



REPORT

2019 ANNUAL GENERAL MEETING

Subject: 2020 Business Plan

A. KEY ASSUMPTIONS OF 2020 BUSINESS PLAN

1. The underlying stock market

HSC's trading value and market share in the underlying stock market in 2020 are estimated based on the 2019 market average daily trading value, the actual market performance in the first half and HSC's view on market performance in the second half of 2020.

Stock brokerage market	2020 Plan	2019 Actual	1H 2020 Estimate
Number of trading days (days)	252	250	120
Average daily trading value (VND billion)	5,000	4,650	5,370
Total trading value (VND billion)	1,260,000	1,162,500	644,400
Market share of foreign investor trading (%)	15.3%	14.7%	15.1%
Average daily trading value (VND billion)	1,531	1,369	1,623
Total trading value (VND billion)	385,778	342,304	194,747
Market share of local investor trading (%)	84.7%	85.3%	84.9%
Average daily trading value (VND billion)	8,469	7,931	9,117
Total trading value (VND billion)	2,134,222	1,982,696	1,094,053

2. The derivatives market

Derivatives brokerage market	2020 Plan	2019 Actual	1H 2020 Estimate
Average daily trading volume (contract)	146,000	88,741	167,617
Total trading volume (contract)	36,792,000	22,185,250	20,114,000

3. HSC's brokerage market share

HSC's brokerage market share	2020 Plan	2019 Actual	1H 2020 Estimate
Stock brokerage market share			
HSC's retail clients/ Local investors	6.8%	6.8%	6.5%
HSC's institutional clients / Foreign investors	25.0%	25.8%	24.5%
Derivatives brokerage market share			
HSC's retail clients / Total market	7.6%	8.4%	7.7%
HSC's institutional clients / Total market	1.2%	0.3%	1.2%

4. Margin loans

Margin loans	2020 Plan	2019 Actual	1H 2020 Estimate
HSC's average margin loan balance (VND billion)	4,275	4,225	4,200

B. 2020 BUSINESS PLAN

The key business targets of HSC in 2020 are as follows:

Items (VND million)	2020 Plan	2019 Actual	% Change	1H 2020 Estimate	% 2020 Plan
Revenue	1,297,586	1,262,261	3%	655,073	50%
Operating expenses	730,702	730,950	0%	348,337	48%
Profit before tax	566,883	531,406	7%	306,736	54%
Business income tax	113,377	98,841	15%	61,210	54%
Profit after tax	453,507	432,565	5%	245,526	54%
Return on average equity (ROAE)	10.8%	11.7%		5.8%	
Earnings per share (EPS) – VND	1,482	1,596	-7%	802	54%
Book value per share – VND	13,725	14,088	-3%	13,725	100%

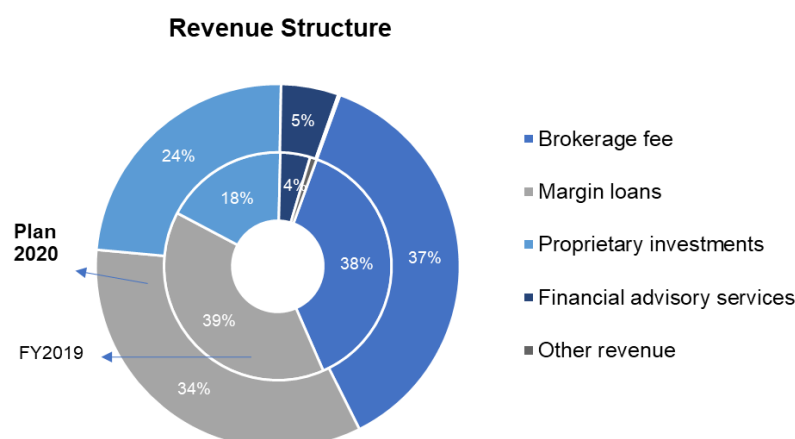
In 2020, HSC targets to deliver VND567 billion of profit before tax and VND453 billion of profit after tax. Although profit is expected to be higher in 2020, ROAE is estimated to be lower than last year as HSC increased shareholders' equity in 2019.

The 2020 business targets detailed by major business are as follows:

I. Revenue

Items (VND million)	2020 Plan	2019 Actual	% Change	1H 2020 Estimate	% 2020 Plan
1. Brokerage fee	480,631	478,283	0%	239,240	50%
2. Margin loans	439,277	495,989	-11%	225,677	51%
3. Proprietary investments	309,408	222,453	39%	185,987	60%
4. Financial advisory services	66,282	53,628	24%	3,182	5%
5. Other revenues	1,987	11,908	-83%	987	50%
Total revenue	1,297,586	1,262,261	3%	655,073	50%

As presented above, the securities brokerage fee, margin loans, and proprietary investments businesses are expected to generate the most revenue to HSC in 2020, accounting for 37%, 34% and 24% of total revenue, respectively.



1. Brokerage fee

Revenue of the securities brokerage business is primarily fee earned from providing brokerage services to retail clients and institutional clients in both underlying stock market and derivatives market.

The estimated market share and brokerage revenue by client group in 2020 are summarized below:

Brokerage services	2020 Plan	2019 Actual	% Change
Retail Clients			
Stock brokerage fee (VND million)	260,177	243,568	7%
HSC's retail clients/ Local investors	6.8%	6.8%	
Derivatives brokerage fee (VND million)	39,012	24,919	57%
HSC's retail clients/ Total market	7,6%	8,4%	
Institutional Clients			
Stock brokerage fee (VND million)	176,366	208,924	-16%
HSC's institutional clients / Foreign investors	25.0%	25.8%	
Derivatives brokerage fee (VND million)	5,076	872	482%
HSC's institutional clients/ Total market	1.2%	0.3%	

In 2020, HSC will focus on restructuring our retail brokerage team and diversifying our product and service portfolio to better serve clients. Another strategic priority is to further invest in digital capabilities as we aim to offer clients more convenience and time-saving.

Our institutional client brokerage business is expected to be able to maintain its leading market share of 25% in 2020. However, the business's revenue is expected to be lower y-o-y as foreign investors will likely to reduce their off-band trading value. The investors have another option to invest in stocks that reach foreign ownership limits since the launch of ETFs which consist of the stocks in 2019.

In the derivatives market, HSC's market share has been recovering positively in the first two quarter, especially in the second quarter of 2020. We expect to see that trend in the second half of this year and in both private and institutional client segments despite the fact that competition remains fierce. Therefore, derivatives brokerage fee is forecast to increase significantly from last year.

2. Margin loans

The average margin loan balance in 2020 is expected at VND4,200 billion, which is similar to that in 2019. The estimate is based on the expected market trading value of the underlying stock market in 2020 and takes into consideration possible impact of Covid-19. However, margin loan interest income is foreseen to decline as competition pressures margin lending rate.

Margin loans (VND million)	2020 Plan	2019 Actual	% Change
Average margin loan balance	4,275,000	4,225,000	1%
Margin loan interest income	439,277	495,989	-11%

In early 2020, HSC successfully introduced new margin lending model, which was built on global best practices to further enhance client experience. Metrics and formulas are applied consistently across investment products and were simplified, hence are easy for clients to understand.

Furthermore, the new model allows clients to mobilize funds across accounts and withdraw cash based on their margin loan balances.

First and foremost, HSC will adhere to our rigorous credit risk management policies including our comprehensive stock analysis approach. Ultimately, we want to provide prompt financial support to our client transactions while also helping them prevent financial loss from excessive investing in risky businesses and helping HSC mitigate credit risk.

3. Proprietary investments

At HSC, the proprietary investment business acts as an investment bank, providing capital to the corporate finance advisory business while also pursuing attractive investment opportunities in stocks and derivatives securities. In 2020, HSC will continue pursuing our well-known prudent investment approach as we aim to not only deliver solid returns to shareholders but also protect their capital.

Proprietary investments (VND million)	2020 Plan	2019 Actual	% Change
Stocks	20,933	55,122	-62%
Derivatives	83,906	45,290	85%
Corporate bonds	100,840	23,329	332%
Covered warrants	18,007	11,550	56%
ETFs	18,986	3,609	426%
Deposit interest	66,736	83,553	-20%
Total revenue	309,408	222,453	39%

Revenue from proprietary investments in 2020 is expected to reach VND309 billion, which translates to a strong growth of 39% from last year. The key revenue growth driver is bond investments, especially corporate bonds, which usually have lower risk than other asset classes.

Besides, HSC will continue to ramp up new product development and market making activities for the purpose of risk hedging and to support client trading. These are considered the core roles of the proprietary investment business at HSC.

4. Financial advisory services

Financial advisory services (VND million)	2020 Plan	2019 Actual	% Change
M&A advisory fee	41,000	30,976	32%
Debt capital markets	18,000	9,450	90%
Equity capital markets	7,282	13,202	-45%
Total revenue	66,282	53,628	24%

Merger and acquisition activities are expected to recover or even increase post Covid-19. That will boost the demand for corporate finance advisory services in the market as well as from HSC. That being said, our estimated revenue in the rest of 2020 is subject to uncertainty as it depends on advisory transactions' completion timing.

In addition to on-going and in-pipeline projects, HSC is also pitching new opportunities in both debt and equity markets as attempt to increase corporate finance advisory revenue in the following quarters of 2020.

II. 2020 OPERATING EXPENSE

Operating expenses (VND million)	2020 Plan	2019 Actual	% Change
Variable expenses	296,260	294,777	1%
Securities trading fee	103,750	115,228	-10%
Brokerage commission	61,886	65,978	-6%
Interest expense	130,624	137,144	-5%
Reversal of margin loan general provision	-	(23,573)	
Fixed expenses	434,442	436,173	0%
Payroll expense	264,206	232,269	14%
Office rental expense	49,977	53,472	-7%
IT related expenses	73,755	68,203	8%
External service expenses	13,560	24,204	-44%
Other expenses	32,944	58,027	-43%
Total operating expenses	730,702	730,950	0%

The total of operating expenses in 2020 is estimated at VND731 billion, which is similar to that in 2019. However, excluding the reversal of margin loan general provision, operating expenses in 2020 are expected to be lower than last year by 3%.

Operating expenses are classified into two categories:

- Variable expenses that are driven by revenue generating activities. In 2020, the expenses are expected to increase slightly by 1% from last year.
- Fixed expenses that incur regardless of the level of business activities. In 2020, the expenses are expected to be similar to that in 2019.

1. Variable expenses

- Securities trading fees primarily include fees payable to stock exchanges. In 2020, the fees are expected to reduce by 10% from last year on the back of fee reduction program offered by the exchanges amid the Covid-19.
- Commission fees payable to brokers in 2020 are estimated to reduce by 6% from last year. Our efforts on restructuring the retail broker team in 2019 are expected to pay off, helping us not only increase revenue and serve our clients better but also save costs.
- Interest expense is estimated to reduce by 5% from last year based on HSC's estimated credit demand and expected interest rate in 2020.
- There is no incremental general provision nor reversal of general provision expected in 2020.

2. Fixed expenses

The total of fixed expenses in 2020 is expected to be similar to that in 2019. Particularly:

- Payroll expenses are expected to increase by 14% y-o-y as expenses of employees joining in 2019 will incur full year and as HSC plans to recruit several senior positions in 2020.
- Office rental expense is expected to decrease by 7% from last year as a positive result of our efforts re-arranging office network and closing inefficient offices since late 2019.
- IT expenses are budgeted to increase by 8% from last year as HSC continues to make substantial investments to strengthen our IT capabilities as well as to prepare for migration to HOSE's new IT platform. Also, HSC will continue to digitalize our services to

stay ahead of the foreseen trend in the securities brokerage industry, allowing us to better serve our clients and maintain our competitive advantages.

- d. Expenses for external services in 2020 are expected to decrease significantly from last year 2019, when a one-off cost for a management consulting project incurred.
- e. Other operating expenses that incur in the normal course of business will be monitored and controlled in 2020.

III. 2020 BALANCE SHEET

Balance sheet (VND million)	(%)	2020 Average Balance	(%)	As at 31/12/2019	% Change
A. CURRENT ASSETS		7,025,589		7,295,764	-4%
I. Financial assets		6,975,589		7,275,687	-4%
1. Cash and cash equivalents		500,000	12%	906,543	-45%
2. FVTPL financial assets	24%	1,720,712	17%	1,286,633	34%
3. Margin loans	59%	4,274,689	63%	4,696,713	-9%
4. Other receivables		480,188		385,798	24%
II. Other current assets		50,000		20,077	149%
B. NON-CURRENT ASSETS		202,000		192,914	5%
I. Fixed assets		60,000		41,889	43%
II. Construction in progress		5,000		13,597	-63%
III. Other non-current assets		137,000		137,428	0%
TOTAL ASSETS		7,227,589		7,488,679	-3%
A. LIABILITIES		2,837,139		3,184,536	-11%
I. Short-term liabilities		2,837,139		3,184,536	-11%
1. Short-term loans	29%	2,102,451	32%	2,393,727	-12%
2. Other liabilities		734,688		790,808	-7%
B. OWNER'S EQUITY		4,390,450		4,304,143	2%
I. Owner's equity	61%	4,390,450	57%	4,304,143	2%
TOTAL LIABILITIES AND OWNER'S EQUITY		7,227,589		7,488,679	-3%

The total assets of HSC in 2020 are expected to be similar to that in last year. Margin loans and financial investments will remain the two major asset items, which collectively account for 83% of total assets.

In the midst of the current market buoyancy, HSC is confident in our ability to leverage our strengths as well as our advantage on capital to deliver strong return on capital to shareholders.

Above is 2020 business plan of Ho Chi Minh City Securities Corporation for the consideration and approval of the shareholders at the 2019 Annual General Meeting.

**Chief Executive Officer
TRINH HOAI GIANG**

