audit Practicing Registration  
Certificate No. 4415-2018-004-1

Ho Chi Minh City, Vietnam

9 February 2021

Maybank Kim Eng Securities Limited

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Financial safety ratio report

SOCIALIST REPUBLIC OF VIETNAM  
Independence - Freedom - Happiness

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Ho Chi Minh City, 9 February 2021

## FINANCIAL SAFETY RATIO REPORT

As at 31 December 2020

**To: The State Securities Commission**

We hereby confirm that:

- (1) The report is prepared on the basis of data updated at the reporting date and in accordance with regulations under Circular No. 87/2017/TT-BTC dated 15 August 2017 issued by the Ministry of Finance on financial safety ratios and remedies applicable to securities trading companies that fail to meet the stipulated financial safety ratios;
- (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.



Tran Thi Ngoc Huong  
Chief Accountant



Phan Thi Thu Hien  
Head of Internal Control



Kim Chien Quang  
Chief Executive Officer

Ho Chi Minh City, Vietnam

9 February 2021



# Maybank Kim Eng Securities Limited


## SUMMARY OF EXPOSURES TO RISK AND LIQUID CAPITAL as at 31 December 2020

Unit: VND

No.	Criteria	Notes	Exposures to risk/ Liquid capital
1	Total exposures to market risk	4	337,503
2	Total exposures to settlement risk	5	10,224,146,239
3	Total exposures to operational risk	6	60,308,836,083
4	<b>Total exposures to risks (4=1+2+3)</b>		<b>70,533,319,825</b>
5	<b>Liquid capital</b>	7	<b>1,382,464,934,710</b>
6	<b>Liquid capital ratio (6=5/4) (%)</b>		<b>1,960</b>



Tran Thi Ngoc Huong  
Chief Accountant



Phan Thi Thu Hien  
Head of Internal Control



Kim Phien Quang  
Chief Executive Officer

Ho Chi Minh City, Vietnam

9 February 2021

# Maybank Kim Eng Securities Limited

## NOTES TO THE FINANCIAL SAFETY RATIO REPORT as at 31 December 2020

### 1. THE COMPANY

Maybank Kim Eng Securities Limited ("the Company") was incorporated under the Law on Enterprise of Vietnam pursuant to the License No. 117/GP-UBCK dated 3 January 2014 and Amended License No. 30/GPDC-UBCK dated 17 April 2018, which supersedes License No. 71/UBCK-GP on 14 December 2007.

The principal activities of the Company are to provide brokerage services, securities trading, underwriting for share issues, custodian services, investment advisory services and margin trading services.

The Company's head office is located at Floor 4A-15+16, Vincom Center Dong Khoi, 72 Le Thanh Ton Street, Ben Nghe Ward, District 1, Ho Chi Minh City, and its branches are located in Ho Chi Minh City, Ha Noi and other provinces.

The Company has 177 employees as at 31 December 2020 (31 December 2019: 172 employees).

### 2. BASIS OF PRESENTATION

#### 2.1 *The applicable regulations*

The financial safety ratio report of the Company is prepared and presented in accordance with regulations under Circular No. 87/2017/TT-BTC ("Circular 87") dated 15 August 2017 issued by the Ministry of Finance on financial safety ratio and remedies applicable to securities companies that fail to meet the stipulated financial safety ratios. Circular 87 is effective from 10 October 2017 and replacing 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 trading companies that fail to meet the stipulated financial safety ratios and Circular No. 165/2012/TT-BTC dated 9 October 2012 issued by the Ministry of Finance amending and supplementing a number of articles of Circular No. 226/2010/TT-BTC.

The financial safety ratio report is prepared on the basis of the financial statement of the Company at the reporting date.

***Interpretations internally applied for certain cases for which there is no specific guidance in Circular No. 87/2017/TT-BTC.***

In the preparation and presentation of this report, the Company has applied the following interpretations based on the Company's understanding and own assessment for certain cases for which no specific guidance is available in Circular No. 87/2017/TT-BTC as below.

# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 2. BASIS OF PREPARATION (continued)

### 2.1 The applicable regulations (continued)

No.	Items	The Company's interpretation
1	The item <b>"Deductions from total expenses"</b> (Clause 2, Article 8 - Exposures to Operational Risk, Circular No. 87/2017/TT-BTC)	To identify accurately total operating expenses incurring within twelve (12) consecutive months up to the reporting date, non-cash expenses incurred during the period are deducted from total expense. Accordingly, deductions from total expenses include: <ul style="list-style-type: none"><li>▶ Depreciation expense;</li><li>▶ Expense or reversal of provision for dilution of short-term, long-term financial assets and collaterals;</li><li>▶ Expense or reversal of provision for dilution of receivables;</li><li>▶ Expense or reversal of provision for dilution of other short-term assets;</li><li>▶ Loss from revaluation of financial assets at fair value through profit and loss ("FVTPL").</li></ul>
2	The item <b>"Additional exposures"</b> (Clause 5, Article 9 - Exposures to market risk, Circular No. 87/2017/TT-BTC)	Increase exposures of market risk are adjusted to increase as follows: Scale of market risk of potential assets with market risk (not including increase exposure) x Increasing risk ratio.
3	The item <b>"Additional exposures"</b> (Clause 8, Article 10 - Exposures to settlement risk, Circular No. 87/2017/TT-BTC)	Increase exposures of settlement risk are adjusted to increase as follows: Scale of settlement risk of potential assets with settlement risk (not including increase exposure) x Increasing risk ratio.

### 2.2 Purpose of preparation

The financial safety ratio report is prepared to comply with the regulations on the preparation and disclosure of the Company's financial safety ratio report and is not suitable for other purposes.

### 2.3 Accounting currency

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

## 3. SUMMARY OF SIGNIFICANT POLICIES IN PREPARATION OF THE FINANCIAL SAFETY RATIO REPORT

### 3.1 Liquid capital ratio

Liquid capital ratio of the Company is determined using the formula specified in accordance with Circular No. 87/2017/TT-BTC as follows:

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

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

# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 3. SUMMARY OF SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY RATIO REPORT (continued)

### 3.2 *Liquid capital*

In accordance with Circular No. 87/2017/TT-BTC, the Company's liquid capital is the total equity that can be converted into cash within ninety (90) days, which includes:

- ▶ Owners' equity, excluded redeemable preferred share (if any);
- ▶ Share premium, excluded redeemable preferred share (if any);
- ▶ Convertible bonds - Equity component (applicable to securities company that convertible bonds issuer);
- ▶ Other owners' equity;
- ▶ Differences from revaluation of assets at fair value;
- ▶ Foreign exchange rate differences;
- ▶ Charter capital supplementary reserve;
- ▶ Operational risk and financial reserve;
- ▶ Other reserves in accordance with prevailing regulations;
- ▶ Undistributed retained earnings;
- ▶ Balance of provision for impairment of assets;
- ▶ Fifty percent (50%) of fixed assets' increased value revaluated in accordance with prevailing regulations (in case of positive revaluation), or minus the total decreased value (in case of negative revaluation);
- ▶ Decreases to liquid capital (Note 3.2.1);
- ▶ Increases to liquid capital (Note 3.2.2); and
- ▶ Other capital (if any).

#### 3.2.1 *Decreases to liquid capital*

The Company's liquid capital is decreased due to the following items:

- ▶ Treasury shares (if any);
- ▶ Total decreases in value of financial assets recognised at cost equivalent to the difference between fair value and carrying value of the assets, 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 ninety (90) days as from the date of financial safety ratio report;
- ▶ The escrow value, in case the Company places collateral assets to the banks for banks' guarantee upon the Company's issuance of cover warrant, is determined as the minimal value of the followings: the value of banks' guarantee and the value of collateral assets (equivalent to market price of collateral assets \* (1 - Market risk coefficient));
- ▶ The value of the Company's assets used as collaterals for the Company's liabilities with other institutions and individuals, of which the remaining terms are of more than ninety (90) days, is determined as the minimal value of fair value, carrying value of collateral assets and the residual value of obligation.
- ▶ Short-term assets include prepaid expenses, receivables and advances of which the remaining recovery period or settlement period is of more than ninety (90) days, and other short-term assets;
- ▶ Long-term assets;
- ▶ The qualified, adversed or disclaimed items on the audited, reviewed financial statements (if any);
- ▶ Securities issued be the Company's related parties in the following cases:
  - The parent company, subsidiaries, joint ventures, associates of the Company;
  - Subsidiaries, joint ventures, associates of the Company's parent company.

# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 3. SUMMARY OF SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY RATIO REPORT (continued)

### 3.2 *Liquid capital* (continued)

#### 3.2.1 *Decreases to liquid capital* (continued)

- ▶ Securities restricted to transfer with the remaining restricted period of more than 90 days as from the calculation date;
- ▶ Irrecoverable items from other institutions and individuals which are assessed as completely insolvent, are determined at the contract value.

For decreases to liquid capital secured by assets of entities, individuals, the deduction shall be reduced to the minimum value of the following values:

- ▶ Book value;
- ▶ Market value of collaterals assets determined by the following formula volume of assets \* asset price \* (1 - Market risk coefficient) as *Note 3.4.3*.

Market value of assets is determined in accordance with Circular No. 87/2017/TT-BTC. The Company does not calculate risk exposures for items that are deducted from liquid capital.

#### 3.2.2 *Increases to liquid capital*

The Company's liquid capital is increased due to the following items:

- ▶ Total increases in value of financial assets recognised at cost equivalent to the difference between fair value and carrying value of the assets, 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 ninety (90) days as from the date of financial safety ratio report;
- ▶ Debts that are convertible to equity, including: convertible bonds, preferred shares and other debt instruments registered to supplement liquid capital with the State Securities Commission and satisfied all conditions stated in Clause 2, Article 7 of Circular No. 87/2017/TT-BTC.

The total value of debt items used to supplement liquid capital is in maximum 50% of the Company's owners' equity. Regarding convertible debts and debts registered to supplement the Company's liquid capital with the State Securities Committee, 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.

### 3.3 *Exposures to market risk*

Exposures to market risk are the potential losses which may occur when the market price of assets owned and expected to be owned by the Company according to underwriting commitment fluctuates in a negative trend. Exposures to market risk include cash and cash equivalent, monetary market instruments, bonds, shares, fund certificates/shares of securities investment companies; are determined by the Company at the end of the transaction day using the following formula:

Exposures to market risk = Net position x Asset value 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.



# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 3. SUMMARY OF SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY RATIO REPORT (continued)

### 3.3 *Exposures to market risk* (continued)

Assets which are excluded when determining exposures to market risk include:

- ▶ Treasury shares;
- ▶ Securities issued by related parties of the Company in the following cases:
  - The parent company, subsidiaries, joint ventures, associates of the Company;
  - Subsidiaries, joint ventures, associates of the Company's parent company.
- ▶ Securities restricted to transfer with the remaining restricted period of more than 90 days as from the calculation date.
- ▶ Bonds, debt instruments and valuable papers in the money market which have been matured.

#### 3.3.1 *Market risk coefficient*

Market risk coefficient is determined for each account of assets as specified in Circular No. 87/2017/TT-BTC.

#### 3.3.2 *Asset price*

##### a. *Cash and cash equivalents, money market instruments*

Value of cash in VND is the cash balance at the calculation date. Value of cash in foreign currencies is the equivalent 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 using the effective interest rate 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 included accrued interest values: acquisition cost; face value and price determined by the internal valuation methods.

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

# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 3. SUMMARY OF SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY RATIO REPORT (continued)

### 3.3 *Exposures to market risk* (continued)

#### 3.3.2 *Asset price* (continued)

##### c. *Shares*

Value of listed shares are determined based on the quoted closing prices on the Ho Chi Minh Stock Exchange and the Hanoi Stock Exchange.

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

In case there is no transaction of the shares listed or registered on UPCoM during more than two (2) weeks prior to the date of calculation, 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 suspended from trading, delisted or cancelled is the highest of the following values: book value, par value, price determined by internal valuation methods of the Company.

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

Value of shares of organizations in term of dissolution, or of bankruptcy is 80% liquidated value of the shares at the date of preparation of the latest balance sheet, or price determined by internal methods of the Company.

The value of other shares or capital contributions is the maximum of book value; acquisition cost/value of capital contribution; price determined by internal methods of the Company.

##### d. *Funds/shares of securities investment companies*

Value of public close-end fund is the closing price of the latest trade date prior to the date of calculation. In case public close-end fund has no transactions in more than two (02) weeks prior to the date of calculation, the value is calculated by net asset value ("NAV") per fund certificate at the latest reporting period prior to the calculation date.

Value of member/open-end fund/shares of securities investment companies in private issues is the NAV per unit of contributed capital/fund certificate unit/shares at the latest reporting period prior to the date of calculation.

Value of other funds/shares is price determined by the internal methods of the Company.

# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 3. SUMMARY OF SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY RATIO REPORT (continued)

### 3.3 *Exposures to market risk* (continued)

#### 3.3.3 *Increase of exposures to market risk*

Exposures to market risk of assets are increasingly adjusted in case that the Company over invests in these assets, except for the securities under firm commitment issuance underwriting contract, Government bonds and bonds guaranteed by the Government. The exposures to market risk will be adjusted in accordance with following principles:

- ▶ An increase of 10% if the total value of investment in shares and bonds of a securities issuer for more than 10% to 15% of the owners' equity of the Company.
- ▶ An increase of 20% if the total value of investment in shares and bonds of a securities issuer for more than 15% to 25% of the owners' equity of the Company.
- ▶ An increase of 30% if the total value of investment in shares and bonds of a securities issuer for more than 25% of the owners' equity of the Company.

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

### 3.4 *Exposures to settlement risk*

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

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

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

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

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



# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 3. SUMMARY OF SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY RATIO REPORT (continued)

### 3.4 Exposures to settlement risk (continued)

#### 3.4.1 Settlement risk coefficient

Settlement risk coefficient is determined based on the type of counterparties and the overdue period as stipulated in Circular No. 87/2017/TT-BTC.

#### 3.4.2 Value of assets exposed to settlement risk

##### a. Securities lending or borrowings, margins, contracts 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:

► Exposures to settlement risk is as follows:

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.

Customers' collateral value is determined in line with Note 3.4.3. In case the value of collaterals does not have any reference in the market, its value is determined by the internal methods of the Company.

Value of assets is determined in line with Note 3.3.2.

# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 3. SUMMARY OF SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY RATIO REPORT (continued)

### 3.4 Exposures to settlement risk (continued)

#### 3.4.2 Value of assets exposed to settlement risk (continued)

##### b. Securities trading

Value of assets exposed to settlement risk in securities trading as the following standard:

No.	Period	Value of assets exposed to settlement risk
A - For the selling transactions (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 (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)

Settlement/transfer period of securities is T+2 (for listed securities), T+1 (for listed bonds); T+n (for transactions outside the official trading system within n days under agreement of both parties).

##### c. 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 of collateral

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 fulfilment 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)

# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 3. SUMMARY OF SIGNIFICANT POLICIES IN PREPARATION OF FINANCIAL SAFETY 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 deposits contract, the total value of loans to an organization, an individual and a group of related organizations/ individuals (if any) accounts for more than 10% to 15% of the owners' equity of the Company;
- ▶ An increase of 20% if the value of deposits contract, the total value of loan to an organization, an individual and a group of related organizations/ individuals (if any) accounts for more than 15% to 25% of the owners' equity of the Company;
- ▶ An increase of 30% if the value of deposits contract, the total 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 bilateral clearing value of assets exposed to settlement risk*

Value of assets exposed to settlement risk is subject to net bilateral clearing in cases:

- ▶ Settlement risk relating to the same partner;
- ▶ Settlement risk occurred to the same type of transaction;
- ▶ The net bilateral clearing is agreed in prior by parties by documents.

### 3.5 *Exposures to operational risk*

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

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

The Company's operating expenses are determined from total expenses incurred in the period less: depreciation expense; reverse/provision expense for the impairment of short-term, long-term financial asset and mortgage assets; reverse/provision expense for the impairment of receivable; reverse/provision expense for the impairment of other short-term asset; and loss from revaluation of financial assets at fair value through profit and loss ("FVTPL") which has been recognized into expense in the period.

# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 4. EXPOSURES TO MARKET RISK

		Risk coefficient %	Scale of risk VND	Exposure to risk VND
Investment items		(1)	(2)	(3) = (1) x (2)
<b>I. Cash and cash equivalents, monetary market instruments</b>				
1.	Cash (VND)	0	98,463,942,745	-
2.	Cash equivalents	0	50,126,246,575	-
3.	Valuable papers, negotiable instruments in the money market, certificate of deposit	0	-	-
<b>II. Government bonds</b>				
4.	Zero-coupon Government bonds	0	-	-
5.	Coupon Government bonds	3	-	-
5.1	Government bonds (include treasury bond and construction bond issued), 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	-	-
<b>III. Corporate bonds</b>				
6.	Listed bonds having remaining maturity of less than 1 year, including convertible bonds	8	-	-
	Listed bonds having maturity of 1 to under 3 years, including convertible bonds	10	-	-
	Listed bonds having maturity of 3 to under 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 under 3 years, including convertible bonds	30	-	-
	Unlisted bonds having maturity of 3 to under 5 years, including convertible bonds	35	-	-
	Unlisted bonds having maturity of more than 5 years, including convertible bonds	40	-	-

# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 4. EXPOSURES TO MARKET RISK (continued)

		Risk coefficient %	Scale of risk VND	Exposure to risk VND
Investment items		(1)	(2)	(3) = (1) x (2)
<b>IV. Shares</b>				
8.	Ordinary shares, preferred shares of entities listed in Ho Chi Minh Stock Exchange; open-end fund certificates	10	3,375,030	337,503
9.	Ordinary shares, preferred shares of entities listed in Hanoi Stock Exchange	15	-	-
10.	Ordinary shares, preferred shares of unlisted public entities registered for trading through UPCoM system	20	-	-
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	-	-
<b>V. Certificates of investment securities fund</b>				
13.	Public funds, including public securities investment companies	10	-	-
14.	Private funds, including private securities investment companies	30	-	-
<b>VI. Restricted securities trading</b>				
15.	Securities temporarily suspended from trading	40	-	-
16.	Delisted, cancelled securities	50	-	-
<b>VII. Derivative securities</b>				
17.	Share index futures contracts	8	-	-
Calculation: Exposure to risk = (Price paid at the end of the day - Value of purchased securities to warranty future contractual payment obligations) x risk coefficient of futures contracts - The value of the margin (The contribution to the clearing fund for the open position of the securities company)				
18.	Government bond futures contracts	3	-	-
Calculation: Exposure to risk = (Price paid at the end of the day - Value of purchased securities to warranty future contractual payment obligations) x risk coefficient of futures contracts - The value of the margin (The contribution to the clearing fund for the open position of the securities company)				

# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 4. EXPOSURES TO MARKET RISK (continued)

		<i>Risk coefficient %</i>	<i>Scale of risk VND</i>	<i>Exposure to risk VND</i>
<i>Investment items</i>		<i>(1)</i>	<i>(2)</i>	<i>(3) = (1) x (2)</i>
<b>VIII. Other securities</b>				
19.	Shares, capital contribution and other shares	80	-	-
20.	Shares listed in foreign markets included in the benchmark	25	-	-
21.	Shares listed in foreign markets not included in the benchmark	100	-	-
22.	Covered warrants listed on Ho Chi Minh Stock Exchange	8	-	-
23.	Covered warrants listed on Hanoi Stock Exchange	10	-	-
24.	Covered warrants issued by the Company Calculation: Exposures to risk = $(P0 \times Q0 \times k - P1 \times Q1) \times R - MD$		-	-
25.	Securities formed from hedging activities for the issued covered warrants (In case of covered warrants without interest)		-	-
26.	The difference between the value of the underlying securities used by the Company to hedge against the risks of covered warrants and the value of the underlying securities necessary to hedge for covered warranties.		-	-
<b>Total Exposures to market risk (I+II+III+IV+V+VI+VII+VIII)</b>				<b>337,503</b>

## 5. EXPOSURES TO SETTLEMENT RISK

	<i>Exposures to settlement risk VND</i>
Risks of undue items (Note 5.1)	6,766,743,822
Risks of overdue items (Note 5.2)	3,457,402,417
<b>Total exposures to settlement risk</b>	<b><u>10,224,146,239</u></b>



# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 5. EXPOSURES TO SETTLEMENT RISK (continued)

### 5.1 Risks of undue items

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

Type of transactions	Risk coefficient (%)	Exposures to settlement risk (VND)					Total exposures to settlement risk VND
		0% (1)	0,8% (2)	3,2% (3)	4,8% (4)	8% (5)	8% (6)
1. Term deposits and loans without collaterals and receivables from transaction activities and securities trading operations, and other items exposed to settlement risk (Note 5, 1, 1)		-	1,473,143,692	-	-	3,009,777,645	2,283,822,485
2. Securities lending/agreements with similar nature		-	-	-	-	-	-
3. Securities borrowings/agreements with similar nature		-	-	-	-	-	-
4. Reverse repurchase agreements/agreements with similar nature		-	-	-	-	-	-
5. Repurchase agreements/agreements with similar nature		-	-	-	-	-	-
<b>TOTAL EXPOSURES TO SETTLEMENT RISK OF UNDU E ITEMS</b>							<b>6,766,743,822</b>

# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 5. EXPOSURES TO SETTLEMENT RISK (continued)

### 5.1 Risks of undue items (continued)

The details of settlement risk coefficient by counterparties are determined as follows:

No.	Counterparties of the Company	Settlement risk coefficient
1.	Government, issuers guaranteed by the Government, Ministry of Finance, State Bank, Government and Central Banks of OECD countries; People's committees of provinces and centrally-controlled municipalities	0%
2.	Securities Stock Exchanges and Vietnam Securities Depository	0,8%
3.	Credit institutions, financial institutions, and securities trading institutions which are established in OECD countries and have credit ratings in accordance with the internal policies of securities trading institutions	3,2%
4.	Credit institutions, financial institutions, and securities trading institutions which are not established in OECD countries or established in OECD countries and do not meet the requirements specified in the internal policies of securities trading institutions	4,8%
5.	Credit institutions, financial institutions, and securities trading institutions being established and operating in Vietnam	6%
6.	Other entities and individuals	8%

#### 5.1.1 Term deposits, unsecured loans, and receivables from operating activities and securities trading transactions

	Book value VND	Settlement risk coefficient %	Exposure to settlement risk VND
Term deposits, accrued interest and receivables from other entities	50,162,960,753	6	3,009,777,645
Receivables from advances to investors and auction fee	184,142,961,527	0,8	1,473,143,692
Receivables from securities custodian services, brokerage fee of investors	28,547,781,067	8	2,283,822,485
	<b>262,853,703,347</b>		<b>6,766,743,822</b>



# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 5. EXPOSURES TO SETTLEMENT RISK (continued)

### 5.2 Risks of overdue debts

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

No,	Overdue period	Settlement risk coefficient (%)	Scale of risk VND	Exposures to settlement risk VND
1.	0 - 15 days after payment due date or date of transferring securities	16	-	-
2.	16 - 30 days after payment due date or date of transferring securities	32	-	-
3.	31 - 60 days after payment due date or date of transferring securities	48	-	-
4.	From 60 days and above	100	3,457,402,417	3,457,402,417
<b>TOTAL EXPOSURES TO SETTLEMENT RISK OF OVERDUE PAYMENTS</b>				<b>3,457,402,417</b>

## 6. EXPOSURES TO OPERATIONAL RISK

No,	Items	Amount VND
I	Total operating expenses incurring during the 12 months period	247,364,750,028
II	Deductions from total expenses (Note 6, 1)	6,129,405,697
III	Total expenses after deductions (III = I - II)	241,235,344,331
IV	25% of total expense after deductions (IV = 25% III)	60,308,836,083
V	20% legal capital of the Company	50,000,000,000
<b>TOTAL EXPOSURES TO OPERATIONAL RISK (Max {IV, V})</b>		<b>60,308,836,083</b>

### 6.1 Deductions from total expenses

	Amount VND
Depreciation expenses	6,219,218,197
Provision expenses for margin loans and receivables	(89,812,500)
	<b>6,129,405,697</b>

# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 7. LIQUID CAPITAL

No.	Contents	Liquid capital		
		Liquid capital VND	Deductions VND	Increases VND
A	Equity	(1)	(2)	(3)
1	Owners' equity, excluded redeemable preferred shares (if any)	1,056,110,000,000		
2	Share premium, excluded redeemable preferred shares (if any)	-		
3	Treasury shares	-		
4	The convertible bonds option – Capital	-		
5	Other owners' equity	-		
6	Gain/(loss) from revaluation of financial assets at fair value	-		
7	Charter capital supplementary reserve	20,197,458,918		
8	Operational risk and financial reserve	20,197,458,919		
9	Other funds belong to the owner's equity	-		
10	Undistributed profit	336,210,648,803		
11	Balance to provision for impairment of assets	3,457,402,417		
12	Difference from revaluation of fixed assets	-		
13	Foreign exchange rate differences	-		
14	Convertible debts			-
15	Total increase or decrease in securities investment value		-	-
16	Other capital (if any)	-		
<b>1A</b>	<b>Total</b>	<b>1,436,172,969,057</b>		

# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 7. LIQUID CAPITAL (continued)

No,	Contents	Liquid capital		
		Liquid capital VND	Deductions VND	Increases VND
B	Short-term assets			
I	Financial assets			
1	Cash and cash equivalents			
2	Financial assets at fair value through profit and loss (FVTPL)			
	- Securities exposed to market risk			
	- Securities deductible liquid capital		-	
3	Held-to-maturity (HTM) investments			
	- Securities exposed to market risk			
	- Securities are deducted from liquid capital		-	
4	Loans			
5	Available-for-sale (AFS) financial assets			
	- Securities exposed to market risk			
	- Securities are deducted from liquid capital		-	
6	Provision for impairment of financial assets and mortgage assets			
7	Receivables (Receivables from disposal of financial assets, Receivables and accruals from dividend and interest income)			
	- Receivables due in 90 days or less			
	- Receivables due in more than 90 days		-	
8	Covered warrant have not yet been issued			
9	The underlying securities for the purpose of hedge when the issuing covered warrant		-	

# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 7. LIQUID CAPITAL (continued)

No.	Contents	Liquid capital		
		Liquid capital VND	Deductions VND	Additions VND
10	Receivables from services provided by the Company			
	- Receivables due in 90 days or less			
	- Receivables due in more than 90 days		-	
11	Internal receivables			
	- Internal receivables due in 90 days or less			
	- Internal receivables due in more than 90 days		-	
12	Receivables due to error in securities transaction			
	- Receivables due in 90 days or less			
	- Receivables due in more than 90 days		-	
13	Other receivables			
	- Other receivables due in 90 days or less			
	- Other receivables due in more than 90 days		53,061,959	
14	Provision for impairment of receivables			
<b>II</b>	<b>Other short-term assets</b>		<b>2,378,928,898</b>	
1	Advances			
	- Advances with the remaining repayment term of 90 days or less			
	- Advances with the remaining repayment term of more than 90 days		33,500,000	
2	Office supplies, tools and materials		-	
3	Short-term prepaid expenses		2,345,428,898	
4	Short-term deposits, collaterals and pledges		-	

# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 7. LIQUID CAPITAL (continued)

No.	Contents	Liquid capital		
		Liquid capital VND	Deductions VND	Additions VND
5	Deductible value added tax		-	
6	Tax and other receivables from the State		-	
7	Other current assets		-	
8	Provision for impairment of other current assets		-	
<b>1B</b>	<b>Total</b>			<b>2,431,990,857</b>
<b>C</b>	<b>Long-term assets</b>			
<b>I</b>	<b>Long-term financial assets</b>			
1	Long-term receivables		-	
2	Investments			
2.1	HTM investments			
	- Securities exposed to market risk			
	- Securities are deducted from liquid capital		-	
2.2	Investments in subsidiaries		-	
2.3	Investment in joint venture, associates		-	
2.4	Other long-term investments		-	
II	Fixed assets		15,894,436,944	
III	Investment properties		-	
IV	Construction in progress		144,000,000	
V	Other long-term assets			
1	Long-term deposits, collaterals and pledges		3,255,088,737	
2	Long-term prepaid expenses		1,964,330,786	
3	Deferred income tax assets		-	
4	Payment for Settlement Assistance Fund		20,000,000,000	

# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 7. LIQUID CAPITAL (continued)

No.	Contents	Liquid capital		
		Liquid capital VND	Deductions VND	Additions VND
VI	Provision for impairment of non-current assets			
	Assets referred in qualified, adverse or disclaimer in audited and reviewed financial statements that are not deducted according to Article 5, Circular No, 87/2017/TT-BTC		-	
<b>1C</b>	<b>Total</b>			<b>41,257,856,467</b>
<b>D</b>	<b>Margin, collateral items</b>			
1	The value of the margin			
1.1	The value of contribution to Settlement Assistance Fund of VSD (for derivative market)		10,018,187,023	
1.2	The value of contribution to the clearing fund of the central settlement counterparty for the open position of the clearing member (for derivative market)		-	
1.3	The value of cash escrow and banks' guarantee for issuing covered warrants		-	
2	The value of collaterals for obligations due in more than ninety (90) days		-	
<b>1D</b>	<b>TOTAL</b>			<b>10,018,187,023</b>
<b>LIQUID CAPITAL = 1A-1B-1C-1D</b>				<b>1,382,464,934,710</b>

# Maybank Kim Eng Securities Limited

NOTES TO THE FINANCIAL SAFETY RATIO REPORT (continued)  
as at 31 December 2020

## 8. EVENTS AFTER REPORTING DATE

There have been no significant events occurring after 31 December 2020 which would require adjustments or disclosures to be made in the financial safety ratio report as at 31 December 2020.



Tran Thi Ngoc Huong  
Chief Accountant



Phan Thi Thu Hien  
Head of Internal Control



Kim Thien Quang  
Chief Executive Officer

Ho Chi Minh City, Vietnam

9 February 2021





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