

BOARD OF MANAGEMENT'S REPORT AT THE ANNUAL GENERAL SHAREHOLDERS MEETING 2017

I. Business results in 2016

1.1. Business environment in 2016

The economic foundation witnessed many positive changes

Due to the decline in both agriculture and mining sectors' growth rate, Vietnam's GDP only gained the growth of 6.21% in 2016, lower than the target set by government at the beginning of the year. However, the economy still witnessed many positive changes in the year, especially the remaining sectors showed the trend of recovery. For more details, services and manufacturing industry became two major drivers of the economic growth (6.98% and 11.6% respectively). The fluctuation of PMI was also the indicator of the strong growth of manufacturing industries as the index was always above 50 points in 2016.

Commercial activities and Foreign Direct Investment (FDI) also achieved positive results. Trade balance showed a surplus (USD 2.7billion) with a large contribution of FDI enterprises. FDI was disbursed at the highest level (VND 15.8billion) in recent years, focusing mainly on manufacturing industry.

Consumer price index (CPI) in December increased by 4.74% compared to the same period in 2015, the average CPI in 2016 went up by 2.66% compared to the previous year, which was considered as a strong growth over the same period. However, inflation remained relatively stable, below 2%. Monetary policy continued to be loosened up in 2016 as credit growth hit 18.7%; the money supply M2 rose by 18%.

The biggest challenge in 2016 for the economy is that public debt at the end of the year was likely to exceed the ceiling of 65%. State budget continued to face with many difficulties due to unbalanced expenditure structure and rising public debt. The Government enjoyed a "good fortune" in 2016 when the bond issuance was carried out successfully with lower interest rate and longer average maturity of bonds.

Vietnam Stock Market

2016 marked a successful year for the stock market as the VNINDEX recorded an increase of 14.82%. VNINDEX from 521.88 points in January experienced 8 months of gains, conquering the milestone of 640 points within 3 years and peaked at 688.55 points in September, the highest level since 2009.

Market liquidity had a positive improvement, the average trading value reached over VND 3,000billion/day, an increase of 19% compared to 2015. In the context of the first net sales on 3 stock exchanges from foreign investors since 2007, domestic cash flow plays a key role of driving force to support the market for 2017. In general, inflows of foreign investment into Vietnam still focus on foreign direct investment, off-exchange capital contribution and especially engaging in government bond investment on a large scale. Cash flow in the market tends to concentrate on large caps and industries

which were benefited from government policy (steel industry). This is one of the reasons for the outstanding growth of VNINDEX against HNXINDEX (up 0.2% in 2016).

Many policies aiming to support the development of market have been issued in 2016. To be specific, most prominent policies were to shorten the payment period to T + 2 and the issuance of Circular 115/2016/TT-BTC on cutting down debut time on the stock market since IPO. In addition to the above changes, 2016 also recorded the efforts of government in implementing many important national directions and policies related to the divestment in state enterprises such as Vinamilk auction and listings of large state-owned enterprises such as Sabeco and Habeco.

2016 stock market also recorded a growth in both the quantity of companies and the size of market capitalization. There were over 174 listed companies and UPCOM was really heating up with the appearance of big names such as ACV, QNS, HVN, BHN, etc., which helped UPCOM surpass HNX in terms of total capitalization. Total stock market capitalization reached more than VND 1.9trillion (USD 87.3billion), equivalent to 43.24% of GDP. Despite the strong growth, Vietnam's capitalization still remains relatively low compared to several regional markets.

1.2. Key financial results in 2016

2016 witnessed a strong growth of net revenue of VNDIRECT, reaching VND 756.5 billion, surpassing 11% of the year plan, increasing approximately by 40% and 71% compared to 2015 and 2014 respectively. Brokerage activities' revenue in 2016 hit VND 215billion, up 16% compared to 2015.

This growth reflected clearly the position of VNDIRECT as the brokerage market share maintained top 2 on the HNX and top 4 on the HSX.

Besides brokerage activity, it is worth noting that revenue from margin trading increased by 30.7% compared to the previous financial year, reached VND 201billion and contributed significantly to total revenue. This reflects the efforts of Treasury segment and risk management activities by achieving impressive business results and using effectively capital of the Company.

2016 was also a good year of proprietary trading as revenue from the activity climbed by 114% from VND 82billion (2015) to VND 176billion (2016). This encouraging achievement resulted from portfolio restructure and divestment of 2 large investments in real estate sector in 2010.

ITEM (Unit: VND BILLION)	2014	2015	2015 (Reclassify)	2016
Operating results				
Net revenue	435.3	534.1	534.1	746.5
Profit before tax	192.4	227.1	227.1	227.2
Net profit after tax	157.3	181.8	181.8	186.3
Balance sheet				
Total asset	2,941.7	5,757.6	4,663.8	5,174.1
Liabilities	1,106.4	3,822.2	2,728.4	3,225.8
Charter capital	1,550	1,550	1,550	1,550

Owner's equity	1,835.3	1,935.4	1,935.4	1,948.3
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Revenue structure in 2016

Besides the impressive growth of revenue, VNDIRECT recorded a reasonable revenue structure in 2016. Two complementary activities were securities brokerage and margin trading gained the highest proportions of revenue with 28.8% and 26.9% respectively. The Company's capital was also used effectively in securities proprietary trading when revenue from the activity made up 23.6% of full-year revenue. In addition, VNDIRECT has also regenerated extra cash flow from deposits with leading banks, accounting for 17.2% of total revenue. The Management Board of VNDIRECT will continue to manage cash flow allocation appropriately with effective investment strategies to bring the surplus values to the Company.

Core business activities:

Retail brokerage service

Market share increased from 8.10% to 9.35% on the HNX and also went up from 5.67% to 6.12% on the HSX. On both bourses, VNDIRECT was in top 2 (HNX) and top 4 (HSX) in terms of market share.

The trading value of Retail Customer Securities Services Division in 2016 was also improved positively, increasing by 32% compared to 2015. The total net assets managed by Retail Customer Segment in 2016 reached VND 19,037billion compared to VND 11,701billion in 2015, recording an increase of 63%.

The total number of individual customer accounts of VNDIRECT in 2016 maintained a good growth rate, reaching 103,050 accounts (accounting for 6.02% of total accounts in the market), an increase of 39% compared to 2015 (occupied 4.75% of total accounts in the market).

In 2016, with the quality of new staff put ahead, there were 17 new employees joining the brokerage team of VNDIRECT, raising the total number of official brokers to 349 people. This is the largest team of the Company and is also the key sales force that brings a great contribution to the revenue in particular and the sustainable development of the Company in general. Therefore, in addition to the increasing number of brokers, VNDIRECT always pay attention to training and improving quality of consulting service of brokerage team. We successfully organized the "Sales Force 2016" to promote sales and planning skills of brokerage team and the "Brokers Knowledge" to assess and honor brokers whose good knowledge and presentation skill to build the image of VNDIRECT's brokerage team.

With the retail orientation, VNDIRECT has chosen a technology infrastructure to approach and deliver useful services to investors, thereby gradually attract investors to perform trading with VNDIRECT. In 2016, VNDIRECT focused on developing services such as price board, mobile trading and reached the impressive growth of users.

12 months after the launch of mobile trading service, the number of daily users has quadrupled.

Investment banking service

Investment banking activity

In 2016, VNDIRECT investment banking revenue was VND 20.4billion which presented a compounded annual growth rate (CAGR) of 182.1% during 2013 – 2016 period. Such growth is the evidence for corporate client's trust in our investment banking execution capability and service quality.

Foreign investment funds as well as domestic strategic clients highly appreciated the services provided by the Investment Banking Segment of VNDIRECT. Specifically, over 80% of revenue in the sector came from strategic clients. The investment banking segment has established strong connections with global investment banking players and funds such as GIC, Mekong Capital, Nomura, and GCA; as well as great investors are promoting operations in Vietnam such as CJ Group (Korea) and Vingroup. VNDIRECT has proved to be one of the strongest execution platforms in the market with senior team members from JP Morgan, Dragon Capital, Overseas Chinese Banking and EY.

Financial service

Treasury activity

In 2016, VNDIRECT continued to effectively manage capital resources and diversify products to optimize profits for the company. Total revenue of Treasury Division reached over VND 435.9 billion, up 49.77% compared to 2015. In the period from 2012 to 2016, the average compounded annual growth rate reached 31.58%. This was also the result of the close coordination among the business activities of VNDIRECT.

As for treasury management, VNDIRECT continued to ensure liquidity, safely manage capital of the Company and customers. With that goal set, the company focused on building and developing relationships with large banks having high creditworthy. In addition to conventional deposit and loan products, the Treasury Division has also cooperated with major financial institutions to develop and develop more structured products to meet the needs of the market on the one hand and diversify the revenue structure of treasury activities on the other hand. In 2016, revenue from deposit and related activities reached VND 140 billion, accounting for 33% of treasury trading revenue.

In the financial service sector, VNDIRECT kept implementing supportive policies in order to promote growth of margin balance. VNDIRECT's average margin balance in 2016 was approximately VND 1,650 billion, representing an increase of 20% over 2015. Total revenue from margin lending activity was VND 201 billion, accounting for 46% of Treasury Division's revenue. This is the result of a close coordination among Treasury Division Securities Services and other departments of the Company.

Proprietary trading

Regarding long-term proprietary investment, we have entrusted IPA Securities Investment Fund Management Limited Company to offer investment opportunities and manage the investments for many years. For short-term securities investments, in 2016, Proprietary Trading Department has completed quantitative stock trading model and implemented a further restructuring of Investment Services and Derivative Securities. The Proprietary Portfolio Management Department has been upgraded to Securities Trading Division by the Management Board of the Company to prepare for a new height of Vietnamese stock market. The business philosophy continues to reflect the vision of the Management Board, which is sustainable growth in the market, based on risk management and knowledge accumulation with professionalism at regional and worldwide level.

Currently, in addition to the long-term investment portfolio entrusted to IPA Securities Investment Fund Management Limited Company, Securities Trading Segment is in charge of the following activities: Short-term Proprietary Portfolio Management, Investment Service and Derivative Securities. In 2016, it can be seen that Vietnam stock market witnessed great changes in market structure, liquidity, and professionalism of investment activities. We assess that 2016 was a foundation year, playing a key role in creating the conditions for the tremendous growth of Securities Trading Division in the coming years.

In 2016, total revenue from proprietary trading hit VND 176 billion, surpassing 114% compared to the same period in 2015.

Business Support activities

Risk management

At present, the Company's risk management activity is implemented in compliance with Circular 210/2012/TT-BTC and Decision 105/QD-UBCK. Exceeding compliance requirements, the Company identifies that the construction of an effective risk management system is an intrinsic factor and necessary to support strategic planning and execution as well as create good conditions to develop sustainably.

VNDIRECT has built a firm business foundation with a disciplinary risk management model encompassing 03 defense layers.

First layer: the Board of Directors and Risk Management Committee issued risk management strategies and policies. Business activities are performed in detailed steps stated in the Company's risk management policies. Second layer, risk management department, which is independent from business units, ensured supervisory ability of all departments. In the previous year, the department made a structural change to reduce operational tasks. On the one hand, risk management will focus on risk analysis, planning and risk assessment as required by the Company's policies. On the other hand, the separation of risk management and execution will reduce potential conflicts of interest. Third layer is the clear awareness of all units of the Company about risk managing responsibilities in daily operation.

The company foresees the importance of building a risk management environment and culture in which each employee understands and respects risk management obligations in addition to the system of processes, limits and detailed procedures. This strength not only helps the Company minimize operational risk, but also aims to provide customers a warning system to maximize their investing performance against unpredictable movements of the stock market.

In 2016, State Securities Commission was very active in the preparation for official launch of the derivative stock market in the first half of 2017. Together with relevant authorities, VNDIRECT has contributed to the process of preparing legal framework for the product. At the same time, the project team in charge of derivative products collaborating with other departments was set up to study the product, develop a set of risk management procedures to provide a solid foundation of effective product deployment in 2017.

Information technology

VNDIRECT is the first securities company utilizing cloud technology to improve the experience of investors using the service both in Vietnam and overseas. With the target to be the best trading platform in Vietnam, security is one of our top priorities. Our trading platform, online price board and Mobile app proudly served 70% of the most dynamic investors. The rising number of customers has been putting more and more pressure on the technology infrastructure of VNDIRECT.

In 2016, we completed the upgrade of the core command processing system with superior technology, setting a processing speed of 1,200 instructions per second with an average latency of 50 milliseconds. In addition, we have developed a new risk management system with real-time processing of up to 10,000 events per second, accompanied by advanced functions such as dynamic risk allocation to optimize the capacity to analyze and control risk.

In order to meet trading demands from investors, VNDIRECT constantly improves and upgrades online trading platform and other supporting tools such as upgrading our homepage, providing the second factor authentication (2FA), offering new products to support investors with advanced market analyzing tools including D-Chart and D-Rating.

II. Business plan in 2017

2.1. Market outlook in 2017

It is expected that 2017 will be a year of many state-owned companies to list in the stock market, which is considered as an opportunity to the stock market to skyrocket. We forecast that daily trading liquidity in 2017 will increase by about 15% compared to 2016.

Interest rate in 2017 is forecasted to increase because the credit growth of the past three years will force banks to speed up capital mobilization to rebalance the lending amount.

At the same time, the interest rate adjustment by the central bank of the United States will also affect the interest rate in Vietnam, which depends on the policy of the State Bank of Vietnam in the direction of stabilizing the exchange rate or the interest rate.

The Board of Management has believed that the interest rates in the currency market will increase by an average of 1% to 2%.

As of the economic environment, economic growth is expected to reach 6.7% of GDP in 2017, but the main driver of economic growth from industry and construction is likely to slow down as the real estate market seems to drag down.

The Board of Management assesses that 2017 is a cautious year of growth. Growth of the stock market will come from evaluating the Vietnamese market against the regional ones.

The Vietnamese market is likely to receive more foreign capital inflows to invest in opportunities of the divestment of state-owned companies as well as upcoming IPOs of companies such as Petrolimex, Vietnam Airlines, and large private banks.

2.2. Objectives in 2017

- With the strength of a technology platform and a team of well-qualified experts in technology field, VNDIRECT will continue to invest and orient to develop technology-oriented services. In 2017, VNDIRECT will continue to develop the services of price board, Mobile and online functions supporting transactions and decision-making process for investors towards a completely online trading method. We expect to provide all small and individual investors across the market with a simple and convenient transaction method. We expect a growth of 50% in the number of VNDIRECT's online service users and an increase of 30% in the number of accounts opened in VNDIRECT compared to 2016.
- In 2017 the Board of Management expects to continue focusing on in-depth quality development and thoroughly recruitment of the brokerage team rather than grow in the quantity. The objective of market share growth in 2017 is 15% over 2016 by virtue of the development of more services for foreign institutional clients and the target at dynamic-transaction clients. The brokerage team for individual clients will be continually developed to obtain an increase in deposit assets at VNDIRECT. The Board

set a target of an 80% increase in the net asset value of clients' deposit assets at VNDIRECT (NAV), reaching VND 38,000 billion, compared to 2016.

- Orientation in 2017 for investment banking service: Developing new financial services in order to take advantage of the strength in individual client base. In addition to M&A consulting services, we will focus on small and medium enterprises to utilize the distribution network of delivering the listing and issuance consulting service to individual clients. Moreover, State-owned enterprises planning for divestment are also a targeted client segment specially focused by VNDIRECT. In line with the decision on acquisition of IPA Securities Investment Fund Management Limited Company, our service of public fund will be concentrated to develop. We believe that our strength in retail network and understanding of individual clients will be our advantages to encourage investors to invest in specific funds of various investment appetite.
- Another objective of VNDIRECT is to be a pioneer in transaction processing and integrating technology. VNDIRECT's target is to become the first securities company who provides investors with the platform of derivative securities transaction on website and mobile.

2.3. Business targets in 2017

The detailed plan of revenue and expenses of the Company is presented as follows:

No	Item (in VND billion)	Plan 2017	Actual 2016	Change
1	Revenue	866	690	26%
2	Expenses	582	462	26%
3	Profit before taxes	284	227	25%
4	Net profit after taxes	231	186	24%

The Management Board of VNDIRECT hereinbefore presents the report of our Company on business performance in 2016 and business targets in 2017 to the Shareholders for review and approval.

On behalf of the Board of Management, I would like to send the most sincere thanks to our valued Shareholders, customers and colleagues who have constantly supported VNDIRECT to overcome difficulties and grow sustainably. I wish you good health, happiness and prosperity.

ON BEHALF OF THE BOARD OF MANAGEMENT

CHIEF EXECUTIVE OFFICER

NGUYEN HOANG GIANG