

REPORT

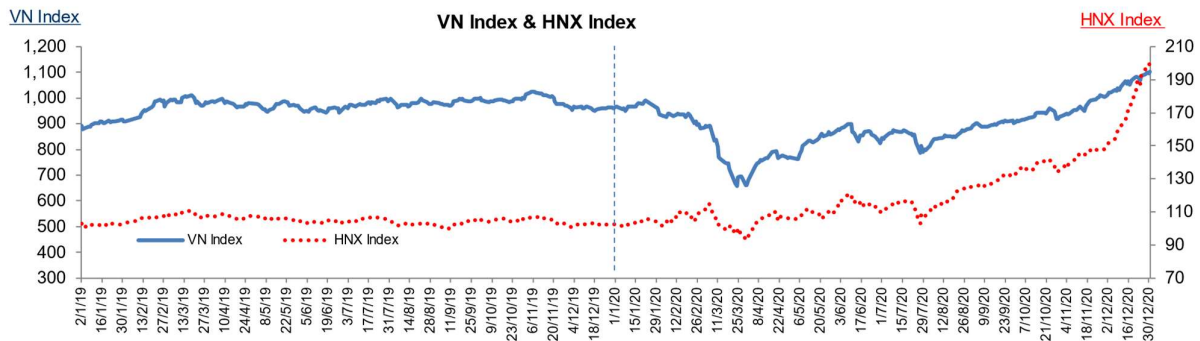
2020 ANNUAL GENERAL MEETING

Subject: 2020 Business and Financial Performances

A. 2020 MARKET REVIEW

The Underlying Stock Market

The underlying stock market experienced huge volatility in 2020. The VN30 index increased by 22%, from 879 to 1,071 points, and was up by 70% from the bottom of 628 points in April 2020. The HNX-Index also almost doubled in 2020 to 203 points at the end of the year.



The daily average trading value in 2020 reached VND7,430 billion, which translated to an increase of 59% over the value of VND4,460 billion in 2019. In which:

- Local investors still dominated the trading activity in 2020 as their trading value accounted for 88.7% of total market trading value and increased by 67% YoY. The stock market witnessed strong participation of new investors (F0) as the number of newly opened domestic investor accounts reached more than 393 thousand, almost two times higher YoY. At the same time, market trading value in 2020 also hit a record high with some particular trading sessions had very high trading value, such as the one on June 15, 2020 with VND24 trillion; and
- Foreign investors accounted for 11.3% of total market trading value (2019: 14.7%) and reached VND423 trillion, which was up by 23% YoY.

2020 was considered a special year for the world in general and Vietnam in particular as there were significant events that led to drastic movements of the stock market and impacted its participants. The two major events are as below:

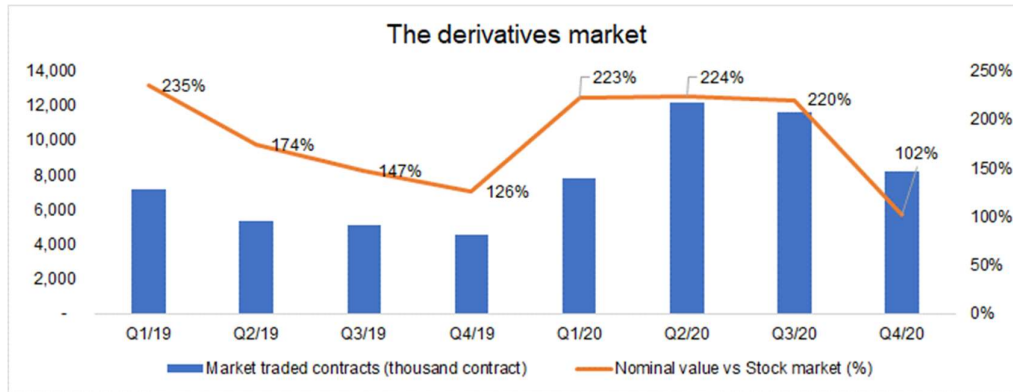
- The Covid-19 pandemic impacted almost all social and economic aspects globally and in Vietnam. However, Vietnam became a bright spot as it was able to not only contain the virus well but also deliver economic growth.
- The US presidential election progressed in a way that, at particular times, concerned investors in the global and Vietnamese capital markets.

The Derivatives Market

The strong volatility of the underlying stock market amid the Covid-19 underscored the importance of the derivatives market as a hedging tool and that consequently helped stabilize investor sentiment.

The number of newly opened derivatives accounts reached a record high with more than 70,000 accounts opened. The market liquidity also notched up a record level of 356 thousand derivatives contracts executed on the trading session on July 29, 2020.

The daily average number of derivatives contracts in 2020 increased significantly by 78% YoY to 158,000 contracts from 88,000 contracts in 2019.



The race for market share remained the main theme in the derivatives securities services market as securities companies, both local and foreign-invested ones, continued to offer fee reduction or even fee waiver to gain market share.

HSC's Stock Market Share in 2020

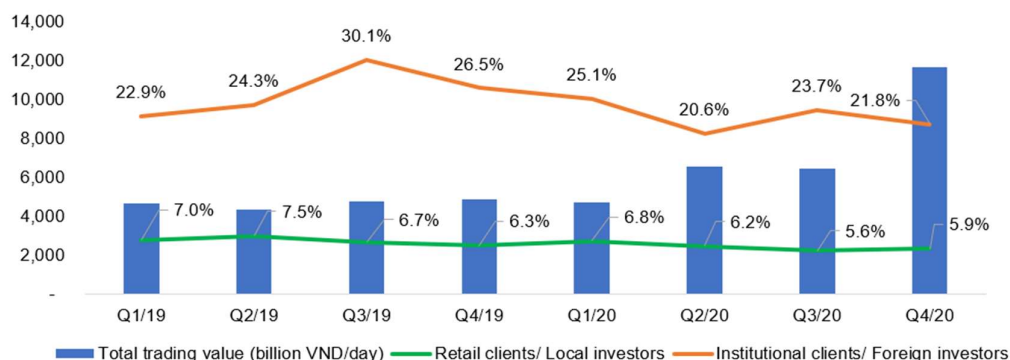
In the midst of fiercely competitive landscape competition, HSC's stock market share inevitably declined over the year before. However, the absolute trading value via HSC still increased 32% YoY. HSC's market share in the derivatives market grew steadily, increasing from 8.7% in 2019 to 10.4% in 2020 as the number of contracts executed was up by 116% YoY.

The market share decline was partly attributable to the switch to derivatives and covered warrants of some clients as these investment products offer leverage effect and require low upfront investment amount. Besides, some companies started to offer digital brokerage services, putting more competitive pressure on traditional brokerage services including that of HSC. As digitalization is an inevitable trend, HSC has been making substantial efforts to digitalize our services and systems. Outcome of such efforts is expected to be unveiled in 2Q 2021.

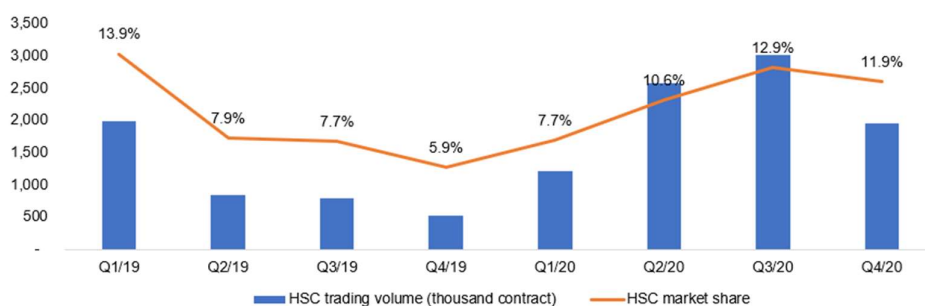
In 2020, HSC remained the leading securities services provider with the second largest market share on HOSE (8.7%). In term of market share by domicile of investors, HSC accounted for 6% of total trading of local investors and 22,6% of total trading of foreign investors.



HSC - Stock market share



HSC- Derivatives market share



B. HSC FY2020 BUSINESS PERFORMANCE REVIEW

Performance	FY2020	FY2019	% change	Plan 2020	% Plan 2020
Income Statement (VND Million)					
Revenue (*)	1,591,734	1,262,261	26%	1,297,586	123%
Operating expenses (*)	931,519	730,950	27%	730,702	127%
Profit before tax	660,305	531,406	24%	566,883	116%
Profit after tax	530,452	432,565	23%	453,507	117%
Balance Sheet (VND Million)					
Total assets	12,488,828	7,488,679	67%	7,227,589	173%
Total equity	4,440,355	4,304,143	3%	4,390,450	101%
Financial indicator					
Return on average assets (ROA)	5.3%	6.8%		6.2%	
Return on average equities (ROE)	12.1%	11.7%		10.8%	
Per share financial indicators					
Outstanding shares	305,041,845	305,516,173	0%	305,589,673	100%
Earnings per share (EPS) – VND	1,738	1,596	9%	1,482	117%
Book value per share – VND	14,557	14,088	3%	13,725	106%

(*) Gains and losses of the proprietary investments are netted off for comparison purposes.

HSC's profit before tax in 2020 reached VND660 billion, which translated to an increase of 24% YoY and was higher by 16% over the business guidance. Return on equity (ROE) and

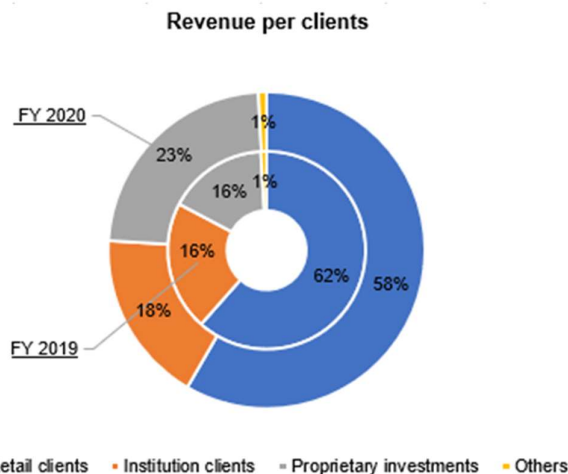
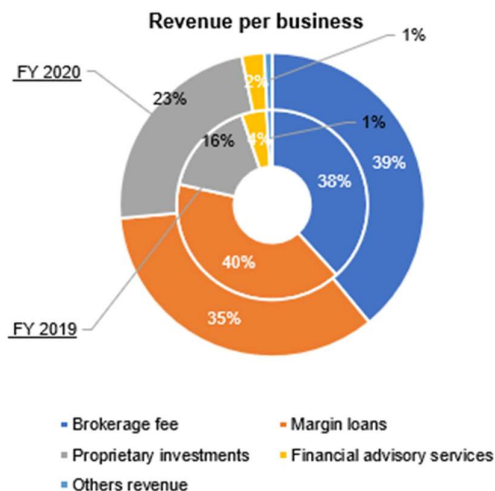


earnings per share (EPS) were at 12.1% and VND1,738, respectively. Both were both better than those in 2019. HSC's stock price was also up by 47% in 2020 to VND31,400.

Despite the stock market volatility and challenges in 2020, HSC persistently pursued our "client-centric" strategy and that explained our efforts in developing new products and services and implementing new operating systems to offer clients in each segment the exceptional service quality. The stability and consistency of our services and the Board of Management's vision toward sustainable development were well reflected in HSC's business performance in 2020. Except for the Financial Advisory service whose short-term performance was impacted by the Covid-19 pandemic, the rest other major businesses of HSC delivered strong growths over the year before.

REVENUE STRUCTURE

Items (VND Million)	FY 2020	FY 2019	% change	Plan 2020	% Plan 2020
Brokerage fees	621,464	482,482	29%	480,631	129%
Income from loans	549,942	508,242	8%	439,277	125%
Proprietary investments	369,388	206,001	79%	309,408	119%
Financial advisory services	37,741	53,628	-30%	66,282	57%
Others	13,289	11,908	11%	1,987	664%
Total	1,591,824	1,262,261	26%	1,297,586	123%



Securities Brokerage

Brokerage fee (million VND)	(%)	FY 2020	FY 2019	% change	Plan 2020	% Plan 2020
Retail clients	61%	378,837	268,487	41%	299,189	127%
Institutional clients	39%	242,627	213,995	13%	181,442	134%
Total	100%	621,464	482,482	29%	480,631	129%

The securities service business has always been the core business of HSC; in 2020 the business accounted for 39% of total revenue (2019: 38%). Its revenue was VND 621 billion, which translated to an increase of 29% YoY. Growth was witnessed in both retail client (mostly local clients) and institutional (mostly foreign clients) segments in 2020. In which:

- Retail Client Division (mostly domestic clients) delivered a positive growth of 41% YoY as revenue reached VND379 billion. HSC's market share in this segment in 2020 slightly declined to 6%, which was mainly due to:
 - Competition which remained fierce as competitors continued to offer fee reduction or even waiver to attract clients.
 - Some major put-through transactions which were not executed via HSC such as VHM and EIB. Besides, HSC offered low margin lending room for some highly liquid stocks such as NVL and that impacted HSC's market share.
- In 2020, HSC's Institutional Client Division (mostly foreign clients) posted VND242 billion of fee revenue, which translated to an increase of 13% YoY. HSC was able to retain its leading market share of around 23% in the segment. In which:
 - HSC continued to increase brokerage fee revenue on the underlying stock market, driven by long-standing relationship with its big institutional clients. To offer clients even better services, in 2020, HSC launched the automatic trading application which uses algorithms to allow clients to execute their transactions more conveniently and quickly.
 - The division's brokerage fees on the derivatives market, though small, increased remarkably in 2020, suggesting significant headroom for growth in the following years. In 2020, the division also successfully launched a platform that allows clients to connect directly to the derivatives market, contributing to the remarkable growth in transaction volume YoY.

Margin Lending

Revenue from margin loans (VND Million)	FY 2020	FY 2019	% change	Plan 2020	% Plan 2020
Average balance of margin loans	5,130,716	4,227,002	21%	4,275,000	120%
Interest income from margin loans	549,942	508,242	8%	439,277	125%

Revenue from margin lending business reached VND550 billion, which translated to an increase of 8% YoY and accounted for 35% of HSC's total revenue in 2020.

Margin lending balance was flat YoY in the first half of 2020 but rebounded from 3Q2020 and increased strongly in 4Q 2020. That performance was attributable to: (1) HSC's strategy in offering target clients competitive rates, (2) the efforts of the Retail Client division in gaining new high net-worth clients and (3) the buoyant market conditions.



In 2020, HSC introduced a new margin lending management model and also implemented a new margin lending mechanism. The new model allows HSC to efficiently and automatically manage the post-lending credit monitoring and early warning through certain thresholds.

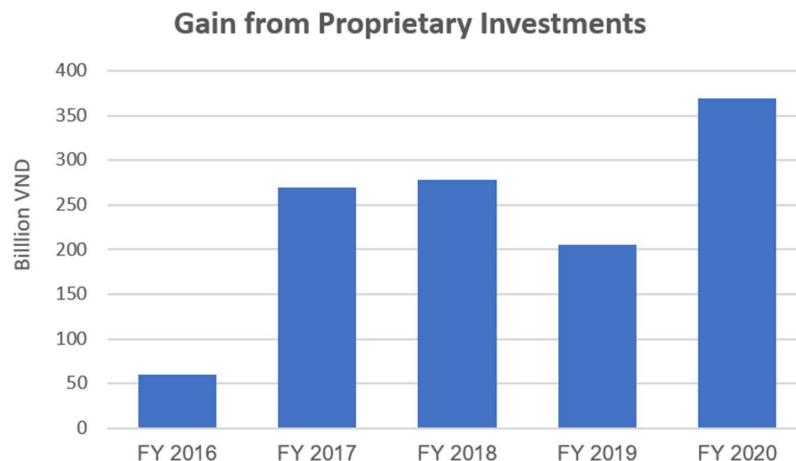
Throughout the year, HSC maintained a prudent approach to margin lending and regularly and holistically assessed risks of the securities in its margin lending portfolio. The stocks in HSC's loan portfolio are either good stocks with high liquidity or stocks of leading companies. Therefore, the credit risk of HSC's margin lending portfolio is believed very low.

The use of a real-time margin lending reporting system allows HSC to manage the margin lending portfolio effectively, providing great support to management to make right and timely decisions.

HSC's sustainable growth mindset as evidenced by its rigorous margin lending risk management policies not only benefits clients' trading activities and capital preservation but also helps the Company generate a stable and safe source of revenue.

Proprietary Investments

The Proprietary Investments' performance in 2020 was considered outstanding amid the strong volatility of the stock market. The business delivered VND369 billion of revenue and accounted for 23% of total revenue of HSC in the year.



The business posted strong revenue growth of 79% YoY and the revenue was the highest ever level of the business. The growth came from all investment portfolios, particularly:

- + The derivatives portfolio maintained strong performance and contributed the most to revenue of the business.
- + The equity investment portfolio contributed the second largest proportion in total revenue of the business as it was benefited by the strong performance of the stock market in 4Q 2020.
- + The issuing and offering of covered warrants to investors delivered strong growth and contributed remarkably to the overall performance of the Proprietary Investments in 2020.

Besides the achievements, HSC also implemented important applications to support the ETF and covered warrant market making activities and enhanced the corporate bond distribution platform. Those efforts helped HSC gain more trust from clients.



In HSC's long-term plan, the Proprietary Investments business plays a pivotal role in the developments of new products and services through activities such as market making, risk hedging and client transaction supporting. Regarding investments in traditional asset classes such as equity and bonds, HSC does not pursue short-term and risky investment approach but focuses on companies with strong fundamentals.

Financial Advisory Services

2020 was considered a challenging year for the Financial Advisory business as the Covid-19 pandemic negatively impacted the progress of almost all advisory transactions. Besides, it is also worth to note that the business records revenue upon completion of transaction. The revenue reported in the accounting period often does not fully reflect the business performance. The variation in turnover between years is usually very large.

The business recorded VND38 billion of revenue in 2020, which was mainly from the completion of a landmark deal of VND2,500 billion in which HSC advised the Orient Commercial Joint Stock Bank to sell primary shares to a strategic investor.

In addition to generating revenue, the Financial Advisory business played an important role in enhancing the co-operation amongst major businesses of HSC. Particularly, the Financial Advisory team, through its business activities and network, helps the Retail Client approach new high net-worth clients and the Treasury Management Division source low cost capital from major financial institutions and banks. In return, other major businesses of HSC also help the Financial Advisory team access advisory, underwriting and capital raising transactions. Such collaboration allows HSC to meet the evolving and sophisticated demands of clients.

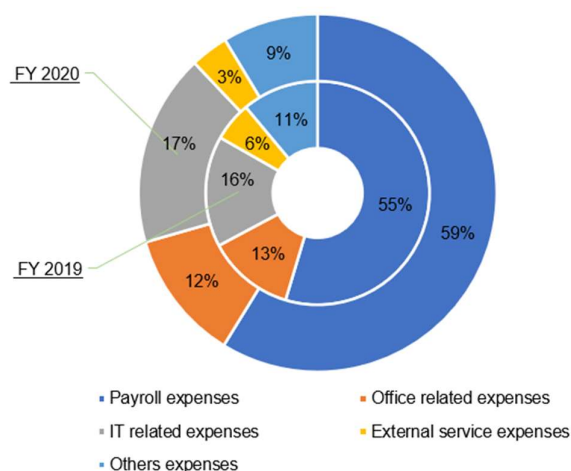
OPERATING EXPENSES

Operating expenses	FY 2020	FY 2019	% change	Plan 2020	% plan 2020
Variable expenses	458,885	305,758	50%	296,260	155%
Securities trading fee	153,467	115,228	33%	103,750	148%
Brokerage commission	83,303	65,978	26%	61,886	135%
Interest expenses	207,050	137,144	51%	130,624	159%
Reversal of margin loan general	-	(23,573)	-100%	-	n/a
Other expenses	15,064	10,981	37%	-	n/a
Fixed expenses	472,633	425,192	11%	434,442	109%
Payroll expenses	277,790	232,269	20%	253,394	110%
Office related expenses	55,734	53,472	4%	50,242	111%
IT related expenses	82,145	68,203	20%	71,749	114%
Other expenses	56,963	71,248	-20%	59,057	96%
Total operating expenses	931,519	730,950	27%	730,702	127%
% of revenue	59%	58%		56%	

In line with the growth of revenue, operating expenses in 2020 increased by 27% YoY and were at 127% of business guidance. The increase in operating expenses YoY was mainly driven by higher variable costs, which varied proportionally with revenue in 2020. The fixed costs in 2020 increased by 11% YoY, largely driven by higher payroll and technology costs, which HSC considered investments for future growth. The cost-to-revenue ratio was at 59% in 2020, slightly higher than that in the year before.



Fixed expenses structure



Major fixed costs in 2020 include:

- Payroll expenses which were the largest fixed cost item and accounted for higher proportion in total fixed costs in 2020 of 59% than in 2019 of 55%. Payroll expenses increased as HSC adjusted up salaries for employees and rewarded them higher bonuses amid strong performance.
- In 2020, HSC restructured its branch and transaction offices comprehensively. Particularly, the Company closed some inefficient offices while invested to rearrange and renovate some offices. Rent accounted for 12% of total fixed costs in 2020, a stable level over the last two years, and is expected to decline in 2021.
- The total of costs for information technology (IT) infrastructure upgrade and depreciation expenses increased by 20% YoY. Investing in IT has long been a top priority of HSC to ensure the stability of our systems and to further solidify our competitive advantage in technology, especially given the emergence of digital brokerage service and the penetration of foreign-invested securities companies which have strong technologies capabilities.
- Other general operating expenses such as outsourcing costs, guest reception, travel expenses ... were well controlled and in the expected budget.

BALANCE SHEET

Items (VND Million)	As at 31/12/2020	As at 31/12/2019	% change
A. CURRENT ASSETS	12,307,867	7,295,764	69%
I. Financial assets	12,118,339	7,275,687	67%
1. Cash and cash equivalents	206,861	906,543	-77%
2. FVTPL financial assets	3,061,225	1,286,633	138%
3. Margin loans	8,586,058	4,696,713	83%
4. Other receivables	264,195	385,798	-32%
II. Other current assets	189,528	20,077	844%
B. NON-CURRENT ASSETS	180,961	192,914	-6%
TOTAL ASSETS	12,488,828	7,488,679	67%
A. LIABILITIES	8,048,473	3,184,536	153%
I. Short-term liabilities	8,048,473	3,184,536	153%
1. Short-term loans	6,716,571	2,393,727	181%



3. Other liabilities	1,331,902	790,808	68%
B. OWNER'S EQUITY	4,440,355	4,304,143	3%
I. Owner's equity	4,440,355	4,304,143	3%
TOTAL LIABILITIES AND OWNER'S EQUITY	12,488,828	7,488,679	67%

In 2020, HSC's balance sheet expanded significantly by 67% YoY to VND12,488 billion, largely due to the increase in margin lending balance by nearly VND 4 trillion as investors demanded higher margin loan when the stock market flourished at the end of the year. Financial investments increased by VND1.7 trillion as HSC allocated more capital for the hedging of derivatives positions and covered warrants issued by HSC.

HSC improved capital efficiency as the debt/ equity ratio increased to 1.8 times (2019: 0.7 times). That was reflected in the strong business performance in 2020.

Besides, HSC has been able to maintain sound and stable financial position. As at the end of 2020, HSC's financial safety ratio, which was reported following the guidance of the Ministry of Finance, reached 658%, which was 2.6 times higher than the requirement of 180% of the State Securities Commission.

Key financial ratios	FY 2020	FY 2019
Liquidity ratios		
Quick ratio	0.4	0.7
Current assets turnover	1.5	2.3
Total assets turnover	0.1	0.2
Leverage ratios		
Total debts/ Total equity	1.8	0.7
Total debts/ Total assets	0.6	0.4
Financial safety ratio	658%	566%
Profitability ratios		
Net profit margin	33%	34%
ROAE	12.1%	11.7%

The performance of the stock market in 4Q 2020 promised a bright outlook in 2021. Particularly, market liquidity is expected to remain high and new capital inflow is expected to be stronger. While that trend requires HSC to make necessary adaptive changes amid the bigger market size, it also offers HSC substantial growth opportunities to consequently increase profit and value to shareholders.

Above is the business performance of HSC in 2020 for the consideration and approval of the shareholders at the 2020 Annual General Meeting.

Chief Executive Officer



TRINH HOAI GIANG



