

## REPORT

### ANNUAL GENERAL MEETING OF SHAREHOLDERS FY2022 HO CHI MINH CITY SECURITIES CORPORATION

#### Subject: FY 2022 Business Performance

The Board of Management (“BOM”) would like to report to the General Meeting of Shareholders (“AGM”) the business performance of HSC in 2022.

#### A. PERFORMANCE OF HSC IN 2022

Despite unfavorable market conditions, HSC still achieved encouraging results in 2022 with a pre-tax profit of VND1,068 billion, which translates to a 25% YoY decrease and is equivalent to 71% of the approved guidance. More specifically:

- Revenue was VND 2,854 billion (-15% YoY).
- Operating expenses were controlled effectively and reduced by 8% YoY.
- Earnings per share (EPS) was VND 1,865.
- Return on average equity (ROE) was 11.2%.

Business Performance (VND billion)	2022	2021	YoY
Revenue (*)	2,854	3,368	-15%
Operating expenses (*)	1,786	1,938	-8%
Profit before tax	1,068	1,430	-25%
Profit after tax	852	1,147	-26%
Return on average equity (ROE)	11.2%	23.8%	
Earnings per share (EPS) – (VND)	1,865	3,685	-49%
Book value per share (VND)	17,268	16,022	8%

(\*) Profit and loss are presented on a net basis for comparison purpose.

Revenue breakdown by major business is as follows:

Revenue (VND billion)	2022	2021	YoY
Securities brokerage services fee	882	1,390	-37%
Margin loan interest income	1,273	1,179	8%
Proprietary investments	623	722	-14%
Financial advisory services fee	54	47	16%
Other revenue	22	30	-29%
<b>Total revenue</b>	<b>2,854</b>	<b>3,368</b>	<b>-15%</b>





## **1. Securities Brokerage Services**

Securities brokerage services remained the core business of HSC. In 2022, the stock market's liquidity fell sharply amid strong market turbulences and bearish investor sentiment. Particularly, the average daily trading value decreased significantly by 24% YoY, from VND 26.6 trillion in 2021 to just more than VND 20 trillion in 2022. However, HSC's securities brokerage business was resilient and posted a revenue of VND 882 billion, down by 37% YoY and accounting for 31% of total revenue in 2022 (2021: 41%).

In light of its prudent approach to margin lending, HSC did not provide margin loans to stocks whose prices and liquidity are believed to be artificially driven. Also, most of HSC's clients did not trade the stocks due to the same concerns. That negatively impacted HSC's market share but on the other hand helped the Company prevent financial loss as the stocks declined substantially in 2022.

- Revenue of securities brokerage services provided to retail investors was VND 571 billion, a 41% decline YoY. As regards business development initiatives, in 2022, HSC focused on developing and implementing new client policies, staff training to further enhance client service quality and promoting marketing activities targeting high net worth client segment.
- Revenue of securities brokerage services provided to institutional investors was VND 311 billion, a decline of 26% YoY. HSC was able to maintain high market share in total trading value of foreign investors in 2022.

## **2. Margin Lending**

The demand for margin loans dropped sharply around the end of 2022 following the decline in trading value of the stock market. However, on average basis for the entire 2022, HSC's margin loan balance increased by 2% YoY. Interest income from margin loans reached nearly VND 1,273 billion, accounting for 45% of total revenue in 2022. That is the record profit of the business.

We still strictly adhered to our prudent margin lending approach and thus regularly assessed the risks of securities in our margin loan portfolio. HSC's current loan portfolio is only comprised of large and highly liquid stocks of companies with strong fundamentals.

## **3. Financial Advisory Services**

2022 was another challenging year for the Financial Advisory business. However, the business managed to deliver an encouraging revenue of VND 54 billion, a 16% increase YoY. Furthermore, the Investment Banking division successfully secured a strong pipeline, promising good growth prospect in 2023.

## **4. Proprietary Investments and Treasury Management**

HSC's proprietary investments primarily focus on market-making activities for exchange-traded funds (ETF) and market-making for covered warrants. These two businesses have minimal risk while could generate attractive returns. In 2022, HSC's proprietary investment portfolio delivered a rate of return of 27%, which substantially outperformed the 35% decline of the VN30.

- **Market-making activities for ETFs and covered warrants**
  - Market making activities for ETF funds and trading of futures contracts delivered good results in 2022. As at the end of 2022, the total asset under management (AUM) of the two ETF funds that HSC is the major market maker, E1VFN30 and Diamond, reached VND 25,480 billion, an increase of more than VND 1,000 billion YoY.
  - Covered warrant issuance continued to achieve good performance in 2022 with a profit of VND 127 billion. HSC became the market leader in the covered warrants market in terms of trading value with a market share of 27% in 2022.



- **Treasury management**

- In 2022, the Treasury Management division well accomplished its roles in raising and mobilizing capitals to help HSC optimize capital structure and costs of capital.
- The division was also able to maintain liquidity for all businesses throughout the year, especially during the time of credit tightening in the last quarter.

**B. FINANCIAL POSITION**

- Total asset value was VND 15,447 billion at the end of 2022, down 37% YoY. The balance was primarily comprised of margin loans and short-term deposits.
- Demand for margin loans fell sharply at the end of 2022 amid unfavorable market conditions and bearish investor sentiment. HSC thus proactively reduced its short-term borrowings. The debt to equity ratio decreased to 1.0x from 2.3x at the end of 2021.

No.	Balance Sheet (VND Billion)	31/12/2022	31/12/2021	YoY
<b>A</b>	<b>Current assets</b>	<b>15,262</b>	<b>24,187</b>	<b>-37%</b>
I	Financial assets	15,196	24,114	-37%
1	Cash and cash-equivalents	5,640	7,199	-22%
2	Financial assets	1,424	2,372	-40%
3	Margin loans	7,379	13,690	-46%
4	Other receivables	753	854	-12%
II	Other current assets	66	72	-8%
<b>B</b>	<b>Long-term assets</b>	<b>184</b>	<b>182</b>	<b>1%</b>
	<b>Total assets</b>	<b>15,447</b>	<b>24,369</b>	<b>-37%</b>
<b>A</b>	<b>Liabilities</b>	<b>7,555</b>	<b>17,044</b>	<b>-56%</b>
I	Short-term liabilities	7,555	17,044	-56%
1	Short-term borrowings	6,938	15,040	-54%
2	Other payables	617	2,004	-69%
<b>B</b>	<b>Owners' equity</b>	<b>7,892</b>	<b>7,325</b>	<b>8%</b>
I	Shareholders' equity	7,892	7,325	8%
	<b>Total resources</b>	<b>15,447</b>	<b>24,369</b>	<b>-37%</b>

Above is the summary of 2022 business performance of Ho Chi Minh City Securities Corporation for the consideration and approval of the shareholders at the Annual General Meeting.

ON BEHALF OF  
HO CHI MINH CITY SECURITIES CORPORATION  
CHIEF EXECUTIVE OFFICER



TRINH HOAI GIANG

**To:**

- As aforementioned
- BOD's office for record