



Vietcombank Fund Management

Financial Safety Ratio Report
as of 31 December 2020



Vietcombank Fund Management Corporation Information

Establishment and

Operation License No. 06/UBCK-GPHDQLQ

2 December 2005

The Company's Establishment and Operation License has been amended several times, the most recent of which is the Establishment and Operation License No. 17/GPDC-UBCK dated 9 February 2018. The Establishment and Operation License was issued by the State Securities Commission of Vietnam and is valid for 30 years.

Board of Directors

Mr. Avinash Deepak Satwalekar	Chairman
Ms. Pham Thi An Binh	Vice Chairwoman
Mr. Stephen Grundlingh	Member
Mr. Bui Sy Tan	Member
Mr. Vu Quang Dong	Member

Board of Management

Mr. Vu Quang Dong	Chief Executive Officer
Mr. Bui Sy Tan	Deputy Chief Executive Officer

Registered Office

Vietcombank Tower, 15th Floor
198 Tran Quang Khai Street
Hoan Kiem District, Hanoi
Vietnam

Auditor

KPMG Limited
Vietnam

To: State Securities Commission of Vietnam

FINANCIAL SAFETY RATIO REPORT

As of 31 December 2020

We undertake as follows:

- (1) This report has been prepared on up-to-date data at the reporting date and in accordance with the provisions 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.

26 March 2021

Prepared by:



Nguyen Bang Tam
Chief Accountant

Reviewed by:



Pham Ngoc Ninh
Head of Internal Control

Approved by:



Vu Quang Dong
Chief Executive Officer



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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL SAFETY RATIO REPORT

To the Board of Directors Vietcombank Fund Management

We have audited the accompanying Financial Safety Ratio Report of Vietcombank Fund Management ("the Company") as of 31 December 2020 and the explanatory notes thereto, which was authorised for issue by the Company's Board of Management on 26 March 2021 ("Financial Safety Ratio Report"), as set out on pages 5 to 27.

Management's Responsibility

The Company's Board of Management is responsible for the preparation and presentation of this Financial Safety Ratio Report 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 and for such internal control as the Board of Management determines is necessary to enable the preparation of Financial Safety Ratio Report that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Safety Ratio Report 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 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 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 Vietcombank Fund Management as of 31 December 2020 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(a) 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 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. As a result, the Financial Safety Ratio Report may not be suitable for other purposes. Our audit 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

Vietnam
Audit Report No.: 20-02-00403-21-2



Đàm Xuân Lam
Practicing Auditor Registration
Certificate No. 0861-2018-007-1
Deputy General Director

Pham Thi Thuy Linh
Practicing Auditor Registration
Certificate No. 3065-2019-007-1

Hanoi, 26 March 2021

Vietcombank Fund Management
Financial Safety Ratio Report as of 31 December 2020

No.	Items	Note	31/12/2020
1	Total market risk value (VND)	6(a)	28,626,279,089
2	Total settlement risk value (VND)	6(b)	13,785,626,562
3	Total operational risk value (VND)	6(c)	11,681,956,712
4	Total risk values (4=1+2+3) (VND)		54,093,862,363
5	Liquid capital (VND)	5	344,389,239,729
6	Liquid capital ratio (6=5/4) (%)		637%

26 March 2021

Prepared by: *bn*



Nguyen Bang Tam
Chief Accountant

Reviewed by:



Pham Ngoc Ninh
Head of Internal Control

Approved by:



VIETCOMBANK
 CÔNG TY
 LIÊN DOANH
 QUẢN LÝ QUỸ ĐẦU TƯ
 CHỨNG KHOÁN
 S. Q. P. : 05 - L. D. N. G.
 D. HOÀN KIẾM - T. P. H. N. S.

Vu Quang Dong
Chief Executive Officer

The accompanying notes are an integral part of this Financial Safety Ratio Report

Vietcombank Fund Management

Notes to Financial Safety Ratio Report as of 31 December 2020

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

1. Reporting entity

(a) Ownership structure

Vietcombank Fund Management (“the Company”) is a joint venture company incorporated in Vietnam. The joint venture partners are Joint Stock Commercial Bank for Foreign Trade of Vietnam (“Vietcombank”) (incorporated in Vietnam) and Franklin Templeton Capital Holdings Private Limited (incorporated in Singapore) with ownership interest of 51% and 49%, respectively.

The Company was granted the Establishment and Operation License No. 06/UBCK-GPHDQLQ dated 2 December 2005 by the State Securities Commission of Vietnam with the operation period of 30 years. The Company’s Establishment and Operation License has been amended several times, the most recent of which is the Establishment and Operation License No. 17/GPDC-UBCK dated 9 February 2018.

(b) Principal activities

The principal activities of the Company are to establish and manage investment funds; and to manage investment portfolios. The Company is currently managing three funds, namely VCBF Tactical Balanced Fund, VCBF Blue Chip Fund and VCBF Fixed Income Fund.

(c) Normal operating cycle

The normal operating cycle of the Company is generally within 12 months.

(d) Number of employees

As at 31 December 2020, the Company had 43 employees (31/12/2019: 42 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 their utilisation are not designed for those who are not informed about the principles and regulations 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 other purposes.

Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

(b) Underlying financial data

The Financial Safety Ratio Report is prepared based on the Company's financial data as of 31 December 2020 and for the year then ended. This report should be read in conjunction with the Company's financial statements for the year ended 31 December 2020.

3. Regulations recently issued but not yet effective

On 13 November 2020, the Ministry of Finance issued Circular No. 91/2020/TT-BTC regulating financial safety ratios and measures for non-compliance applicable to securities business organisations ("Circular 91"). Circular 91 is effective from 1 January 2021.

4. 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 provisions of Circular 87 as follows:

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

in which, total risk value is the aggregate of market risk value (Note 4(c)), settlement risk value (Note 4(d)) and operational risk value (Note 4(e)).

(b) Liquid capital

Liquid capital is the capital which can be converted into cash within 90 days. Liquid capital includes the following items:

- Share capital, excluding redeemable preference shares (if any);
- Capital surplus excluding redeemable preference shares (if any);
- Reserve to supplement chartered capital;
- Investment and development fund (if any);
- Operational risk and financial reserves;
- Other equity funds;
- Retained profits after tax;
- Allowance for diminution in the value of assets;
- 50% value of upward revaluations of fixed assets in accordance with the prevailing regulations (in case of upward revaluations), or minus 100% value of the downward revaluations of fixed assets (in case of downward revaluations);
- Foreign exchange differences;
- Other capital.

Vietcombank Fund Management

Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

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

- All increases in the values of investments, and financial assets in carrying value excluding the securities issued by a related organisation of the Company and the securities with the remaining restricted trading period exceeding 90 days from the reporting date;
- Convertible bonds and preference shares issued by the Company having an original term to maturity of at least five (5) years, not being secured by the Company's assets, can be repurchased by the Company before maturity date only at requests of shareholders/bondholders or in the secondary market after informing the State Securities Commission of Vietnam, the Company can stop paying interest and transfer the accumulated interests to the subsequent year if the interest payment will result in business losses in the year and registered with the State Securities Commission of Vietnam to supplement the liquid capital; and
- Other debt instruments issued by the Company having an original term of at least ten (10) years, not being secured by the Company's assets, the Company can stop paying interest and transfer the accumulated interests to the subsequent year if the interest payment will result in business losses in the year 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);
- All decreases in the values of investments, excluding the securities issued by a related organisation of the Company and the securities with the remaining restricted trading period exceeding 90 days from the reporting date;
- Long-term assets and current assets with remaining term to maturity of more than 90 days; and
- Items with a qualified, adverse or disclaimer opinion/conclusion in the audited, reviewed financial statements, which have not been excluded from the liquid capital in accordance with the above regulations.

When determining the deductions from liquid capital, the Company deducts from such deductions an amount equal to the minimum value of the market value of the assets, the book value and the residual value of the obligations (for 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).

Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

(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 provisions of Circular 87 as follows:

$$\text{Market risk value} = \text{Net position} \times \text{Asset value} \times \text{Market risk coefficient}$$

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;
- Securities hedged by put warrants or future contracts;
- Put warrants and put options are used to hedge the underlying securities.

**Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)**

(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, bank drafts, commercial papers, transferable certificates of deposits, bonds and discounted money market instruments	Purchase price plus accrued interest at the reporting date
Bonds		
5	Listed bonds	<ul style="list-style-type: none"> ➤ Average quoted price from the Stock Exchanges of ordinary transactions at the latest trading date plus accrued interest (if the listed price excludes accrued interest); ➤ If there was no trading in the previous two (02) weeks prior to the reporting date, then market value is the highest value of the followings: <ul style="list-style-type: none"> + Purchase price plus accrued interest; + Par value plus accrued interest; and + Value determined in accordance with the Company's internal methodology plus accrued interest. <p><i>In other words:</i> Max (Purchase price plus accrued interest; Par value plus accrued interest; Value determined in accordance with the Company's internal methodology plus accrued interest).</p>
6	Unlisted bonds	<p>The highest value of the followings:</p> <ul style="list-style-type: none"> + 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



**Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)**

No.	Type of asset	Principles for determining market value
		<p>+ Value determined in accordance with the Company's internal methodology plus accrued interest. <i>In other words:</i> 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)</p>
Shares		
7	Shares listed on the Ho Chi Minh City Stock Exchange	<p>➤ Closing price at the latest trading date prior to the reporting date; ➤ If there is no trading in the two (02) previous 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. <i>In other words:</i> Max (Book value; Purchase price; Value determined in accordance with the Company's internal methodology)</p>
8	Shares listed on the Hanoi Stock Exchange	<p>➤ Closing price at the latest trading date prior to the reporting date; ➤ If there is no trading in the two (02) 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. <i>In other words:</i> Max (Book value; Purchase price; Value determined in accordance with the Company's internal methodology)</p>
9	Shares of public companies registered for UpCom trading	<p>➤ Closing price at the latest trading date prior to the reporting date; ➤ If there is no trading in the two (02) 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. <i>In other words:</i> Max (Book value; Purchase price; Value determined in accordance with the Company's internal methodology)</p>

Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

No.	Type of asset	Principles for determining market value
10	Shares already custodied but not yet listed and not yet registered for trading	<p>➤ Average price from the quoted prices from at least three (03) securities companies which are not related to the Company at the latest trading date prior to the reporting date;</p> <p>➤ If there are less than three quoted prices from three (03) securities companies, then the market value is the highest value of the followings:</p> <ul style="list-style-type: none"> + 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. <p><i>In other words:</i> 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)</p>
11	Shares for which trading has been suspended or delisted shares or shares with trading cancellation	<p>The highest of the followings:</p> <ul style="list-style-type: none"> + Book value; + Par value; and + Value determined in accordance with the Company's internal methodology. <p><i>In other words:</i> Max (Book value; Par value; Value determined in accordance with the Company's internal methodology)</p>
12	Shares of organisations which are currently being dissolved or bankrupt	<p>80% of the liquidation value of such shares (prices of distributed shares announced by the dissolved or bankrupt organisation or the book value) at the latest balance sheet date, or value in accordance with the Company's internal methodology.</p>
13	Other shares and capital contribution	<p>The highest of the followings:</p> <ul style="list-style-type: none"> + Book value; + Purchase price/capital contribution amount; and + Value determined in accordance with the Company's internal methodology. <p><i>In other words:</i> Max (Book value; Purchase price/capital contribution amount; Value determined in accordance with the Company's internal methodology)</p>

Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

No.	Type of asset	Principles for determining market value
Funds/Shares of securities investment companies		
14	Close-end public funds/ETF	<ul style="list-style-type: none"> ➢ Closing price at the latest trading date prior to the reporting date; ➢ If there is no trading in the two (02) weeks prior to the reporting date, then the market price is the latest NAV/fund unit prior to the reporting date.
15	Member funds/Open-end 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 methodology.
Fixed assets		
17	Land use rights	Value determined by an independent valuation organisation selected by the Company.
18	Building and structures, including construction in progress	Value determined by an independent valuation organisation selected by the Company or accumulated costs of construction in progress.
19	Machineries, equipment 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	<ul style="list-style-type: none"> ➢ Closing price at the latest trading date; ➢ Purchase price (for unlisted covered warrants).
22	Shares listed on foreign stock exchanges	<ul style="list-style-type: none"> ➢ Price (in foreign currency) x foreign exchange rate for conversion to VND at the reporting date; ➢ Closing price at the latest trading date; ➢ If there was no trading in the previous two (02) weeks prior to the reporting date, then market value is the highest value of the following: <ul style="list-style-type: none"> + Book value; + Purchase price; and + Value determined in accordance with the Company's internal methodology. <p><i>In other words:</i> Max (Book value; Purchase price; Value determined in accordance with the Company's internal methodology)</p>

Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

(ii) Market risk coefficient

Market risk coefficient is determined for each type of asset in accordance with the provisions of Circular 87 as disclosed in Note 6(a).

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

Dividends, coupons, value of privileged 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:

$$\text{Settlement risk before due date} = \text{Settlement risk coefficient by counterparty} \times \text{Value of the asset with settlement risk}$$

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 law;
- Margin loan contracts in compliance with laws; and
- Undue accounts receivable of the securities business organisation, amounts to be collected on behalf of customers in securities brokerage transactions.

Vietcombank Fund Management

Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

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

$$\text{Overdue settlement risk} = \text{Settlement risk coefficient by overdue status} \times \text{Value of the asset with settlement risks}$$

The above principle to determine settlement risk value after due date is applicable for:

- Overdue receivables, including matured bonds, valuable papers, matured but unpaid debt instruments;
- Assets that are overdue for transfer, including securities incurred during the normal business of the securities business organisation, customers' securities in securities brokerage transactions;
- Securities, cash not received from term deposit transactions/contracts 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; and margin loan contracts in compliance with laws and other receivables from customers..

(i) Settlement risk coefficient

In accordance with the provisions 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 business organisations established in countries in the OECD and with a credit rating satisfying the internal rules of the Company	3.2%
4	Credit institutions, financial institutions, and securities business organisations 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 business organisations established and operating in Vietnam	6%
6	Other organisations and individuals	8%

Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

In accordance with the provisions 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 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 risks
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 determined 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.

Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

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

No.	Type of transaction	Value of assets with settlement risks
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	0
2	After the due date for payment	Market value of the contract (if the market value is lower than the transaction price)
		0 (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	0
2	After the due date for securities transfer	Market value of the contract (if the market value is higher than the transaction price)
		0 (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 value of assets with settlement risk

The Company deducts the value of collateral asset received from counterparties or customers from the value of assets with settlement risk when determining the value of assets with settlement risks 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, Government 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:

$$\text{Value of collateral assets} = \text{Asset quantity} \times \text{Asset value per unit} \times (1 - \text{Market risk coefficient})$$

Asset value is determined in accordance with the provisions of Circular 87 as described in Note 4(c)(i).

Market risk coefficient is determined in accordance with the provisions of Circular 87 as disclosed in Note 6(a).

Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

(iv) Settlement risk value increase

Settlement risk values are increased in the following cases:

- Increase by 10% if the value of deposit contracts, loans, undue accounts receivable, reverse repurchase agreements, repurchase agreements, total loans to any organisation or individual and group of related organisations and individuals (if any), accounts for more than 10% to 15% of the Company's equity;
- Increase by 20% if the value of deposit contracts, loans, undue accounts receivable, reverse repurchase agreements, repurchase agreements, total loans to any organisation or individual and group of related organisations and individuals (if any), accounts for more than 15% to 25% of the Company's equity;
- Increase by 30% if the value of deposit contracts, loans, undue accounts receivable, reverse repurchase agreements, repurchase agreements, total loans to any organisation or individual and group of related organisations and individuals (if any), or any individual and its related parties (if any), accounts for over 25% of the Company's equity.

(v) Netting off value of assets with settlement risk

The value of assets with settlement risk is 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 12 months period to the reporting date, and 20% of its legal capital.

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

- Depreciation and amortisation expenses;
- Expenses or reversal of allowance for diminution in the value of short-term investments;
- Expenses or reversal of allowance for diminution in the value of long-term investments; and
- Expenses or reversal of allowance for doubtful debts.

Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

5. Liquid capital

No.	Items	Liquid capital as of 31/12/2020		
		Liquid capital VND	Deductions VND	Additions VND
A	Equity			
1	Share capital, excluding redeemable preference shares (if any)	265,000,000,000		
2	Capital surplus, excluding redeemable preference shares (if any)	-		
3	Treasury shares	-		
4	Reserve to supplement chartered capital (if any)	1,211,433,887		
5	Investment and development fund (if any)	4,301,548,849		
6	Financial reserve and operational risk	4,100,368,084		
7	Other equity funds	-		
8	Retained profits	43,220,266,321		
9	Allowance for diminution in the value of assets	-		
10	Differences upon asset revaluations	-		
11	Foreign exchange differences	-		
12	Convertible debts			-
13	Deductions or additions relating to investments (i)		-	36,429,192,036
14	Other capital (if any)	-		
1A	Sub-total			354,262,809,177
B	Current assets			
I	Cash and cash equivalents			
II	Short-term investments			
1	Short-term investments			
	Securities with market risks as set out in Article 9.2			
	Securities deducted from the liquid capital as set out in Article 6.5			
2	Allowance for diminution in the value of short-term investments			

Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

No.	Items	Liquid capital as of 31/12/2020		
		Liquid capital VND	Deductions VND	Additions VND
III	Accounts receivable - short-term, including receivables from entrustment activities			
1	Accounts receivable from customers			
	- Accounts receivable with remaining terms to maturity of 90 days or less			
	- Accounts receivable with remaining terms to maturity of more than 90 days		-	
2	Prepayments to suppliers		-	
3	Receivables from operating activities			
	- Receivables from operating activities with remaining terms to maturity of 90 days or less			
	- Receivables from operating activities with remaining terms to maturity of more than 90 days		-	
4	Intra-company receivables			
	- Intra-company receivables with remaining terms to maturity of 90 days or less			
	- Intra-company receivables with remaining terms to maturity of more than 90 days		-	
5	Accounts receivable from securities trading activities			
	- Accounts receivable from securities trading activities with remaining terms to maturity of 90 days or less			
	- Accounts receivable from securities trading activities with remaining terms to maturity of more than 90 days		-	
6	Other receivables			
	- Other receivables with remaining terms to maturity of 90 days or less			

Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

No.	Items	Liquid capital as of 31/12/2020		
		Liquid capital VND	Deductions VND	Additions VND
	- Other receivables with remaining terms to maturity of more than 90 days		3,788,303,117	
7	Allowance for doubtful debts			
IV	Inventories		-	
V	Other current assets			
1	Short-term prepayments		981,779,970	
2	Deductible value added tax			
3	Taxes and other receivables from State Treasury			
4	Other current assets			
4.1	Advances			
	Advances with remaining terms of 90 days or less			
	Advances with remaining terms of more than 90 days		-	
4.2	Other current assets		72,039,339	
1B	Sub-total			4,842,122,426
C	Long-term assets			
I	Long-term receivables, including receivables from entrustment activities			
1	Long-term accounts receivable			
	- Long-term accounts receivable with remaining terms to maturity of 90 days or less			
	- Long-term accounts receivable with remaining terms to maturity of more than 90 days		-	
2	Allocated capital at dependent units			
3	Long-term intra-company receivables			
	- Long-term intra-company receivables with remaining terms to maturity of 90 days or less			
	- Long-term intra-company receivables with remaining terms to maturity of more than 90 days		-	
4	Other long-term receivables			

Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

No.	Items	Liquid capital as of 31/12/2020		
		Liquid capital VND	Deductions VND	Additions VND
	- Other long-term receivables with remaining terms to maturity of 90 days or less			
	- Other long-term receivables with remaining terms to maturity of more than 90 days		-	
5	Allowance for doubtful debts			
II	Fixed assets		4,071,521,676	
III	Investment property		-	
IV	Long-term investments			
1	Investments in subsidiaries		-	
2	Investments in joint-ventures		-	
3	Investments in associates, joint-ventures		-	
4	Investment securities			
	- Securities with market risks as set out in Article 9.2			
	- Securities deducted from the liquid capital as set out in Article 6.5		-	
5	Long-term overseas investments		-	
6	Other long-term investments		-	
7	Allowance for diminution in the value of long-term investments			
V	Other long-term assets		959,925,346	
1	Long-term prepaid expenses		48,712,260	
2	Deferred tax assets		-	
3	Long-term deposits and collaterals		911,213,086	
	<i>Assets being qualified, subject to adverse opinion or disclaimer of opinion in the audited/reviewed financial statements but not yet included in the deductions pursuant to Article 6</i>		-	
1C	Sub-total			5,031,447,022
LIQUID CAPITAL = 1A - 1B - 1C				344,389,239,729

Vietcombank Fund Management**Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)****(i) Additions and deductions relating to investments**

Details of additions and deductions relating to investments which were adjusted to the liquid capital as of 31 December 2020 are as follows:

	Cost VND	Market value VND	Difference VND
Additions			
<i>Investments in public fund</i>	78,634,639,970	115,063,832,006	36,429,192,036
	<hr/>		
Deductions			
<i>Investments in public fund</i>	-	-	-
	<hr/>		

Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

6. Risk value

(a) Market risk value

Investment portfolio as of 31 December 2020		Risk coefficient	Risk exposure VND	Risk value VND
		(1)	(2)	(3)=(1)*(2)
I	Cash and cash equivalents, money market instruments			
1	Cash	0%	4,614,642,762	-
2	Cash equivalents, term deposits	0%	171,994,182,684	-
3	Valuable papers and transferable money market instruments, deposit certificates	0%		
II	Government bonds			
4	Zero-coupon Government bonds	0%		
5	Government coupon bonds: Government bonds (including treasury bonds and project bonds previously issued), 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 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%	40,090,739,720	16,036,295,888

Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

Investment portfolio as of 31 December 2020		Risk coefficient	Risk exposure VND	Risk value VND	
		(1)	(2)	(3)=(1)*(2)	
IV	Shares				
8	Ordinary shares and preference shares of companies listed on the Ho Chi Minh City Stock Exchange; certificates of open-end funds	10%			
9	Ordinary shares and preference shares of companies listed on the Hanoi Stock Exchange	15%			
10	Ordinary shares and preference shares of unlisted public companies registered for UpCom trading	20%			
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 securities investment companies	10%	115,063,832,006	11,506,383,201	
14	Partners funds, individual securities investment companies	30%			
VI	Securities restricted for trading				
15	Temporary non-trading securities	40%			
16	Securities with delisting or trading cancellation	50%			
VII	Other assets				
17	Shares, capital contribution and other securities	80%			
18	Other investment assets	80%			
VIII	Increased risks				
	Securities code	Increased level	Risk coefficient	Risk exposure VND	Risk value VND
1	VCBF Fixed Income Fund	20%	10%	54,180,000,000	1,083,600,000
A	TOTAL MARKET RISK (A = I+II+III+IV+V+VI+VII+VIII)				28,626,279,089



Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

(b) **Settlement risk value**

I Settlement risk before due date as of 31 December 2020								
	Type of transaction	Risk value				Total risk value VND		
		(1)	(2)	(3)	(4)		(5)	(6)
	Settlement risk coefficient	0%	0.8%	3.2%	4.8%	6%	8%	
1	Term deposits, unsecured loans and receivables from securities business activities				272,993,237	11,279,374,744	77,563,293	11,629,931,274
2	Securities lending/Other arrangements with similar nature							
3	Securities borrowings/Other arrangements with similar nature							
4	Reverse repurchase agreements/Other arrangements with similar nature							
5	Repurchase agreements/Other arrangements with similar nature							
6	Margin loans (lending to customers to purchase securities)/Other arrangements with similar nature							
	Sub-total							11,629,931,274
II Overdue settlement risk as of 31 December 2020								
	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%			
	Sub-total							
III Other increased risks (if any) as of 31 December 2020								
	Detailed to each deposit, loan or counter party				Increased level	Risk coefficient	Risk exposure (VND)	Risk value (VND)
1	Term deposits at Asia Commercial Joint Stock Bank			30%		6%	83,294,182,684	1,499,295,288
2	Term deposits at Vietnam Joint Stock Commercial Bank for Industry and Trade			20%		6%	54,700,000,000	656,400,000
B	TOTAL SETTLEMENT RISK (B=I+II+III)							13,785,626,562


Vietcombank Fund Management
Notes to Financial Safety Ratio Report as of 31 December 2020 (continued)

- (1) Settlement risk value applicable to the Government, issuing organisations guaranteed by the Government 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 business organisations established in the OECD countries;
- (4) Settlement risk value applicable to credit institutions, financial institutions, and securities business organisations established outside the OECD;
- (5) Settlement risk value applicable to credit institutions, financial institutions, and securities business organisations established and operating in Vietnam;
- (6) Settlement risk value applicable to other organisations and individuals,

(c) Operational risk value

No.	Items	Year ended 31/12/2020 VND
I	Total operating expenses for a period of 12 months	47,545,998,125
II	Deductions from total operating expenses	818,171,276
1	Depreciation and amortisation	818,171,276
2	Expenses/(reversal) of allowance for diminution in the value of short-term securities investments	-
3	Expenses/(reversal) of allowance for diminution in the value of long-term securities investments	-
4	Expenses/(reversal) of allowance for doubtful debts	-
III	Total operating expenses after deductions (III = I – II)	46,727,826,849
IV	25% of total operating expenses after deductions (IV = 25% III)	11,681,956,712
V	20% of Legal capital of the Company	5,000,000,000
C	TOTAL OPERATIONAL RISK (C = Max{IV, V})	11,681,956,712

26 March 2021

Prepared by: 


 Nguyen Bang Tam
 Chief Accountant

Reviewed by:


 Pham Ngoc Ninh
 Head of Internal Control

Approved by:



 Vu Quang Dong
 Chief Executive Officer