"BIG-10" SECURITIES COMPANIES

1H2020 EARNINGS UPDATE REPORT

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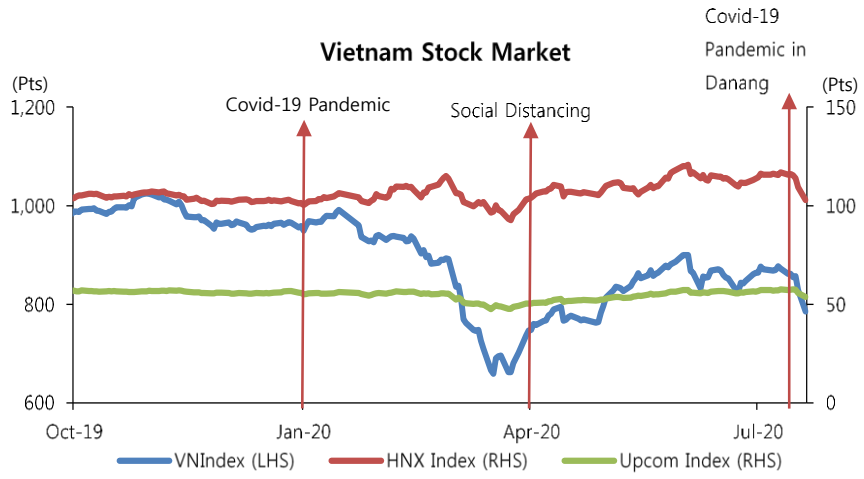
- **Key takeaways from 1H20 earning results.**
- **1H2020 Business Result: A strong recovery.**
- **2020 Outlook: Positive business result.**

Key takeaways from 1H20 earnings results

VNINDEX recovered by 26% between Apr-20 and Jul-20, in light of: 1) the succeed of controlling COVID-19 of Vietnam government; 2) lower pressure of margin call in 2Q20; and 3) cash inflow from new investors (Gen X). There are 165,000 accounts to be opened within 1H2020, of which over 100,000 accounts was opened within 2Q20. Thus, 1H20 aggregated revenue of the "BIG-10" securities increased by +34.5% YoY, which is mainly driven by Self-Investment (+61.5% YoY) and Brokerage (+21.3% YoY). We see that local securities turned to be more conservative in margin trading as 5 of them lowered their outstanding margin loan books and recorded declines in margin trading revenue. The total outstanding margin loans of the Big-10 dropped to VND31.7tn by the end of Jun-2020 from VND34.3tn by the beginning of Jan-2020. As a result, aggregated margin trading revenue increased by +6.7% YoY only.

However, Self-Investment is also a double-edged sword in such a chaos of market. There are 5 out of "Big-10" to post slump in net profit due losses in self-investment. Thus, the 1H20 aggregated net profit of "Big-10" increased merely +5% YoY.

Vietnam Stock Market



Source: Shinhan Securities Vietnam.

2Q20 Earning results review: Buoyant earnings thanks to market recovery

In 2Q20, the "BIG-10" illustrated a strong recovery in earnings against 1Q20, thanks to the recovery of the stock market and surged in trading activities. The aggregated revenue and net profit of the "BIG-10" posted significant surged in both quarterly and annual basics. Notably, the securities firms have higher exposure to self-investment, which have significant increase in 2Q20 net profit (i.e. SSI, VCSC, VND, MBS, etc.).

Although SSI and VND have significant restructuring in their brokerage, they still posted promising growth in revenue in 2Q20.

The "BIG-10" 2Q20 earnings results

	2Q20		1Q20		Revenue Growth (%)		Net Profit Growth (%)	
	Revenue	Net profit	Revenue	Net profit	QoQ	YoY	QoQ	YoY
SSI	1,327	522	945	9	40.5	72.2	5,704.0	137.7
HSC	439	150	447	101	(1.8)	(6.4)	48.5	35.6
VCSC	407	205	379	119	7.4	0.2	72.3	46.8
VNDS	413	135	445	58	(7.2)	5.0	132.6	322.2
VPBS	864	102	859	100	0.6	58.8	2.0	47.2
MASC	340	132	303	88	12.2	61.9	50.0	34.2
MBS	286	81	224	26	27.7	15.8	211.5	20.1
FPTS	170	120	77	(97)	120.4	21.4	TP	17.5
BSC	257	93	213	(61)	20.7	81.0	TP	362.1
KISVN	164	40	139	35	18.0	88.5	14.3	38.3
Total	**4,667**	**1,580**	**4,031**	**378**	**15.8**	**36.9**	**318.1**	**77.9**

Source: Shinhan Securities Vietnam, TP: turn positive.

1H20 Earning results review: Buoyant earnings thanks to market recovery

As regards 1H20, all of the Big-10 members presented growth in sales, except for FPTS as significant decline in their self-investment segment. We derived the "BIG-10" into 2 groups of top revenue growth, including:

1) The local securities included SSI Corp. (SSI, 53.5%), VP Securities (VPS, 54.8%YoY), and BIDV Securities (BSC, 61.4%YoY), of which revenue was mainly driven by self-investment (accounted for 70.6%, 68.9% and 65.7% of their total revenue, respectively).

2) And, foreign securities companies included Mirea Asset Securities (MASC, 62.7%YoY), KIS Vietnam (KISVN, 81.2% YoY), of which revenue was mainly attributable to brokerage service and margin trading activities (accounted for 75.7% and 58.7% of their total revenue, respectively). MASC and KISVN is striving to increase its brokerage market share in Vietnam, thus they managed to attract customers by promotion campaigns, i.e. lower trading fees and margin policies (relatively lower interest rates and large deal size).

The "BIG-10" 1H20 earnings results

(VND bn)	SSI	HSC	VCSC	VNDS	VPBS	MASC	MBS	FPTS	BSC	KISVN	Total
Revenue	**2,273**	**886**	**786**	**858**	**1,723**	**643**	**510**	**187**	**470**	**303**	**8,637**
Gross Profit (GP)	1,163	407	545	587	385	291	294	59	91	144	3,965
Interest Expenses	430	0	104	200	163	0	95	0	22	4	1,017
Operating Profit (OP)	657	314	400	241	173	269	134	46	35	94	2,361
Net Profit (NP)	**531**	**251**	**324**	**193**	**202**	**220**	**107**	**22**	**33**	**75**	**1,958**
% YoY Growth											
Revenue	53.5	16.1	1.7	20.1	54.8	62.7	15.6	(33.8)	61.4	81.2	34.5
GP	19.6	26.9	6.9	15.4	(0.6)	25.8	11.3	(74.6)	(18.9)	26.0	8.5
Interest Expenses	16.6	0	51.9	(2.2)	NA[1]	0.0	32.1	0	47.4	2,719	39.7
OP	29.4	31.7	(4.8)	61.8	42.0	28.5	(15.0)	(79.6)	(43.3)	29.8	9.2
NP	27.1	30.4	(5.4)	59.1	19.9	21.3	(14.6)	(89.1)	(40.1)	30.1	5.0

Source: Company data, Shinhan Securities Vietnam.

[1] The company did not pay interest expense in 2019

The "Big-10" 1H20 Revenue breakdown					
No.	Company's Names	Self-Investment	Brokerage Service	Margin Trading	Others
1	SSI Securities Corp.	70.6	13.8	11.2	4.4
2	HoChiMinh City Securities Corp.	44.8	29.1	25.0	1.0
3	Viet Capital Securities Corp.	53.6	24.3	19.2	2.8
4	VNDirect Securities Corp.	55.4	22.1	20.1	2.4
5	VPS Securities Jsc.	68.9	12.7	6.7	11.6
6	Mirea Asset Securities Vietnam Ltd.	23.0	14.4	61.3	1.2
7	MB Securities Jsc.	24.4	26.9	28.0	20.7
8	FPT Securities Corp.	3.6	39.5	49.9	7.0
9	BIDV Securities Jsc.	65.7	19.9	12.6	1.8
10	KIS Vietnam Jsc.	40.7	21.1	37.6	12.2

Source: Company data, Shinhan Securities Vietnam.

The BIG-10 1H20 Earning breakdown											
(VND bn)	SSI	HSC	VCSC	VNDS	VPBS	MASC	MBS	FPTS	BSC	KISVN	Total
Revenue	**2,273**	**886**	**786**	**858**	**1,723**	**643**	**510**	**187**	**470**	**303**	**8,637**
Self-Investment	*1,603*	*397*	*421*	*476*	*1,187*	*148*	*124*	*7*	*309*	*124*	*4,795*
Brokerage	*313*	*258*	*191*	*190*	*219*	*93*	*137*	*74*	*94*	*64*	*1,632*
Margin Trading	*254*	*222*	*151*	*173*	*116*	*394*	*143*	*93*	*59*	*114*	*1,720*
Gross Profit	**1,163**	**407**	**545**	**587**	**385**	**291**	**294**	**59**	**91**	**144**	**3,965**
Self-Investment	*885*	*111*	*323*	*292*	*106*	*68*	*51*	*(67)*	*9*	*9*	*1,786*
Brokerage Service	*37*	*78*	*65*	*110*	*9*	*(37)*	*4*	*36*	*23*	*22*	*348*
Margin Trading	*254*	*161*	*151*	*173*	*116*	*256*	*152*	*85*	*59*	*87*	*1,495*
% YoY Growth											
Revenue	**53.5**	**16.1**	**1.7**	**20.1**	**54.8**	**62.7**	**15.6**	**(33.8)**	**61.4**	**81.2**	**34.5**
Self-Investment	*105.6*	*57.9*	*9.0*	*47.8*	*59.8*	*31.9*	*118.6*	*(94.7)*	*85.3*	*393.7*	*61.5*
Brokerage	*10.0*	*8.4*	*(8.4)*	*12.7*	*118.3*	*70.5*	*7.3*	*55.9*	*37.6*	*32.6*	*21.3*
Margin Trading	*(24.2)*	*(5.1)*	*2.3*	*(9.7)*	*20.3*	*77.1*	*(4.3)*	*(4.0)*	*33.0*	*23.1*	*6.7*
Gross Profit	**19.6**	**26.9**	**6.9**	**15.4**	**(0.6)**	**25.8**	**11.3**	**(74.6)**	**(18.9)**	**26.0**	**8.5**
Self-Investment	*40.1*	*132.6*	*15.6*	*43.7*	*(38.6)*	*(30.0)*	*TP*	*TN*	*(81.9)*	*(48.8)*	*10.3*
Brokerage Service	*101.0*	*(7.6)*	*(8.0)*	*20.0*	*TP*	*85.6*	*TP*	*105.8*	*42.3*	*24.4*	*19.7*
Margin Trading	*(24.1)*	*1.1*	*2.4*	*(8.0)*	*20.3*	*71.4*	*(25.1)*	*(1.4)*	*32.7*	*8.7*	*0.4*

Source: Shinhan Securities Corp., TP: turn positive, TN: turn negative.

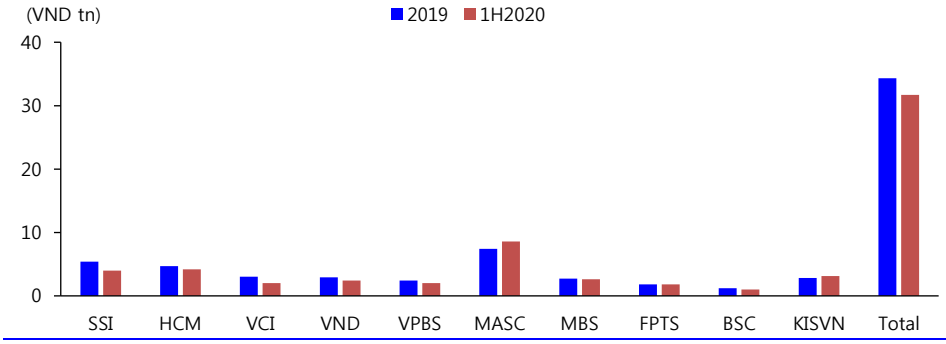
In terms of 1H20 net profit, almost the top leading companies (SSI, HSC, VND, MASC and KISVN) described a growth compared to the same period last year, which is mainly due to: 1) lessening the losses in self-trading activities as market rebound in 2Q20 from 1Q20; and 2) cost saving policies via lowering cost of brokerage division and saving SG&A expenses. *The restructuring process of SSI , HSC and VND with aggressive lay-off key brokerage personales with out much changes in their brokerage market share and net profit. However, these personales may take more time to bring their sales to their new employers, and we think that in upcoming future local securities may face with harsher competition from foreign securities firms.*

In contrast, the rest 4 bottom-line securities companies exhibited declines in net profit growth due to sharp declines or big losses in self-trading activities. In other words, self-investment is a doubled-edge sword for securities firms. *Eventually, we believe that the securities firms whose earnings come from trading activities (brokerage service and margin trading) have a better sustainable business performance.*

Local securities turned to be more conservative in margin trading amid chaos of market.

We see that leading domestic securities companies have gradually reduced their margin outstanding balance, which is due to: 1) individual investors voluntarily lowered their margin trading loans; and 2) partially margin call as market dropped from first wave of COVID-19. In 1H20, only foreign securities firms, included MASC and KISVN aggressively increased their margin loan books by 16.1%YTD and 8.3%YTD respectively by end-June. Meanwhile, the total outstanding margin balance of the "BIG-10" dropped by -7.6% YTD in 1H20. As a result, we think that lowering or tightening margin loans of local securites will be remained in 2H20 because of the concerns over the uncertainties of COVID-19 pandemic.

Loan books of the BIG-10 securities



Source: Company data, Shinhan Securities Vietnam

Independent securities may scarify their profit to maintain brokerage market share

The BIG-10 brokerage margin breakdown (1H20)

Type of company	No. of member	Revenue of Trading Activities (VNDbn)	Profit of Trading Activities (VNDbn)	Profit Margin (%)
Foreign-owned	2	665	328	49.3
Bank-backed	4	1,110	579	52.1
Independent	4	1,577	934	59.2

Source: Company data, Shinhan Securities Vietnam.

*Notes: the data is calculated on the sample of top 10 M/S securities companies in 1H2020.

We divided the BIG-10 into three groups to deeply evaluate the business efficiency of each type of brokerage companies on trading business segment (retail), including: Foreign-owned, Bank-backed and Independent securities firms.

Independent securities group has the highest profit margin from trading activities ratio (59.2%), thanks to taking the advantages of: 1) Largest market share so that they are unwilling to offer a lower fee for investors; and 2) Their well-known brand and better services help them to seize HNW (High-net-worth) clients and institutional investors.

On the contrary, Foreign-owned securities group showed the weakest profit margin from trading activities ratio of only 49.3%. These firms have less experiences of Vietnam market than the domestic rivals, thus they have to spend higher costs in commission or promotion costs at the beginning stages to attract customers as well as spreading their presence in Vietnam market.

As regards market share on HOSE, MASC and KISVN upgraded their ratio from 3.39% and under 3.0% in 1H.2019 respectively to 4.80% and 3.32% in 1H.2020 respectively.

The current face of Vietnam brokerage market is believed to be changed. Particularly, the market share of the leading independent securities players (SSI, HSC, VND) are being partly grabbed by the foreign-owned players. Therefore, the Independent securities companies will reduce their fees related to trading activities (brokerage fees or margin fees) to protect their leading position in the future. For instance, SSI has announced that it is going to offer a preferential margin rate of 9% p.a. (normal is 14% p.a.) for VIP customers to enhance its competitiveness. This is a signal of low fee trading period on the industry.

No.	Securities Company's Names	HSX Market Share (%)			
		1H19	1H20	1Q20	2Q20
1	SSI Securities Corp.	13.8	13.4	12.3	14.1
2	HoChiMinh City Securities Corp.	11.1	9.7	11.0	8.8
3	Viet Capital Securities Corp.	9.7	9.2	9.7	8.8
4	VNDirect Securities Corp.	7.3	7.1	7.0	7.3
5	VPS Securities Jsc.	3.1	5.6	5.3	5.9
6	Mirae Asset Securities Vietnam Ltd.	3.4	4.8	5.5	4.3
7	MB Securities Jsc.	4.8	4.5	4.7	4.4
8	FPT Securities Corp.	<3.0	3.8	3.5	4.0
9	BIDV Securities Jsc.	<3.0	3.6	3.5	3.7
10	KIS Vietnam Jsc.	<3.0	3.3	<3.0	<3.0

Source: Shinhan Securities Corp.

1H2020 business result of South Korea securities companies

In terms of S.Korea securities companies, almost the new players likes Pinetree Securities (HFT) or KB Securities (KBSV) presented a strong growth in earnings results thanks to their low-base earnings in 1H19. However, the profitability ratios of top three highest profit companies (MASC, KISVN and KBSV) outperformed the peers. All in all, these companies sucessfully utilized their low-cost capital in implementing business strategies to improve the market share and generate profit.

S.Korea securities 1H20 earnings review

(VND bn)	HFT	NHSV	KISVN	MASC	KBSV	NASC	Total
Revenue	**21**	**76**	**303**	**643**	**282**	**50**	**1,375**
Gross Profit (GP)	4	62	144	291	206	36	743
Interest Expenses	0	28	4	0	96	2	192
Operating Profit (OP)	(8)	9	94	269	88	20	471
Net Profit (NP)	**(8)**	**9**	**75**	**220**	**70**	**16**	**382**
% YoY Growth							
Revenue	*196*	*216*	*81*	*63*	*56*	*2*	*77*
GP	*20*	*257*	*26*	*26*	*71*	*(6)*	*53*
OP	*TN*	*398*	*30*	*28*	*32*	*(22)*	*35*
NP	*TN*	*400*	*30*	*21*	*35*	*(22)*	*31*
Profitability (%)							
GPM	*16.9*	*81.8*	*47.5*	*45.3*	*73.1*	*72.0*	*54.1*
NPM	*(39.6)*	*12.4*	*24.7*	*34.2*	*24.9*	*32.0*	*27.8*
Trailing ROE	*(1.4)*	*1.3*	*2.9*	*3.5*	*3.4*	*1.8*	*NA*
Trailing ROA	*(1.4)*	*0.5*	*1.6*	*2.0*	*1.1*	*1.4*	*NA*

Source: Shinhan Securities Corp.

2020 Outlook: Positive Business Result from Top-line Companies.

The year-end business performance of Vietnam brokerage industry is forecasted to show two different trends, including: 1) the top-line companies will show a positive business result; and 2) the bottom line companies will present a weaker performance compared to last year.

The first trend is drawn based on the assumptions: 1) 1H2020 business result of top-line companies not only strongly grow but also equal ~50% of last year numbers; 2) The further potential growth of Vietnam stock market; and 3) The launch of new products likes corporate bonds or derivatives.

The second trend is relied on the assumptions: 1) The small business size (low charter capital) which made company unable to bear the external shocks from financial markets; and 2) The high competitive from the big competitors. However, these challenges will filter out the stronger companies and create a new trend for brokerage industry – the period of low trading fee.

In terms of the future trend of each business lines, we forecast that the investors will be more strict in using margin lending because of the unprediction of Covid-19 pandemic. In detail, they will lessen or stop margin trading.

No.	Securities Company's Names	Business Performance (VND bn)					
		Net Sales (1H.2020)	Net Sales (2019)	Proportion (%)	Net Profit (1H.2020)	Net Profit (2019)	Proportion (%)
1	SSI Securities Corp.	2,273	3,235	70.3	531	907	58.5
2	HoChiMinh City Securities Corp.	886	1,560	56.8	251	433	58.0
3	Viet Capital Securities Corp.	786	1,541	51.0	324	693	46.8
4	VNDirect Securities Corp.	858	1,502	57.1	193	383	50.4
5	VPS Securities Jsc.	1,723	3,093	55.7	202	443	45.6
6	Mirea Asset Securities Vietnam Ltd.	643	942	68.3	220	378	58.2
7	MB Securities Jsc.	510	944	54.0	107	230	46.5
8	FPT Securities Corp.	187	387	48.3	22	214	10.3
9	BIDV Securities Jsc.	470	608	77.3	33	113	29.2
10	KIS Vietnam Jsc.	303	408	74.3	75	127	59.1

Source: Shinhan Securities Corp.