



Ho Chi Minh City, 09 April 2018

## REPORT

### 2017 ANNUAL GENERAL MEETING

*Subject: 2018 Business Plan*

#### A. VIETNAM STOCK MARKET OUTLOOK

- The VN-Index increased by 48% in 2017, partially attributed to the success of high-profile divestment of State holdings in big state-owned enterprises, particularly, the auctions of shares of SABECO and VINAMILK. Investors, especially foreign investors, have strong expectations that the Government will continue to the divestment and IPO momentum in 2018. The most updated schedule includes companies in power, oil & gas, construction, industrial machine manufacturing, real estate, textile, pharmaceutical and telecommunications sectors such as Mobifone Corporation, Petro Vietnam Oil Corporation, Petro Vietnam Power Corporation, Vietnam National Tobacco Corporation, Binh Son Refining and Petrochemical JSC, etc
- The strong performance of large private companies in real estate, airlines, banking, and telecommunications sectors contributed significantly to the buoyancy in stock market in 2017 and the trend is expected to continue in 2018;
- The Government has been working aggressively towards removing or lifting the foreign ownership limit in public companies to facilitate the investments of foreign investors in the stock market;
- The launch of the first derivatives product has well attracted investors' attention and the trading volume is expected to be higher in 2018. Additionally, new derivatives products including Covered Warrants will be launched in 2018, providing more investment options to investors.

#### B. KEY ASSUMPTIONS IN THE 2018 BUSINESS PLAN

##### 1. Trading value and brokerage market share

Based on the historical average daily trading value in the past five years and our view on the market outlook in 2018, HSC's Board of Management has made the following assumptions on the average daily trading value and HSC's brokerage market share in 2018:

Brokerage Market Share	2018 Target	2017 Actual	% Change	Q1/2018 Actual
Average daily trading value (VND million)	8,000,000	5,000,000	60%	8,936,000
<b>HSC's Total Market Share</b>	<b>11.3%</b>	<b>11.3%</b>		<b>12.3%</b>
Retail brokerage	7.0%	6.4%		7.3%
Institutional brokerage	3.8%	4.5%		3.8%
Proprietary trading of HSC	0.5%	0.4%		1.2%
<b>Market Share per client type</b>				
HSC's local / Local market	9.5%	8.6%		10.2%
HSC's foreign / Foreign market	28.0%	33.1%		26.5%

## 2. Margin lending

Margin Lending (VND million)	2018 Target	2017 Actual	% Change	Q1/2018 Actual	% 2018 Target
Average margin balance	4,500,000	3,237,878	39%	4,667,000	104%
<i>In which</i>					
<i>Retail clients</i>	4,240,000	3,024,778	40%	4,461,000	105%
<i>Institutional clients</i>	260,000	213,100	22%	206,000	79%

The margin balance is projected to accelerate following the increase in trading value of the market and 39% y-o-y growth.

## 4. Bank interest rate

Bank interest rate	2018 Target	2017 Actual
Average bank deposit rate (% pa)	6.0%	5.7%
Interest rate (% pa)	8.5%	7.8%

## C. 2018 BUSINESS PLAN SUMMARY

Items (VND million)	2018 Target	2017 Actual	% Change	1Q/2018 Estimate	% 2018 Target
<b>Business results</b>					
Revenue	2,110,156	1,390,005 (*)	52%	621,619	29%
Operating expenses	1,070,783	697,404 (*)	54%	232,261	22%
<b>Profit before tax</b>	<b>1,039,373</b>	<b>692,601</b>	<b>50%</b>	<b>389,359</b>	<b>37%</b>
<b>Profit after tax</b>	<b>818,717</b>	<b>554,059</b>	<b>48%</b>	<b>311,749</b>	<b>38%</b>
<b>Balance sheet</b>					
Total assets	6,322,331	6,680,572 (**)	-5%	6,776,806	83%
Total owner equity	3,347,678	2,791,161 (**)	20%	3,090,910	81%
<b>Financial indicators</b>					
Return on average assets (ROAA)	12.9%	10.8%		4.6%	
Return on average equity (ROAE)	24.5%	21.4%		10.6%	
<b>Equity's value</b>					
Total outstanding shares	189,405,505 (***)	129,570,368	47%	129,570,368	68%
Earnings per share (VND)	4,323	4,289	1%	2,406	56%
Book value per share (VND)	17,675	21,542	-18%	23,855	135%

(\*): According to Accounting Standards applicable for securities companies, capital gains of proprietary investments (when selling price is higher than purchase price) will be recorded as revenue and capital loss (when selling price is lower than purchase price) will be recorded as operating expenses in income statement. Therefore, the actual performance of proprietary investment activity must be the net of capital gain and capital loss of the business. In financial statements 2017, there was a loss of VND150 billion in capital loss; therefore, revenue and profit of the business in 2017 were revised down by VND150 billion to make the comparison with 2018 business plan meaningful.

(\*\*) 2017 numbers were as of 31 December 2017 while 2018 numbers are the projected average numbers.

(\*\*\*) Average number of shares subject to final resolution of shareholders in capital increase.

Total revenue and total operating expenses in 2018 are projected to reach VND 2,110 billion and VND 1,070 billion, translating to 52% and 54% y-o-y growth respectively.

Profit after tax is estimated to be VND 819 billion, an y-o-y increase of 48% with corporate income tax rate of 20%.

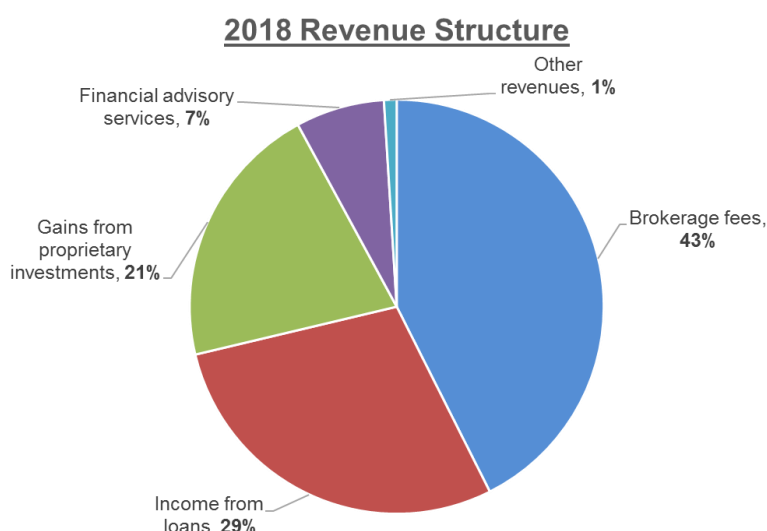
Return on equity (ROAE) in 2018 is projected at 24.5%, higher than that of 21.4% in 2017.

## I. REVENUE

Items (VND Million)	2018 Target	2017 Actual	% Change	1Q/2018 Estimate	% 2018 Target
Brokerage fee	911,862	601,942	51%	232,946	26%
Income from loans	607,500	439,219	38%	152,340	25%
Gains from proprietary investments	435,999	277,932	57%	174,447	40%
Financial advisory services	137,620	45,179	205%	58,684	43%
Others revenue	17,175	25,733	-33%	3,202	19%
<b>Total revenue</b>	<b>2,110,156</b>	<b>1,390,005</b>	<b>52%</b>	<b>621,619</b>	<b>29%</b>
<b>% Total revenue</b>					
Brokerage fee	43%	43%		37%	
Income from loans	29%	32%		25%	
Gains from proprietary investments	21%	20%		28%	
Financial advisory services	7%	3%		9%	
Others revenue	1%	2%		1%	

Following the assumptions stated in section B, brokerage fees, income from loans, and gains from proprietary investment are expected to be the major streams of revenue in 2018, accounting for 43%, 29%, and 21% of total 2018 revenue respectively, the rest comes from financial advisory services.

Though the percentage of contribution to HSC's revenue not much changes, revenue from financial advisory services is confidently expected to achieve a three-fold y-o-y increase in 2018 thanks to certain long term contracts that will be executed and completed in 2018.



Revenue stream from business plan 2018 is presented as follows:

## 1. Brokerage Fees

Brokerage fees (VND million)	2018 Target	2017 Actual	% Change	1Q/2018 Estimate	% 2018 Target
<u>Stock brokerage</u>					
Retail clients	537,531	309,109	74%	145,250	27%
Institutional clients	350,235	290,301	21%	80,471	23%
<u>Derivatives brokerage</u>					
Retail clients	24,096	2,532	852%	7,224	30%
<b>Total brokerage fees</b>	<b>911,862</b>	<b>601,942</b>	<b>51%</b>	<b>232,946</b>	<b>26%</b>

Based on the assumptions on the average daily trading value and HSC's brokerage market share as stated above, brokerage fees are expected to increase by 51% y-o-y, contributing the largest portion to total revenue of HSC in 2018.

Below are the key assumptions affecting brokerage fees from stock market:

Brokerage fees	2018 Target	2017 Actual	% Change	1Q/2018 Estimate	% 2018 Target
Average daily trading value (VND million/day)	8,000,000	5,000,000	60%	8,936,000	112%
Total market trading value (buy and sell) (VND million)	4,016,000,000	2,510,000,000	60%	1,054,448,000	26%
<i>In which:</i>					
Local investors	3,492,715,200	2,177,992,177	60%	916,228,286	26%
Institutional investors	523,284,800	332,007,823	58%	138,219,714	26%
<b>Market share</b>					
HSC's local / Local market	9.5%	8.6%		10.2%	
HSC's foreign / Foreign market	28.0%	33.1%		26.5%	
<b>Fees income</b>					
Retail clients (VND million)	537,531	309,109	74%	145,250	27%
Institutional clients (VND million)	350,235	290,301	21%	80,471	23%

Private Client Division will open a new transaction office in Ho Chi Minh City and scale up an existing transaction office in Hanoi, therefore, the division targets to achieve 9.5% market share in total trading value of local investors, equivalent to an increase of 10% in 2018.

Institutional Client Division targets to achieve 28% market share in 2018 assuming the absence of high-profile transactions for foreign investors like those in 2017.

Derivatives brokerage fees accounted for a marginal portion in total brokerage revenue in 2017. This business is expected to contribute significant portion of revenue growth in 2018 with 12-month earnings compared to only two-month fees in 2017. The HSC derivatives market share is expected at 20% (2017: 22.6%).

Below are the key assumptions on estimated fees from derivatives brokerage:

Derivatives brokerage fees	2018 Target	2017 Actual	% Change	1Q/2018 Estimate	% 2018 Target
Number of contract per day	16,000	10,017	60%	22,884	143%
HSC's market share	20.0%	22.6%		19%	96%
Number of month	12	2	500%	3	25%
<b>Derivatives brokerage fee (VND million)</b>	<b>24,096</b>	<b>2,532</b>	<b>852%</b>	<b>7,224</b>	<b>30%</b>

## 2. Income from loans

Income from loans (VND million)	2018 Target	2017 Actual	% Change	1Q/2018 Estimate	% 2018 Target
Private client	572,400	412,617	39%	145,745	25%
Institutional client	35,100	26,602	32%	6,595	19%
<b>Total</b>	<b>607,500</b>	<b>439,219</b>	<b>38%</b>	<b>152,340</b>	<b>25%</b>

Income from loans is expected to reach VND 608 billion, a 38% y-o-y growth, and is mainly contributed by margin lending activities and cash advance services to client. The average margin balance is expected to reach VND 4,500 billion thanks to the positive impact from the higher trading value in the market.

## 3. Gain from proprietary investments

Gain from Proprietary Investments (VND million)	2018 Target	2017 Actual	% Change	1Q/2018 Estimate	% 2018 Target
Equity	262,273	163,448	60%	107,349	41%
ETFs	20,000	26,080	-23%	6,844	34%
Derivatives	75,000	38,161	97%	27,681	37%
Covered warrants	10,000	-	n/a	-	0%
Deposit interest income	54,726	45,444	20%	20,481	37%
Bond	14,000	4,799	192%	1,911	14%
<b>Total</b>	<b>435,999</b>	<b>277,932</b>	<b>57%</b>	<b>164,265</b>	<b>38%</b>

Gain from proprietary investments is projected at VND 436 billion, an 57% y-o-y growth which accounted for 21% of total revenue in 2018. In addition to the propriety investment portfolios as in 2017, the new derivatives product - Covered Warrants, which is scheduled to launch in May 2018 will contribute to proprietary investment revenue in 2018.

## 4. Financial advisory services

Financial advisory services (VND million)	2018 Target	2017 Actual	% Change	1Q/2018 Estimate	% 2018 Target
Issuance and listing advisory fees	133,020	42,917	210%	58,255	44%
Other advisory service	4,600	2,262	103%	429	9%
<b>Total</b>	<b>137,620</b>	<b>45,179</b>	<b>205%</b>	<b>58,684</b>	<b>43%</b>

Revenue from financial advisory services is confidently expected to achieve a three-fold y-o-y increase in 2018, to VND 137 billion. In addition to a significant advisory fee from a landmark transaction carried out in late 2017 and completed in early 2018, the remaining fee income will

be from other issuance and listing advisory contracts that will be executed and completed in 2018.

## 5. Others revenue

Others revenue in 2018 are estimated at VND 17 billion (In 2017: VND25.5 billion) including fees from services such as securities depository and transfer, shareholder book management and managed account.

Managed Account Service was first launched in 2017 and primarily targets high-net-worth individuals who have enormous amount of capital sitting idle but low risk aversion and are not familiar with stock investment. HSC provides this service with the aim of improving clients return on investment, in return, HSC will be able to charge advisory fees or trading fee depending on the performance of the client portfolio. This service is projected to generate a revenue of VND 6 billion in 2018 (In 2017: VND 10.7 billion).

## II. OPERATING EXPENSES

Operating Expenses (VND million)	2018 Target	2017 Actual	% Change	1Q/2018 Estimate	% 2018 Target
Regular operating expenses	645,048	400,815	61%	124,879	19%
Brokerage expenses	180,865	127,798	42%	48,234	27%
Bank interest expense	161,500	139,191	16%	41,233	26%
HSC bond interest expense	72,000	3,200	2150%	17,914	25%
Loss from revaluation of financial assets at FVTPL	-	8,093	-100%	-	-
Provision for bad debts	-	4,673	-100%	-	-
General provision for margin loans	11,369	13,634	-17%	-	-
<b>Total</b>	<b>1,070,783</b>	<b>697,404</b>	<b>54%</b>	<b>232,261</b>	
<b>% in total operating expenses</b>					
Regular operating expenses	60%	57%		54%	
Brokerage expenses	17%	18%		21%	
Bank interest expense	15%	20%		18%	
HSC bond interest expense	7%	0%		8%	
Loss from revaluation of financial assets at FVTPL	0%	1%		0%	
Provision for doubtful debts	0%	1%		0%	
General provision for margin lending	1%	2%		0%	
<b>Total</b>	<b>100%</b>	<b>100%</b>		<b>100%</b>	
<b>% Cost/Income</b>	<b>51%</b>	<b>50%</b>		<b>37%</b>	

Total operating expenses is projected at VND 1,071 billion, an y-o-y increase of 54%. The major expense items include regular operating expenses, brokerage expense, bank loan interest and bond interest expenses.

The Cost Income ratio is projected at 51%, quite similar to the ratio of 50% in 2017.

1. Regular operating expenses account for approximate 60% of total expenses and are mainly salary and commission to brokers. The key items in total regular operating expense include:
  - a. Salaries and related expenses are projected to increase by 48% y-o-y, mainly because more headcounts are required following the expansion of departments such as Private and Institutional Client Divisions as well as of indirect departments.
  - b. Commission expense is projected to double in 2018 as both brokerage fees and brokerage commission rate are expected to increase in this year.

2. Brokerage expenses include fees payable to stock exchanges and external brokers. This expense is projected to increase by 42% y-o-y due to projected increase in trading value through HSC as mentioned above.
3. Bank loan interest expense is projected at VND161 billion in 2018, a 16% y-o-y increase as more loans will be needed to provide working capital for the anticipated higher margin lending. Bank loan balance in 2018 is projected at VND1,900 billion, whose average interest rate is estimated at 8.5% p.a. (In 2017: the average loan balance was VND1,760 billion and average interest rate was 7.8% p.a.).
4. Bond interest expense is from the VND800 billion HSC bonds issued in December 2017 at interest rate of 9% p.a. to finance for working capital.
5. No loss from revaluation of financial assets at FVTPL is expected in 2018. The loss recorded in 2017 was mainly for the legacy investments in un-listed stocks made many years ago.
6. Provision for bad debts is associated with margin lending activity. No provision is expected in 2018 thanks to good management of margin lending (In 2017: the provision was VND3.6 billion).
7. The general provision for margin loans is made at 0.75% of the margin balance at the end of each year to take into account the potential risk associated with the business.

<b>General provision for margin loans (VND million)</b>	<b>2018 Estimate</b>	<b>2017 Actual</b>
Estimated margin lending balance at year end	6,000,000	4,484,137
General provision ratio	0.75%	0.75%
General provision needs to be made	45,000	33,600
General provision made	(33,631)	(20,000)
<b>Additional general provision needs to be made</b>	<b>11,369</b>	<b>13,631</b>

### III. PROJECTED BALANCE SHEET IN 2018

Items (VND million)	2018 Average (Target)	2017 Average (Actual)	% Change
<b>A. CURRENT ASSETS &amp; SHORT-TERM INVESTMENTS</b>	<b>6,148,567</b>	<b>4,510,585</b>	<b>36%</b>
I. Financial assets	6,088,567	4,567,686	33%
1. Cash & equivalent	39,067	35,893	9%
2. Financial assets	1,219,500	831,892	47%
3. Lendings	4,550,000	3,287,800	38%
4. Other receivables	280,000	412,101	-32%
II. Other current assets	60,000	60,000	0%
<b>B. FIXED ASSETS &amp; LONG-TERM INVESTMENTS</b>	<b>173,764</b>	<b>178,000</b>	<b>-2%</b>
I. Fixed assets	39,164	30,000	31%
II. Construction in progress	3,000	15,000	-80%
III. Other long-term assets	131,600	133,000	-1%
<b>TOTAL ASSETS</b>	<b>6,322,331</b>	<b>4,688,585</b>	<b>35%</b>
<b>A. LIABILITIES</b>	<b>2,974,653</b>	<b>2,049,417</b>	<b>45%</b>
<b>I. Short-term liabilities</b>	<b>2,974,653</b>	<b>2,049,417</b>	<b>45%</b>
Short-term borrowings	1,900,000	1,758,437	8%
HSC's bond	800,000	35,556	2150%
Other liabilities	274,653	255,424	8%
<b>B. OWNER'S EQUITY</b>	<b>3,347,678</b>	<b>2,639,168</b>	<b>127%</b>
I. Shareholders' equity	3,347,678	2,639,168	127%
<b>TOTAL RESOURCES</b>	<b>6,322,331</b>	<b>4,688,585</b>	<b>135%</b>

Total average resources of HSC are expected to increase by VND 1,634 billion in 2018, mainly contributed by:

- The average short-term loans from banks and HSC bonds: VND 926 billion
- Profit after tax and proceeds from issuance in 2018: VND 708 billion

The additional resources will be allocated to margin lending activity and financial assets with the target to generate higher profit for HSC in 2018.

Above is the business plan of HSC in 2018 for consideration and approval of shareholders at the 2017 Annual General Meeting.



**JOHAN NYVENE**  
Chief Executive Officer