

REPORT

FY2020 ANNUAL GENERAL MEETING OF SHAREHOLDERS

Subject: FY 2021 Business Plan

A. KEY ASSUMPTIONS OF THE STOCK MARKET IN 2021

Based on the market daily average trading value in 2020, the actual market performance in 1Q 2021 and HSC's view on market performance for the whole year, the Board of Management makes major assumptions as below:

Market		2021 Plan	FY2020	Q1/2021
The stock market				
	Total trading value (VND billion)	3,828,534	1,872,337	1,109,908
	Average daily trading value (VND billion)	15,133	7,430	19,136
Foreign investor				
	Total trading value (VND billion)	637,598	423,663	198,522
	Foreign investor / Total market (%)	8%	11%	9%
	Average daily trading value (VND billion)	2,520	1,681	3,423
Local investor				
	Total trading value (VND billion)	7,019,470	3,321,010	2,021,295
	Local investor / Total market (%)	92%	89%	91%
	Average daily trading value (VND billion)	27,745	13,179	34,850
The derivatives market				
	Total trading volume (thousand contract)	45,979	39,909	10,033
	Average daily trading volume (thousand contract)	182	158	173

B. 2021 BUSINESS PLAN

The key business targets of HSC in 2021 and YoY performance comparison are summarized as below:

Items (VND million)	2021 Plan	FY2020	% change	Q1/2021
Revenue	2,668,634	1,591,824	68%	737,848
Operating expenses	1,465,326	931,519	57%	336,147
Profit before tax	1,203,308	660,305	82%	401,700
Profit after tax	962,646	530,452	81%	321,805
Return on average equity (ROAE)	17,1%	12,1%		7.0%
Earnings per share (EPS) – VND	2,093	1,738	20%	1,055
Book value per share – VND	15,184	14,557	4%	15,612

REVENUE

The Board of Management set growth targets for all major businesses of HSC in 2021 over their actual performances in the year before.

REVENUE (VND million)	2021 Plan	FY2020	% change	Q1/2021
Brokerage fee	1,035,791	621,464	67%	294,526
Income from loans	973,236	549,942	77%	222,065
Proprietary investments	564,607	369,388	53%	202,803
Financial advisory services	80,000	37,741	112%	15,638
Other revenues	15,000	13,289	14%	2,816
Total revenue	2,668,634	1,591,824	68%	737,848

Brokerage fee

Based on the key assumptions that the market daily average trading value is VND15,100 billion and that local investors account for 92% of total trading value, HSC plans to achieve VND1,036 billion of brokerage fee in 2021, which translates to an increase of 67% YoY. Key business strategies in 2020 are highlighted as below:

➤ Retail Client Division:

- To complete the on-going restructuring to stabilize the brokerage team and to carry out training courses to help the team attract and retain talent. Those efforts are aimed at further enhancing client service quality to meet the evolving demand of clients, especially big clients;
- To diversify the service portfolio through upgrading the bond distribution platform (ActiveBond), increasing covered warrant issuance size and raising shareholder capital to grow the margin loan book;
- To accelerate the development and implementation of a new digitalized operating model through launching the digitalized service and trading platform – myhsc - which will be available on both web and mobile platforms;
- To offer securities investment account opening online on the web platform and to link payment with banks; and
- To complete the renovation of offices of the Retail Client Division.

With those guiding strategies, the Retail Client Division targets to achieve VND700 billions of brokerage fee, assuming HSC's market share in the local client segment remains at 6% and market share in the derivatives brokerage reaches 12%.

➤ In 2021, the Institutional Client Division will continue to enhance the professional services, which have been the core strength of HSC, and concurrently solidify our capabilities and accelerate marketing activities to capture the expected capital inflow to Vietnam from major global asset managers upon the stock market status upgrade. The key performance targets of the division in 2021 are as below:

- To maintain the leading market share of 23% in the total trading value of foreign clients;
- To increase fee income from stock and bond brokerage transactions, to co-ordinate with other businesses of HSC to accelerate M&A transactions and to actively participate in major put-through transactions;
- To upgrade the IT infrastructure and implement new trading features to offer clients an advanced, speedy and accurate trading platform;
- To complete the procedures for trading on the futures market for institutional clients; and
- To co-ordinate with the Research division, Retail Client division, Corporate Finance Advisory division to organize annual client events.



Brokerage fee revenue of the Institutional Client division is targeted to increase to VND334 billion, which translates to a growth of 38% YoY.

Income from loans

Demand for margin loan is expected to remain high in 2021 in line with the assumption on the growth of trading value of the stock market.

The margin lending business in 2021 will be more competitive as foreign-invested securities companies and bank-backed securities companies, which have strong and low-cost financial capabilities, are expected to continue their low-price strategies. However, HSC, with capital strengths and exceptional service quality, is expected to be able to maintain our leading position in the business, especially in the big-client segment.

HSC will continue to leverage our strengths in the margin lending business, persistently pursue our risk management policies and manage our margin lending model effectively to facilitate our clients' investing activities.

Proprietary Investments

The Proprietary Investments business will continue to play a pivotal role in the developments of new products and services through activities such as market making, risk hedging and client transaction supporting. In 2021, HSC will focus on expanding our business in the derivatives market and increasing covered warrant issuance size. We will also prudently manage our equity investment portfolio to capture growth opportunities in the stock market.

In 2021, the business targets to generate VND565 billion of revenue, which translates to a 53% growth YoY.

Financial Advisory Services

Deal flow is expected to resume in 2021 after the Covid-19 pandemic and its associated disruptions postponed almost all advisory transactions in the year before. To capture the opportunities, the Financial Advisory business will focus on the followings in 2021:

- To build and execute a comprehensive plan to approach target companies for its advisory services. The plan will include offering investor relation (IR) services to listed companies, managed account services to high net-worth clients and other products and services in the eco-system of HSC;
- To expand the Financial Advisory team to facilitate the execution of advisory transactions;
- To co-ordinate with the Retail Client business, Institutional Client business and Treasury Management to execute large-scale transactions.

The business's revenue in 2021 is expected to come from M&A advisory service, capital issuance advisory service and listing advisory service, both in the equity and debt markets. The targeted revenue in 2021 is VND80 billion, which is more than double revenue in the year before. The revenue guidance is built upon transactions that are expected to be concluded in 2021.

2021 OPERATING EXPENSES

OPERATING EXPENSES (VND million)	2021 Plan	FY2020	% change	Q1/2021
Variable expenses	902,793	458,885	97%	229,975
Securities trading fee	265,674	153,467	73%	70,034
Brokerage commission	197,639	83,303	137%	50,183
Interest expenses	433,361	207,050	109%	106,431



Other expenses	6,118	15,064	-59%	3,327
Fixed expenses	562,533	472,633	19%	106,172
Payroll expense	365,427	277,790	32%	64,157
Office related expenses	61,336	55,734	10%	11,640
IT related expenses	85,921	82,145	5%	18,780
External service expenses	6,209	16,135	-62%	1,854
Marketing, communication expense	19,479	9,262	110%	2,689
Other expenses	24,161	31,566	-23%	7,052
Total operating expenses	1,465,326	931,519	57%	336,147

The total of operating expenses in 2021 is estimated at VND1,465 billion, which translates to a 57% increase YoY. That is largely driven by an expected increase of 97% YoY of variable expenses. Fixed expenses are forecast to be higher by 19% YoY. The estimated cost-to-revenue ratio is 55%, which is lower than 59% in the year before. Particularly:

- Variable expenses are expected to account for 62% of total expenses in 2021 (2020: 49%) and are comprised of expenses for revenue-generating activities such as brokerage expenses, brokerage commission expenses and interest expenses. These expenses are forecast to increase proportionally with HSC's brokerage fee and margin lending incomes in 2021, which are based on the assumptions on the market trading value, our market share and our ability to expand margin lending business in the year.
- The fixed expenses are expected to account for 38% of total operating expenses in 2021 (2020: 51%). The major expense items are as below:
 - Payroll expenses are budgeted to increase by 32% YoY as HSC plans to recruit some senior executives for the operations, risk management and legal teams in 2021.
 - Total office related expenses are expected to increase by 10% YoY, largely due to the booking of expenses for renovation and repairment of some office spaces which were finished in late 2020. Office rental expense; however, is expected to reduce by 9% YoY in 2021 thanks to the re-arrangement of office network in the year before.
 - IT expenses are budgeted to increase by 5% YoY as HSC will continue to invest in the IT infrastructure and to accelerate the development of digitalized brokerage services. IT capabilities play a pivotal role in the operations of securities companies in general and HSC in particular.
 - Expenses for external services are expected to reduce significantly in 2021 as all expenses associated with a consulting advisory service were recorded in 2020 and as HSC expects to save costs spent for cash counting at transaction offices.
 - Expenses for communication and marketing are budgeted to increase as HSC plans to push brand development activities and marketing for major businesses in 2021.
 - Other operating expenses that incur in the normal course of business will be monitored and controlled in 2021.

2021 BALANCE SHEET

BALANCE SHEET (VND million)	Estimate as at end of 2021	As at 31/12/2020	% Change
A. CURRENT ASSETS	19,700,000	12,307,867	60%
I. Financial assets	19,200,000	12,118,339	58%
1. Cash and cash equivalents	500,000	206,861	142%
2. FVTPL financial assets	6,000,000	3,061,225	96%



3. Margin loans	12,000,000	8,586,058	40%
4. Other receivables	700,000	264,195	165%
II. Other current assets	500,000	189,528	164%
B. NON-CURRENT ASSETS	300,000	180,961	66%
TOTAL ASSETS	20,000,000	12,488,828	60%
A. LIABILITIES	13,015,359	8,048,473	62%
I. Short-term liabilities	13,015,359	8,048,473	62%
1. Short-term loans	10,515,359	6,716,571	57%
2. Other liabilities	2,500,000	1,331,902	88%
B. OWNER'S EQUITY	6,984,641	4,440,355	57%
I. Owner's equity	6,984,641	4,440,355	57%
TOTAL LIABILITIES AND OWNER'S EQUITY	20.000.000	12.488.828	60%

In 2021, margin loans and financial investments will remain the two major asset items, which will collectively account for 90% of estimated total assets.

HSC will continue to optimize our capital allocation and concurrently look for new source of low-cost capital to further enhance our capital competitive advantage and consequently increase our profit and shareholder value.

Above is 2021 business plan of Ho Chi Minh City Securities Corporation for the consideration and approval of the shareholders at the Annual General Meeting.

Chief Executive Officer




TRINH HOAI GIANG

