

Ho Chi Minh City, April ..., 2017

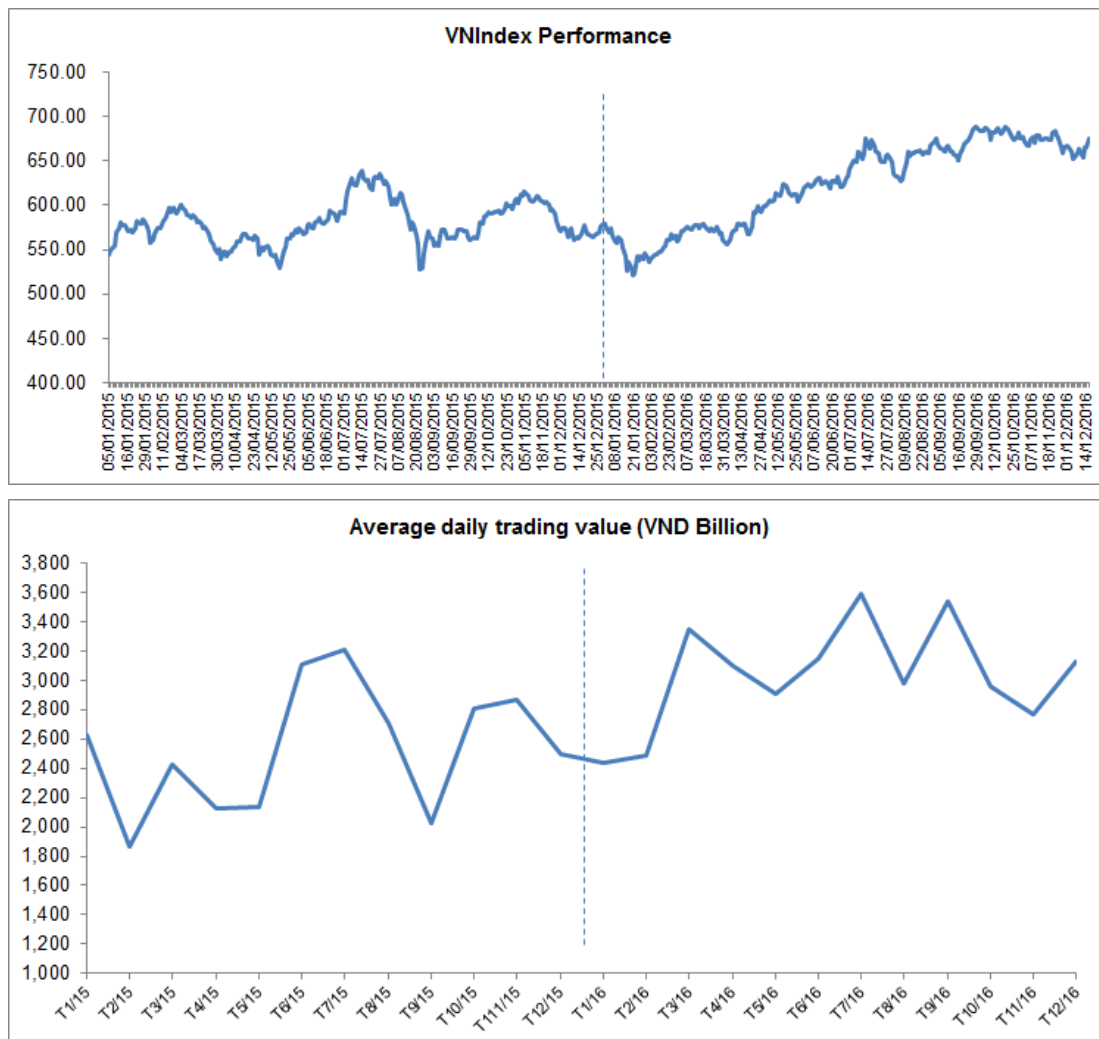
## REPORT

### AT THE FY2017 ANNUAL GENERAL MEETING OF SHAREHOLDERS

*Subject: Business Result 2016*

#### I. MARKET OVERVIEW

In 2016, the stock market in Vietnam matured into a more progressive stage compared to 2015 with 15% increment in VN Index from 579 to 665 points (i.e. up by 86 points) for the year, while daily average transaction value expanded by 19% to reach VND 3,047 billion from 2,570 billion in 2015



Average daily trading value in 2016 increased from VND 2,450 billion in first 2 months and reached a level of over VND 3,000 billion in most of others. It was also due to higher domestic and foreign transaction values which increased by 14% and 39% respectively.

An increase in domestic trading value was due to the following factors:

- The equitization processes and divestitures of the State capital in large cap state-owned enterprises/corporations particularly in Q4-2016;
- A surge in transaction volume of actively traded large-cap stocks in dairy, steel industries and certain active stocks such as: ROS, FLC, KBC, SBT....
- Trading value of UpCom in 2016 increased more than 2 times compared with the average level in 2015 with some large cap stocks and actively traded by local investors such as GEX and SWC. Another reason for the increase was due to the positive effect from new popular listed stocks, such as Sabeco, Habeco, Vissan and ACV, which also pushed up the trading

In addition, the trading value of foreign investors also increased 39% compared to 2015, represented for 13.1% of the total market (2015: 11.3%) with net-sales position in 2016. Foreign trading value increased sharply due to the following factors:

- Periodic transactions to restructure the portfolio of foreign ETF funds;
- The increase in trading activity of this group also came from many put-through trading between them internally such as VNM, VIC, MSN, FPT

## II. HSC PERFORMANCE OVERVIEW

### 1. HSC's brokerage market share

HSC's brokerage market share in 2016 reached 11.2%, ranking 2 of brokerage stocks and fund certificates in the market, details are shown in the following table:

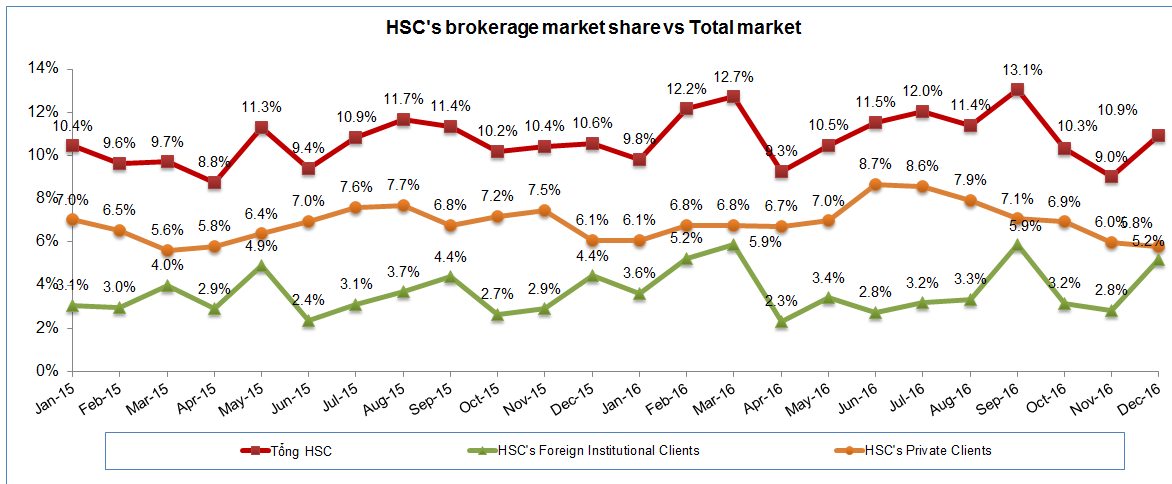
HSC's brokerage market share	Y2016	Ranking Y2016	Y2015	Ranking Y2015	Y2016 Target
<b>By Exchange</b>					
HOSE	12.5%	2	12.0%	2	
HNX	6.8%	4	6.1%	4	
Upcom	5.6%	8	3.2%	n/a	
<b>Total market</b>	<b>11.2%</b>	<b>2</b>	<b>10.4%</b>	<b>2</b>	<b>11.8%</b>
<b>By Department</b>					
Private Clients of HSC / Total market	7.1%		6.9%		8.0%
Institutional Clients of HSC / Total market	3.9%		3.4%		3.8%
<b>By type of clients</b>					
Private Clients of HSC / Total local market (*)	9.6%		8.9%		10.8%
Foreign Institution of HSC / Total foreign market	28.5%		27.9%		28.0%

(\*) In order not to be affected by the trading value of foreign clients', the market share of Private Clients Department is analyzed based on the total local market and is presented throughout this submission.

Brokerage market share in 2016 by type of clients is shown in the following chart:

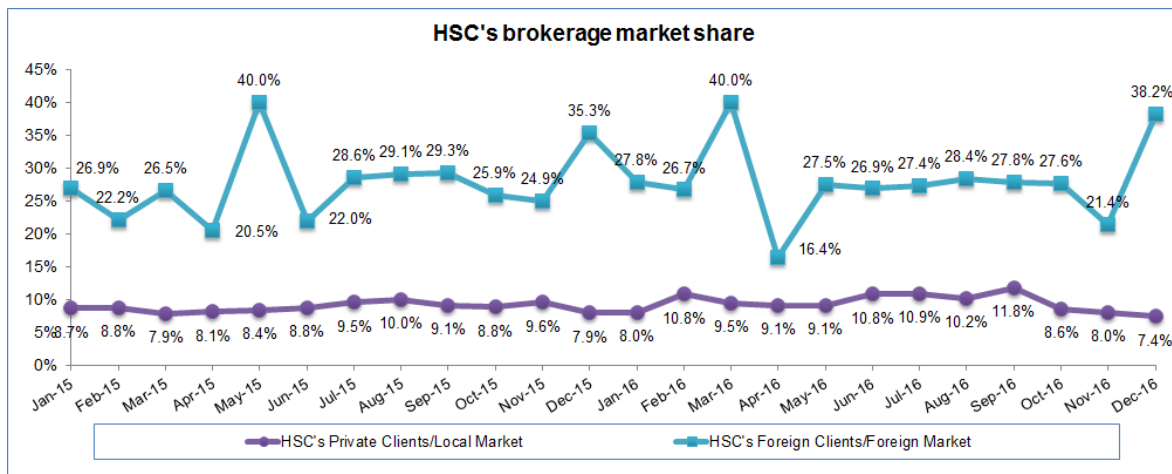


In addition, HSC's brokerage market share fluctuations throughout the total market as shown in the following chart:



The brokerage market share of HSC in 2016 compared to the overall market was 11.2%, higher than the market share of 10.4% in 2015 but lower than the Target of 11.8%

Fluctuations in market share of HSC's private clients on total local market and market share of HSC's foreign on total foreign market is shown in the following chart.



HSC's private clients maintained a steady market share in the first three quarters of 2016 but fall in the Q4-2016. For the whole of 2016, HSC's Private clients reach an average of 9.6% local market, better than the market share of 8.9% in 2015 but not reached the market share of 10.8% in the plan 2016. Some stocks traded more in the market but traded not significantly through HSC or inadequate HSC's margin policy such as GEX, ROS, FLC, VIC is one of the reasons that affect HSC's local market share in 2016. In total local market, trading value of ROS + FLC shares accounted for 12% but HSC trading value only 0.25%, statistics are shown in the following table:

<b>Total local market trading value</b> (VND billion)	<b>Y2016</b>	<b>Y2015</b>	<b>Change</b>
Total local trading value	564,449	493,510	14%
HSC's private clients/Local market	9.62%	8.86%	
<b>ROS+FLC trading value</b>	<b>30,648</b>	<b>22,608</b>	<b>553%</b>
<b>Total local trading value excluded ROS+FLC</b>	<b>533,801</b>	<b>470,902</b>	<b>14%</b>
<b>HSC's private clients/Local market</b> <b>(excluded ROS+FLC)</b>	<b>10.18%</b>	<b>9.28%</b>	

HSC's Foreign Clients gained 28.5% of the total foreign market, equivalent to nearly one third of the total foreign market over the years. Foreign market share remained stable around 28% in Q2 and Q3 and strongly increased in late of 2016, better than 27.9% in 2015 and beyond the market share of 2016 Target. HSC's foreign market share surged in March with big MSN deals; in September with large transactions of FPT and VNM and in December with trading of VNM and Sabeco.

## 2. HSC's 2016 result summary

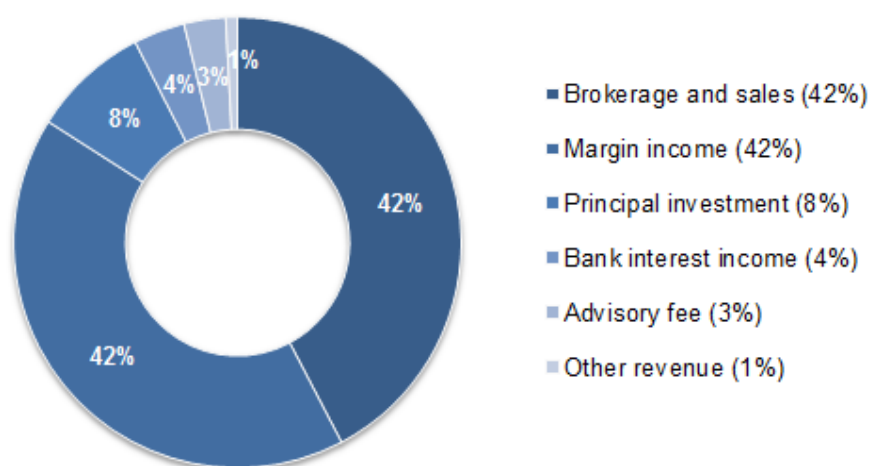
<b>HSC's performance</b>	<b>Y2016</b>	<b>Y2015</b>	<b>Change</b>	<b>Y2016 Target</b>	<b>% Y2016 Target</b>
<b>Income statement (VND million)</b>					
Revenues	824,245	591,139	39%	734,593	112%
Operating expenses	439,651	319,667	38%	358,236	123%
<b>Profit before tax</b>	<b>385,383</b>	<b>271,500</b>	<b>42%</b>	<b>376,357</b>	<b>102%</b>
<b>Profit after tax</b>	<b>304,531</b>	<b>213,310</b>	<b>43%</b>	<b>301,086</b>	<b>101%</b>
<b>Balance sheet (VND million)</b>					
Total assets	3,616,842	3,103,574	17%	3,330,481	109%
Owners' Equity	2,391,917	2,279,549	5%	2,468,163	97%
<b>Financial indicators</b>					
ROAA	9.1%	6.6%		8.2%	
ROAE	13.0%	9.2%		12.6%	
<b>Indicator for a stock unit</b>					
Number of shares	127,155,368	127,185,417		127,185,417	
EPS – VND	2,395	1,598	50%	2,367	101%
Book value per share – VND	18,811	17,923	5%	19,406	97%
<b>Normal operating expenses / Fee income</b>	<b>91%</b>	<b>105%</b>		<b>91%</b>	

a. Revenue

Total revenue in 2016 reached VND 824 billion, an increase of 39% compared to 2015 and exceeded 12% of the Target.

Items (VND million)	Weight	Y2016	Y2015	Change	Y2016 Target	% Y2016 Target
Brokerage and sales	42%	348,957	262,076	33%	347,573	100%
Margin income	42%	343,657	222,636	54%	286,000	120%
Principal investment	8%	69,535	35,026	99%	35,373	197%
Bank interest income	4%	30,569	54,719	-44%	34,947	87%
Advisory fee	3%	24,602	11,155	121%	25,500	96%
Other revenue	1%	6,926	5,527	25%	5,200	133%
<b>Total</b>	<b>100%</b>	<b>824,245</b>	<b>591,139</b>	<b>39%</b>	<b>734,593</b>	<b>112%</b>

**2016 Revenue Structure**



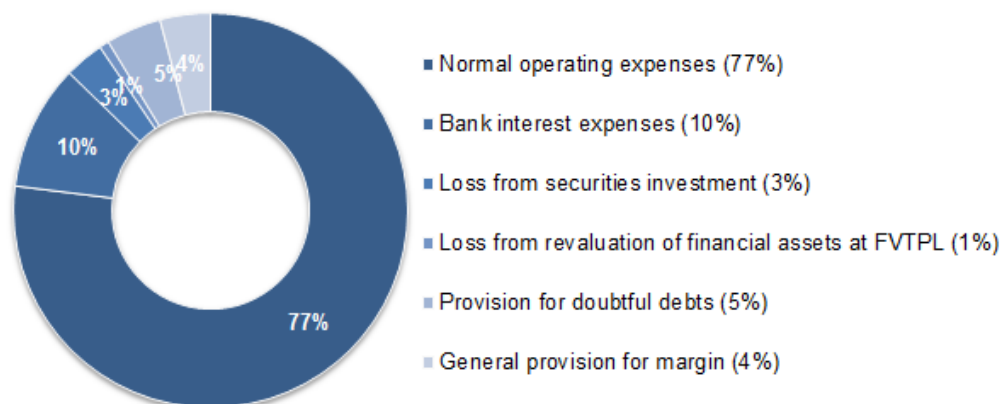
- Brokerage fees came to VND 349 billion, accounting for 42% of HSC's total revenue and increase 33% compared to 2015. The main reason for the increase in brokerage fees was due to the increase of 19% in total market trading value and HSC's market share increased to 11.2% from 10.4% in 2015. In addition, brokerage fees of OTC and off-band transaction also contributed to brokerage fees in 2016;
- Along with the increase in transaction value, margin income in 2016 reached over VND 343 billion before borrowing interest expense, accounting for 42% of HSC's total revenue, increase 54%. After accounted for borrowing interest expense, the increase was 39% compared to 2015. In details, average margin balance of HSC increased to 57% as VND 2,600 billion from VND 1,657 billion in 2015 and margin lending rates down to an average of 13.3% pa from 13.4% pa in 2015;
- Income from principal investment gained VND 69 billion mainly from the difference in share price (including realized and unrealized gains / losses) of the new portfolio in 2016. Bond investment activity was almost non-traded in 2016. The average investment capital in 2016 was VND 118 billion and returned rate was 46% pa. This rate was higher than the increase of 15% of VNIndex in 2016 from 579 points to 665 points.
- Revenue from advisory fee in 2016 reached VND 24.6 billion, mainly from consultancy contracts of the Corporate Finance Department, consultancy fees for introducing clients and providing research data to institutional clients;
- Bank interest income in 2016 reached VND 31 billion, contributing 4% of HSC's total revenue and down 44% y / y;
- Other revenue comes from depository service fees and distribution of shares to investors.

## b. Operating expenses

Total operating expenses in 2016 reached VND 440 billion, increase 38% compared to 2015 and equal to 123% of the Target. In which:

Operating expenses (VND million)	Y2016	Y2015	Change	Y2016 Target	% Y2016 Target
Normal operating expenses	338,446	287,123	18%	340,235	99%
Bank interest expenses	45,252	7,390	512%	18,000	251%
Loss from securities investment	14,268	49,496	-71%	-	n/a
Loss from revaluation of financial assets at FVTPL	3,497	(24,342)	n/a	-	n/a
Provision for doubtful debts	18,191	-	n/a	-	n/a
General provision for margin	19,997	-	n/a	-	n/a
<b>Total</b>	<b>439,651</b>	<b>319,667</b>	<b>38%</b>	<b>358,235</b>	<b>123%</b>

**2016 Operating expenses structure**



- Normal operating expenses in 2016 reached VND 338 billion, increased 18% in comparison to 2015 and equivalent 99% of the plan. In which, the items accounted for a large proportion such as personnel costs, brokerage expense, outsourced service costs, office rental costs, IT costs;
- Bank interest expense was at VND 45 billion, higher than five-fold compared to 2015 and 2.5 time of the Target due to increased need of working capital for margin lending during the end of the year. The average margin balance was at VND 614 billion in 2016 compared to VND 118 billion in 2015 and VND 200 billion in 2016 Target;
- The securities investment expense was the loss (selling price lower than cost) arising from the proprietary trading activities in 2016 and recognized in accordance with Circular 95/2008/TT-BTC issued by Ministry of Finance, guiding the accounting of securities investments.
- Loss from revaluation of financial assets at FVTPL was the additional provision in 2016 for OTC stock in the old investment portfolio due to the loss from revaluation of financial asset at year end;
- Provision for doubtful debts at the value of VND 18.2 billion (not incurred in 2015) was made for margin lending in September 2016;
- General provisions for margin lending was made at a level of 0.75% margin balance, equivalent to VND 20 billion in 2016.

Profit after tax in 2016 achieved VND 304.5 billion, an increase of 43% compared to 2015 and 101% of the 2016 Target.

Revenue from fees (including brokerage fees, services and advisory fees) covered the normal operating expenses (excluding bank interest expense and provisions) in 2016, which evidenced by the ratio of normal operating expense / fee income was at 94% and significantly improved in comparison to 123% in 2015.

### III. BUSSINESS RESULTS BY DIVISIONS

Business results for 2016 was presented in terms of revenues and operating expenses of each Division. In which:

- Revenue: listed as separate activitives as nature of each Division
- Operating expenses:
  - o Direct expense which is incremental to each Division;
  - o Indirect expense which is allocated from supporting division

#### 1. Private Clients Division (PCD)

<b>Private Clients Division</b> <i>(VND million)</i>	<b>Y2016</b>	<b>Y2015</b>	<b>Change</b>	<b>Y2016 Target</b>	<b>% Y2016 Target</b>
<b>Revenue</b>	<b>530,452</b>	<b>391,068</b>	<b>36%</b>	<b>508,242</b>	<b>104%</b>
Brokerage fee	203,500	168,216	21%	225,264	90%
Margin income	319,945	218,065	47%	278,278	115%
Other revenue	7,007	4,788	46%	4,700	149%
<b>Operating expense</b>	<b>272,655</b>	<b>195,595</b>	<b>39%</b>	<b>244,900</b>	<b>111%</b>
Normal direct expense	166,891	147,277	13%	182,178	92%
Indirect expense	45,491	41,081	11%	45,214	101%
Bank interest expense	42,082	7,237	481%	17,509	240%
Provision for doubtful debts	18,191	-	n/a	-	n/a
<b>Profit before tax</b>	<b>257,797</b>	<b>195,473</b>	<b>32%</b>	<b>263,342</b>	<b>98%</b>
<b>% HSC revenue</b>	<b>64%</b>	<b>66%</b>		<b>69%</b>	
<b>% HSC profit before tax</b>	<b>67%</b>	<b>72%</b>		<b>70%</b>	
<b>Cost/Income ratio</b>	<b>51%</b>	<b>50%</b>		<b>48%</b>	

The PCD contributed of 64% of HSC revenue and 67% of total profit before tax.

##### 1.1. Revenue

Positive signals on market liquidity from middle of 2015, HSC has expanded the list of securities on SSC's margin lending portfolio and increased margin limit for many stocks, which was interested and active trading by investors in the market. This had contributed to the increase in trading value as well as the demand for margin trading through HSC.

Revenue of PCD in 2016 reached VND 530 billion, a rise of 36% from 2015 and exceeded 4% of the Target, mainly derived from brokerage fees, margin income.

##### a. Brokerage fee

Brokerage fees of PCD reached VND 203 billion, an increase of 21% compared to 2015 and completed 90% of the Target. The main reasons were:

- Trading value of PCD at HSC increased 24%, in which:
  - ✓ Trading value of local clients through HSC increased 14% compared to 2015;
  - ✓ The PCD's market share increased to 9.6% from 8.9% in 2015, equivalent to an increase of 9%.
- The average trading fee rate decreased by 3% compared to that of 2015 due to the effect of HSC's policy, thereon, fee reduced when client trades more.

##### b. Margin income

Margin income of PCD in 2016 reached VND 320 billion and increased by 47% compared to 2015 mainly due to:

- The average margin balance of the PCD in 2016 reached VND 2,432 billion, a raise of 51% against VND 1,613 billion in 2015.

- The average margin rate dropped to 13.2% pa from 13.5% pa in 2015 due to the impact of downtrend in market deposit rate and the competition in margin rates among the competitors;

The margin income in 2016 of the PCD exceeded 15% of the Target mainly due to the actual average margin balance was 14% higher than the Target 2016 at VND 2,140 billion.

c. *Other revenue*

Other revenues mainly included depository fees, fees from stock distribution services to investors, securities transfer fees and shareholder management fees.

1.2. Operating expenses

Operating expenses of the PCD in 2016 increased by 39% compared to 2015 mainly due to:

- Normal direct expense (accounting for 61% of operating expense) increased by 13% compared to 2015, of which:

<b>Normal direct expense - PCD (VND million)</b>	<b>Y2016</b>	<b>Y2015</b>	<b>Change</b>
Brokerage expense	32,289	26,187	23%
Commission expense	52,999	42,533	25%
Other direct expense	81,603	78,557	4%
<b>Total</b>	<b>166,891</b>	<b>147,277</b>	<b>13%</b>

- The brokerage expense paid to the Exchanges and the commission paid to the brokers increased in line with the increase in the trading value of the PCD;
- The personnel costs increased as a result of the increase in the number of brokers from an average of 213 in 2015 to 239 in 2016;
- Indirect expense increased by 11% mainly due to the increase in expense of the supporting department allocated to the PCD compared to 2015 such as: the cost of legal advice and personnel costs of the margin risk management department (not incurred this cost in 2015).
- Bank interest expense for expansion of margin lending, increased nearly five-fold as a result of the increase 51% of margin balance as compared to 2015 as mentioned above;
- Provision for doubtful debt was made for margin lending in 2016, not incurring this expense in 2015



## 2. Institutional Clients Division (ICD)

<b>Institutional Clients Division</b> <i>(VND million)</i>	<b>Y2016</b>	<b>Y2015</b>	<b>Change</b>	<b>Y2016 Target</b>	<b>% Y2016 Target</b>
<b>Revenue</b>	<b>185,895</b>	<b>114,928</b>	<b>62%</b>	<b>144,531</b>	<b>129%</b>
Listed stock brokerage fees	135,416	93,038	46%	122,309	111%
OTC brokerage fees	9,911	823	1105%	-	n/a
Margin income	23,529	4,572	415%	7,722	305%
Income from using capital	8,892	10,471	-15%	9,000	99%
Other revenue	8,147	6,025	35%	5,500	148%
<b>Operating expense</b>	<b>94,429</b>	<b>67,730</b>	<b>39%</b>	<b>75,287</b>	<b>125%</b>
Direct expense	81,967	59,015	39%	65,844	124%
Indirect expense	9,292	8,561	9%	8,952	104%
Bank interest expense	3,170	153	1967%	491	645%
<b>Profit before tax</b>	<b>91,466</b>	<b>47,198</b>	<b>94%</b>	<b>69,245</b>	<b>132%</b>
<b>% HSC revenue</b>	<b>23%</b>	<b>19%</b>		<b>20%</b>	
<b>% HSC profit before tax</b>	<b>24%</b>	<b>12%</b>		<b>18%</b>	
<b>Cost/Income ratio</b>	<b>51%</b>	<b>59%</b>		<b>52%</b>	

### 2.1. Revenue

Total revenue for the ICD increased by 62% to reach VND 186 billion, and exceeded the 2016 target by 29%. Listed stock brokerage fees contributed to more than two-third of the division's income with the remaining portion generated by OTC stock brokerage fees, margin lending, income from capital used

#### a. Listed stock brokerage fees

Brokerage fees for the listed stocks rose by half to reach VND 135 billion, exceeding the 2016 Target by 11%. The increase is owed to the following:

- Total trading value by conventional institutional clients expanded by more than one third and brought a 37% rise in gross fees earned for 2016 at VND 82.4 billion.
- Total trading value led by client referrals through intermediary brokerage firm recorded 73% higher gross fee earnings to reach VND 33.9 billion.
- Off-band trading also contributed VND 8.6 billion in total revenue, more than 2 times in 2015.
- Bond brokerage activities were more active as seen from the 16% increase to reach VND 10.5 billion, exceeding the 2016 Target by 5%.

#### b. OTC stock brokerage fees

OTC stock brokerage fees reached VND 9.9 billion from arbitrage transactions of Sabeco shares (when they were not listed yet) for institutional clients incur zero cost of capital with funding supported by clients' investments. It did not incur in 2015.

#### c. Margin income

Margin income increased four-fold to reach VND 23.5 billion, exceeding the set Target for 2016 by thrice due to the increasing demand for margin in equity transaction of our institution clients. In details, average margin balance got VND 166 billion compared to VND 44 billion and average margin rate was 14.1% compared to 10.4% in 2015.

#### d. Income from capital used

Revenue from capital used in 2016 was mainly attributed to the purchase and resale to institutional investors. Average capital invested decreased by two-thirds to VND 14 billion but provided higher ROI of 44% p.a. compared to 26% p.a. in 2015.

Revenue in 2015 was at VND 10.4 billion with average capital used at VND 37 billion and ROI of 26% pa.

#### e. Other revenue

Other revenue mainly came from market research for institution clients.

## 2.2. Operating expense

The 39% increase in operating expenses in 2016 was prompted by increase in all three expenditure types: direct operating expenses (i.e 87% of total), indirect operating expenses and borrowing interest expenses.

- Direct operating expenses had a 39% increase, in which:

<b>Direct operating expenses - ICD</b> (VND million)	<b>Y2016</b>	<b>Y2015</b>	<b>Change</b>
Brokerage expense	22,611	16,008	41%
Commission expense	25,941	11,956	117%
Other direct expense	31,566	30,034	5%
Loss from using capital	1,844	1,017	82%
<b>Total</b>	<b>81,967</b>	<b>59,015</b>	<b>39%</b>

- The brokerage expenses increased by 41% in line with the rise in stock brokerage fee revenue.
  - Commission expenses is a pay away to offshore brokers from introducing client to HSC increased twice as a result of increase from these customers.
  - Other direct expenses include staff costs and information technology expenses, which remained unchanged from 2015.
- Indirect operating expenses was up by 9% with more expenses allocated to reinforce the supporting departments (e.g. Margin Management and Risk Management Departments)
  - Borrowing interest expense accelerated sharply as a result from HSC's incentive to expand its margin lending activities.

## 3. Corporate Finance Division (CFD)

<b>Corporate Finance Division</b> (VND million)	<b>Y2016</b>	<b>Y2015</b>	<b>Change</b>	<b>Y2016 Target</b>	<b>% Y2016 Target</b>
<b>Revenue</b>	<b>16.279</b>	<b>6.093</b>	<b>167%</b>	<b>30.080</b>	<b>54%</b>
Advisory fees	16.279	5.733	184%	20.000	81%
Income from capital used	-	360	-100%	10.080	N/a
<b>Operating expense</b>	<b>14.248</b>	<b>10.211</b>	<b>40%</b>	<b>13.340</b>	<b>107%</b>
Direct expense	9.165	5.355	71%	8.724	105%
Indirect expense	5.083	4.856	5%	4.616	110%
<b>Profit/(Loss) before tax</b>	<b>2.032</b>	<b>(4.118)</b>	<b>n/a</b>	<b>16.740</b>	<b>12%</b>
<b>% HSC revenue</b>	<b>2%</b>	<b>1%</b>		<b>4%</b>	
<b>% HSC profit before tax</b>	<b>1%</b>	<b>n/a</b>		<b>4%</b>	
<b>Cost/Income ratio</b>	<b>88%</b>	<b>168%</b>		<b>44%</b>	

### 3.1. Advisory fees

Revenues from advisory fees more than tripled in 2016 to reach VND 16.3 billion but only achieved 54% Target, as the CFD have not committed any of the firm's capital to compete in deals during 2016.

Key advisory clients in 2016 included: HD Saison, CTI, Con Cung Investment JSC, Nam Long Investment JSC, Siam Brothers Vietnam, Dong A Socio, KIDO, Saigon Union of Trading Cooperatives and Digiworld Corporation.

### 3.2. Operating expense

Total operating expenses of CFD in 2016 was VND 14.2 billion, increasing by 40% compared to 2015, as a result of capacity building of its human resources.

## 4. Proprietary Trading Function

<b>Proprietary Trading Function</b> (VND million)	<b>Y2016</b>	<b>Y2015</b>	<b>Change</b>	<b>Y2016 Target</b>	<b>% Y2016 Target</b>
<b>Revenue</b>	<b>60.304</b>	<b>21.525</b>	<b>180%</b>	<b>16.293</b>	<b>370%</b>
OTC portfolio	1.050	462	127%	845	124%
Listed portfolio	53.362	21.062	153%	12.448	429%
ETF portfolio	5.892	0	n/a	3.000	196%
<b>Operating expense</b>	<b>20.765</b>	<b>29.915</b>	<b>-31%</b>	<b>5.102</b>	<b>407%</b>
Direct expense	19.280	28.393	-32%	3.587	537%
Indirect expense	1.485	1.521	-2%	1.514	98%
<b>Profit/(Loss) before tax</b>	<b>39.539</b>	<b>(8.390)</b>	<b>n/a</b>	<b>11.192</b>	<b>353%</b>
<b>% HSC revenue</b>	<b>7%</b>	<b>4%</b>		<b>2%</b>	
<b>% HSC profit before tax</b>	<b>10%</b>	<b>n/a</b>		<b>3%</b>	
<b>Cost/Income ratio</b>	<b>34%</b>	<b>139%</b>		<b>31%</b>	

#### 4.1. Revenue

Revenue increased nearly triple in comparison to 2015, mainly came from OTC and ETF activities.

In addition, as Circular 95/2008/TT-BTC dated 24 Oct 2008 about accounting record of investment. Thereon, profit of this activity has to be recorded as revenue and loss has to be recorded as securities investment loss.

##### a. OTC portfolio

It remained from previous years and income came from dividend received about VND 1 billion;

##### b. Listed portfolio

After the adverse impacts of the Chinese stock market in early 2016, the market regained its footing from Q2-2016 onwards, which resulted in revenues of VND 53.4 billion from the new portfolio. This sharp rise in revenues mainly consisted of realized gain of MWG, VNM, HSG, HPG, NVL stocks, and reversal of provision for new portfolio in 2016. Average capital invested in the new portfolio in 2016 was VND 84 billion with ROI of 52% p.a. compared with an average investment of VND 74 billion in 2015.

##### c. ETF portfolio

HSC is both market maker and investor. Average capital employed of it is about VND 20 billion with ROI of 21% p.a. in comparison to 2015 with VND 22 billion and (15%) respectively.

#### 4.2. Operating Expenses

Total operating expenses of Proprietary Trading dropped sharply in 2016 with only VND 20.7 billion, driven by lower direct costs which accounted for 94% of the total expenses.

Direct costs fell 32% compared to 2015, and mainly comprised expenses relating to securities investment, and also release of provisions held against the OTC portfolio.

## 5. Treasury Function

Treasury Function (VND million)	Y2016	Y2015	Change	Y2016 Target	% Y2016 Target
<b>Revenue</b>	<b>31,314</b>	<b>57,525</b>	<b>-46%</b>	<b>35,447</b>	<b>88%</b>
Deposit income	30,569	54,719	-44%	34,947	87%
Bond investment	139	2,670	-95%	-	n/a
Other revenue	607	136	345%	500	121%
<b>Operating expense</b>	<b>4,775</b>	<b>4,216</b>	<b>13%</b>	<b>4,177</b>	<b>114%</b>
Direct expense	3,363	2,879	17%	2,825	119%
Indirect expense	1,411	1,337	6%	1,352	104%
<b>Profit before tax</b>	<b>26,540</b>	<b>53,309</b>	<b>-50%</b>	<b>31,269</b>	<b>85%</b>
<b>% HSC revenue</b>	<b>4%</b>	<b>10%</b>		<b>5%</b>	
<b>% HSC profit before tax</b>	<b>7%</b>	<b>20%</b>		<b>8%</b>	
<b>Cost/Income ratio</b>	<b>15%</b>	<b>7%</b>		<b>12%</b>	

### 5.1. Revenue

#### a. Deposit income

Bank deposits income was VND 30.5 billion and decreased by 44% compared to 2015. The main reason was that the average deposit balance decreased from VND 1,200 billion in 2015 to VND 640 billion in 2016 despite the average deposit rate has increased to 5.45% pa from 4.97% pa in 2015.

#### b. Bond Investment

Bond investments were not favorable because the yields of 1-to-5-year government bonds remained at low rate (less than 6% pa), fluctuating slightly from 2015. Therefore, the Treasury Function did not invest in bonds as planned in 2016. Revenue derived from bond purchase and resale to customers.

#### c. Other revenue

Doanh thu khác chủ yếu là phí đấu thầu trái phiếu thực hiện năm 2016 với tổng giá trị đấu thầu thành công trái phiếu chính phủ cho khách hàng đạt 8.223 tỷ đồng (Năm 2015 là 6.085 tỷ đồng).

Other revenue was mainly the bond auction fee in 2016 with the total value of successfully bidding government bonds for customers reaching VND 8,243 billion (2015: VND 6,085 billion).

### 5.2. Operating expense

Operating expenses of the Treasury Function in 2016 increased 13% compared to 2015 mainly due to the brokerage expense paid to the Stock Exchanges for bond trading as mentioned above (no such costs occur in 2015)

## II. HSC Operating Expenses

The operating expenses of each Division was described in the sections above. However, the main items in total HSC's operating expenses were as follows:

<b>Operating expenses</b> (VND million)	<b>Weight</b>	<b>Y2016</b>	<b>Y2015</b>	<b>Change</b>	<b>Y2016 % Target</b>	<b>Y2016 % Target</b>
Salary and related expenses	50%	167.553	141.925	18%	166.581	101%
Brokerage expenses	18%	61.074	44.444	37%	54.624	112%
Outsourcing expenses	16%	55.769	48.149	16%	54.933	102%
Information technology expenses	4%	14.742	14.811	0%	18.566	79%
Leasing expenses	6%	20.608	20.079	3%	21.255	97%
Depreciation and amortization	2%	5.921	5.507	8%	9.399	63%
Other expenses	4%	12.778	12.208	5%	14.878	109%
<b>Normal operating expense</b>	<b>100%</b>	<b>338.446</b>	<b>287.123</b>	<b>18%</b>	<b>340.235</b>	<b>99%</b>
Interest expenses		45.252	7.390	512%	18.000	251%
Securities trading expenses		14.268	49.496	-71%	-	n/a
<i>Loss from revaluation of financial assets at FVTPL</i>		3.497	(24.342)	n/a	-	n/a
Provision for bad debts		18.191	-	n/a	-	n/a
General provision for lending		19.997	-	n/a	-	n/a
<b>Total operating expenses</b>		<b>439.651</b>	<b>319.667</b>	<b>38%</b>	<b>358.235</b>	<b>123%</b>
Cost/Income ratio		53%	54%		49%	

HSC's operating expenses in 2016 were at VND 440 billion, a raise of 38% y/y. Excluding the bank interest expense, securities investments expense and provisions, the total operating expense in 2016 was by 18% higher than 2015.

Some of the items had a large proportion or significant change compared with 2015 as follows:

### 1. Salaries and personnel related expenses

Salaries expenses accounted for almost half of the total operating expenses in 2016, which increased by 18% on a year on year basis. This can be attributed to:

- Higher number of brokers in transaction offices and support staff in PCD as a result of increased market activities. This division alone contributed to 4 percentage point increase in Salaries in 2016.
- Increased in brokerage commission paid to brokers, which led to an increase of 10% in salaries expenses in 2016.
- Increased personnel expenses for Corporate Finance division, Institutional Client division, and Internal Audit Departments, was accountable for 4% increase.

### 2. Brokerage expenses

Brokerage expenses accounted for 18% of total operating expenses and increased 37% in comparison to 2015, was in line with the trend of higher trading value at HSC during 2016.

### 3. Outsourcing expenses

This expense included brokerage commission paid, independent audit, bank fee, car rental, parking fee, office cleaning and printing expense.

Outsourcing expenses accounted for 16% of total operating expenses, rose by 16% compared to 2015. An increase in brokerage commission paid to offshore brokers in 2016 as the result of the increase in outsourcing expenses.

### 4. Information technology expenses

Information technology expenses mainly included internet expense, network connection fee, server and software maintenance and internet trading which remained almost unchanged from 2015.

5. Leasing expenses

Leasing expense slightly rose by 3% compared to 2015 because of the movement of Kim Lien transaction to new location at VCCI building since the end of 2015. Existing leasing contracts are all long-term with fixed monthly fees.

6. Depreciation & Amortization

Fixed assets depreciation in 2016 increased by 8% compared to 2015 due to 9% increase in depreciation expenses for IT assets which accounted for 92% of total depreciation. Newly acquired IT assets in the H2-2015, such as customer relationship management (CRM) software, new server system and data storage devices, raised depreciation expenses in 2016.

Depreciation expenses in 2016 only represented 63% of the target since some investments were not made as planned before and thus, no associated depreciation costs were incurred.

Depreciation of IT related assets are shown in details in the following table:

<b>IT related depreciation expense</b> <i>(VND million)</i>	<b>Y2016</b>	<b>Y2015</b>	<b>Change</b>	<b>Y2016 Target</b>	<b>% Y2016 Target</b>
<b>Existing asset</b>	<b>5,126</b>	<b>4,957</b>	<b>3%</b>	<b>3,915</b>	<b>131%</b>
<b>Assets planned for acquisition</b>	<b>292</b>	<b>-</b>		<b>5,031</b>	<b>6%</b>
Derivatives Trading Platform	-	-		1,500	0%
DRP implementation	-	-		1,500	0%
BPM platform	-	-		667	0%
Business Intelligence platform	-	-		667	0%
HRIS HR Software	-	-		197	0%
Investment in infrastructure (new servers)	292			500	58%
<b>Total depreciation expenses related to IT</b>	<b>5,418</b>	<b>4,957</b>	<b>9%</b>	<b>8,945</b>	<b>61%</b>

7. Bank interest expenses

Bank interest expenses in 2016 increased five-fold to reach VND 45 billion compared to 2015 in order to meet working capital demands for margin lending business, which had a significant upswing amidst improved market sentiment.

8. Securities trading expenses

This is a loss (selling price lower than cost) arising from proprietary trading activities in 2016 and recognized in accordance with Circular 95/2008/TT-BTC issued by Ministry of Finance on 24 October 2008 guidelines on the accounting of securities investments.

This loss in 2016 had been significantly reduced in comparison to the year 2015 reflecting the effect of proprietary trading with gains (selling price higher than cost) recognized as principle investment revenue as mentioned above.

9. Loss from revaluation of financial assets at FVTPL

This was a fair value revaluation in 2016 for some of the OTC stocks as mentioned in the proprietary trading section.

10. Provision for doubtful debts

Provision for doubtful debts were made for margin lending in 2016 as mentioned above;

11. General provision for margin

General provision for margin was made at 0.75% based on the margin balance at the end of 2016.

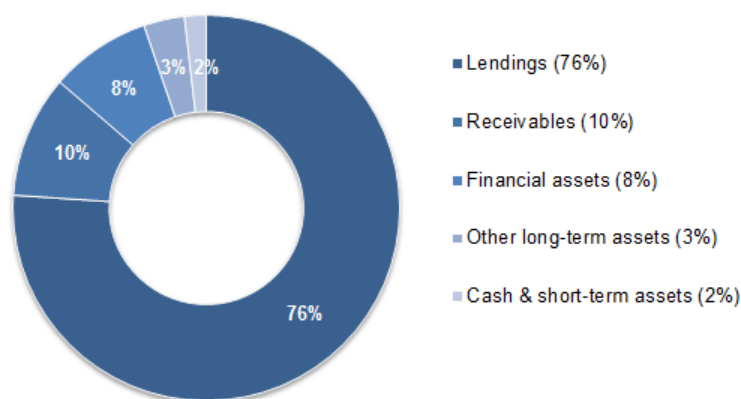
12. Other expenses

Other expenses of 2016 were not mentioned due to the small proportion or slight change compared to 2015 and in accordance with actual activities of the Company.

## II. BALANCE SHEET

ASSETS (VND million)	Weight	31 December 2016	Average Balance 2016	31 December 2015	Change
<b>A. CURRENT ASSETS AND SHORT-TERM INVESTMENTS</b>	<b>96%</b>	<b>3,472,717</b>	<b>3,031,710</b>	<b>2,970,428</b>	<b>17%</b>
I. Current assets	96%	3,468,203	3,027,044	2,965,610	17%
1. Cash	2%	60,194	107,728	164,147	-70%
2. Financial assets	8%	306,372	180,105	132,175	132%
3. Lendings	76%	2,750,945	2,680,275	2,609,605	10%
Margin		2,666,331	2,599,380	2,515,797	10%
4. Advance to suppliers		425	-	512	10%
5. Receivables from services provided	10%	370,008	53,198	57,145	-15%
6. Other receivables		35,168	53,198	18,745	88%
7. Provision for bad debts		(54,908)	(21,219)	(16,719)	228%
II. Other current assets		4,514	4,666	4,818	-6%
<b>B. FIXED ASSETS AND LONG-TERM INVESTMENTS</b>	<b>4%</b>	<b>144,125</b>	<b>138,636</b>	<b>133,146</b>	<b>8%</b>
I. Fixed assets		9,116	9,711	10,306	-12%
II. Works in progress		11,158	6,483	1,807	517%
III. Other long-term assets	3%	123,851	122,442	121,033	2%
<b>TOTAL ASSETS</b>		<b>3,616,842</b>	<b>3,170,345</b>	<b>3,103,574</b>	<b>17%</b>
<b>A. LIABILITIES</b>	<b>34%</b>	<b>1,224,925</b>	<b>834,612</b>	<b>824,025</b>	<b>49%</b>
I. Short term liabilities		1,224,925	834,612	824,025	49%
Borrowings	28%	1,000,000	613,781	654,103	53%
<b>B. OWERS' EQUITY</b>	<b>66%</b>	<b>2,391,917</b>	<b>2,335,733</b>	<b>2,279,549</b>	<b>5%</b>
I. Equity		2,391,917	2,335,733	2,279,549	5%
<b>TOTAL EQUITY</b>		<b>3,616,842</b>	<b>3,170,345</b>	<b>3,103,574</b>	<b>17%</b>

Asset allocation as at 31 December 2016



Total assets as at 31 December 2016 primarily include:

- Lendings mainly included margin balance, which accounted for 76% of total assets.
- Receivables accounted for 10% of total receivables mainly include a receivable from VSD.
- Financial asset mainly included listed stocks representing 8% of total assets at the end of 2016.
- Other long-term assets included prepaid office rents at AB Tower for the remaining term of 34 years;
- Cash balance accounted for 2% of total assets at the end of 2016.

## Key indicators for HSC in 2016

Indicators	Y2016	Y2015
<b><u>Operation ratios</u></b>		
Quick ratio	2.8	3.6
Current assets turnover	0.3	0.2
Total assets turnover	0.2	0.2
<b><u>Leverage Ratios</u></b>		
Total Debt/Total Equity	0.5	0.4
Total Debt/Total Assets	0.3	0.3
<b><u>Profitability Ratios</u></b>		
Net profit margin	36.9%	36.1%
ROAE	13.0%	9.2%

Here is the report of business results in 2016 for consideration and adoption of the General Meeting of Shareholders.



**JOHAN NYVENE**  
**TỔNG GIÁM ĐỐC**