# BUSINESS PERFORMANCE REPORT

Saigon Securities Inc (SSI)

**Apr 2011**

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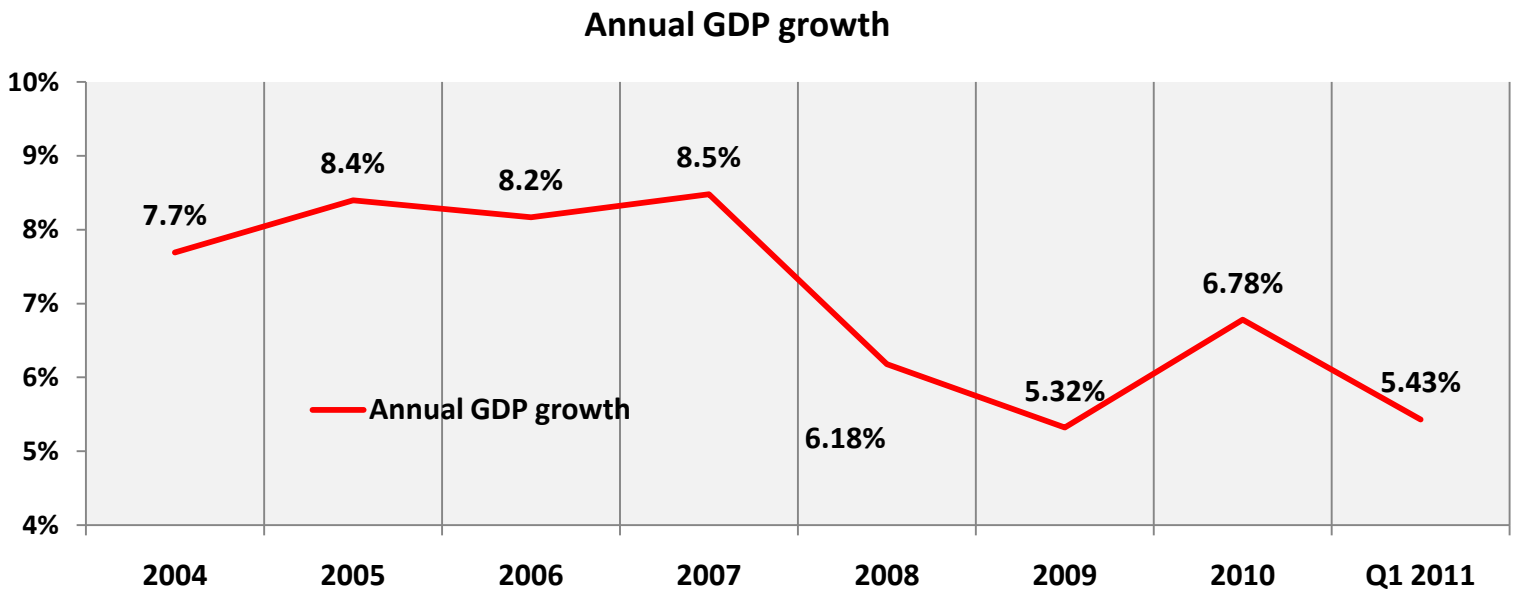
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# 2010 ECONOMY AND MARKET REVIEW

# VIETNAM MACRO ECONOMY

## Moderate GDP growth

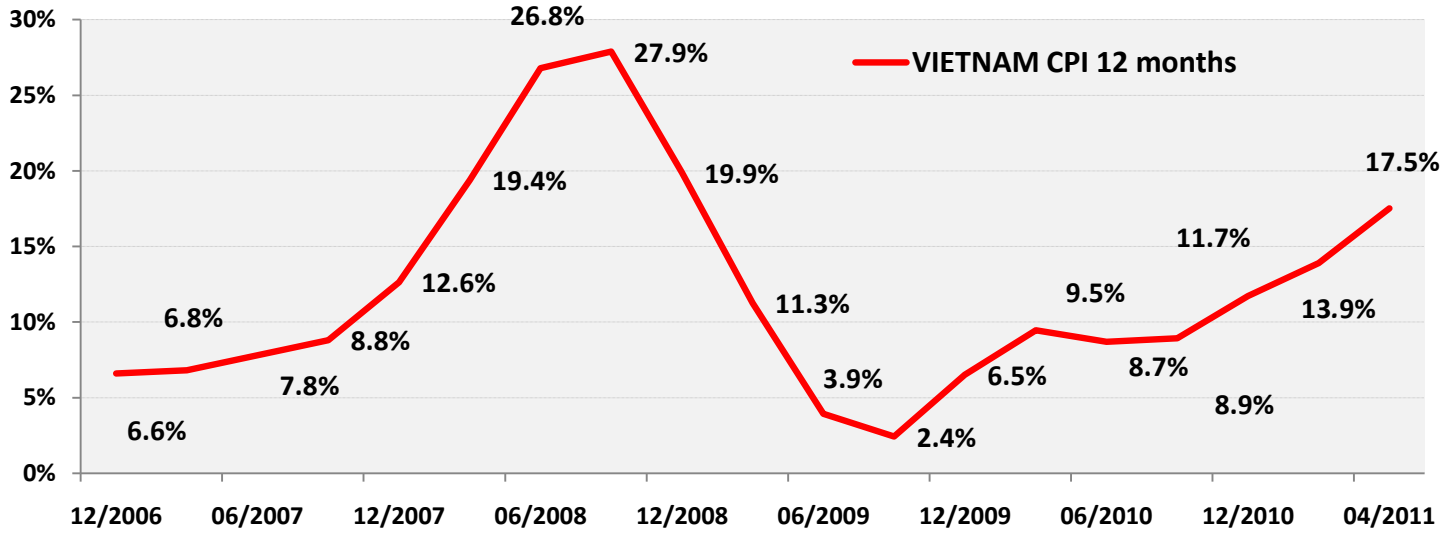
- 2010: GDP: + 6,78%
- 1Q, 2011: GDP: + 5,43% YoY



# VIETNAM MACROECONOMY

## Inflation edged up:

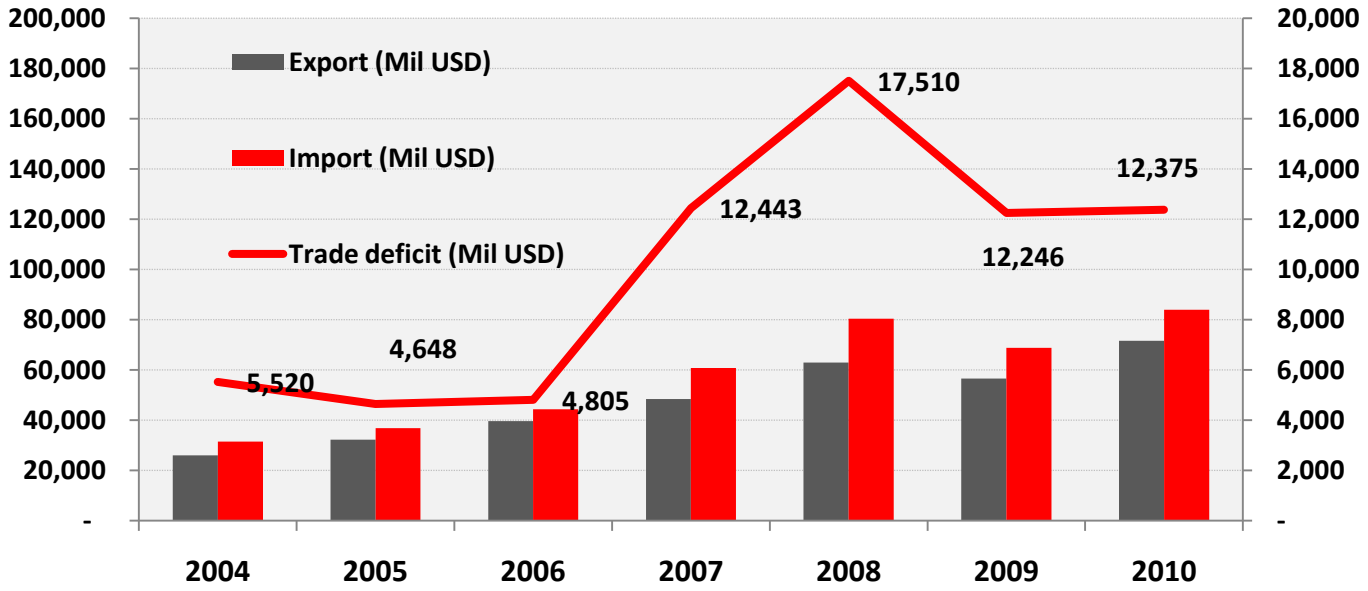
- 2010: CPI: +11.75% YoY
- 1Q, 2011: CPI: +13.89% YoY



# VIETNAM MACRO ECONOMY

## Trade deficit:

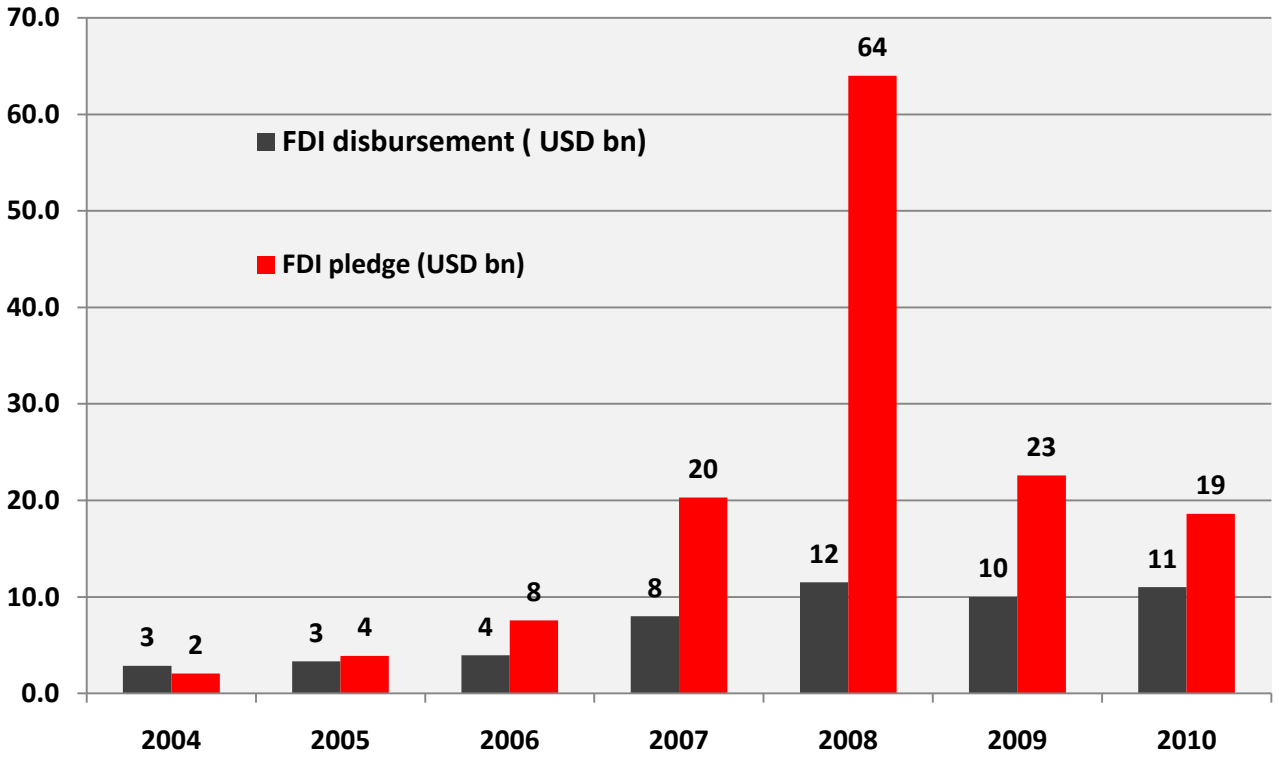
- 2010 Export +25,5% YoY to USD 71.63 bn
- 2010 Import +20.1% YoY to USD 84 bn



# VIETNAM MACRO ECONOMY

## Foreign Direct Investments

- FDI disbursements at USD 11 billion, +10% YoY



# STRONG MEASURES TO CURB INFLATION

Directive No 11/NQ-CP introduced a series of strong measures to stabilize macro economy and to curb inflation

- SBV's tightening measures:
  - Credit growth at lower than 20% in 2011.
  - Non-manufacturing loan  limits to 16% of total outstanding loans
  - Refinancing and OMO rates increased to 13% p.a. (Rediscount Rate at 12% p.a.)
  - Bank Deposit Rate Ceiling (in VND: 14% p.a., in USD: 3% p.a.)

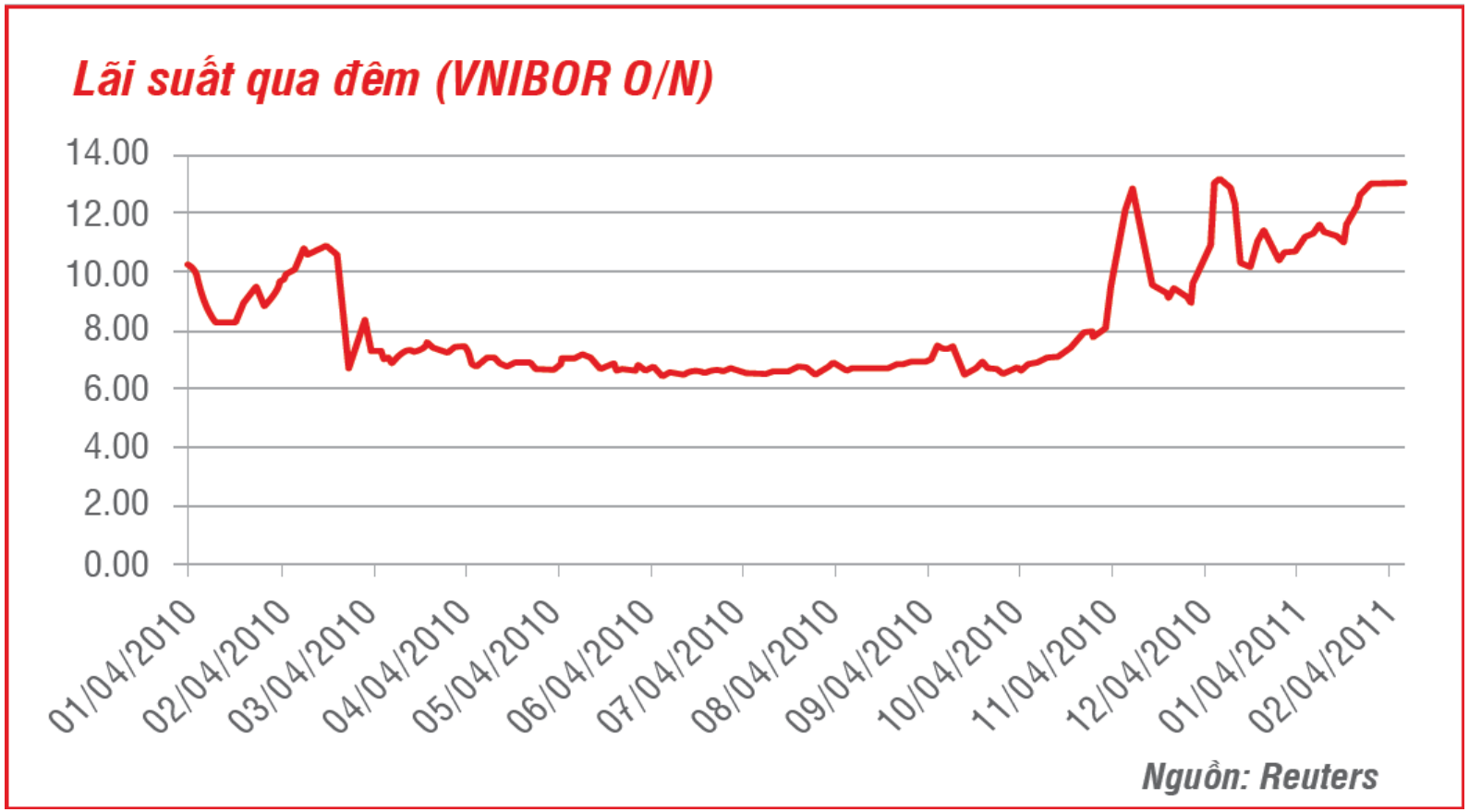
# STRONG MEASURES TO CURB INFLATION (continued)

- Foreign Exchange Market:
  - New foreign exchange rate management
  - Eliminate trading of Gold Bars and USD on unofficial markets

- Fiscal Contraction Measures:
  - Series of measures to boost Revenues, cut Spending, especially for non-essential projects.

# INTEREST RATES JUMP

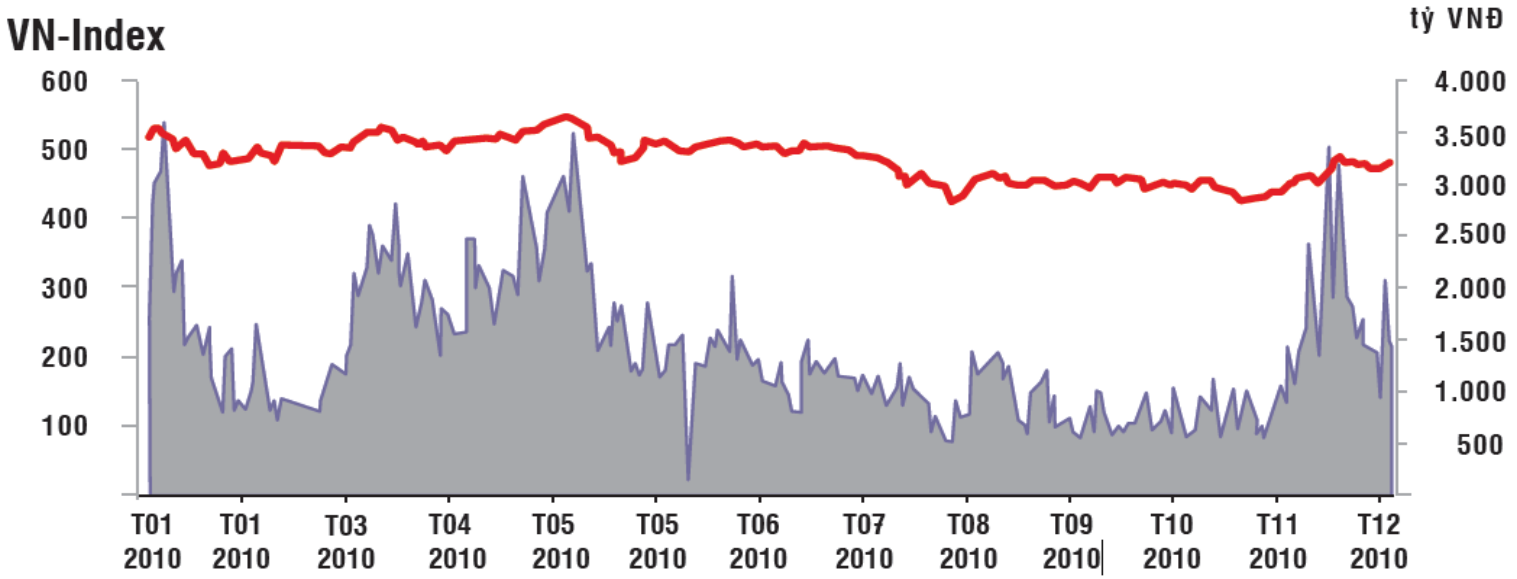
Interest rate jumped in the banking system:



# VIETNAM STOCK MARKET IN 2010

- The market kept trading sideways for a long period of time
- VNI ended 2010 at 484,6 points, down 2,04% from the beginning of the year

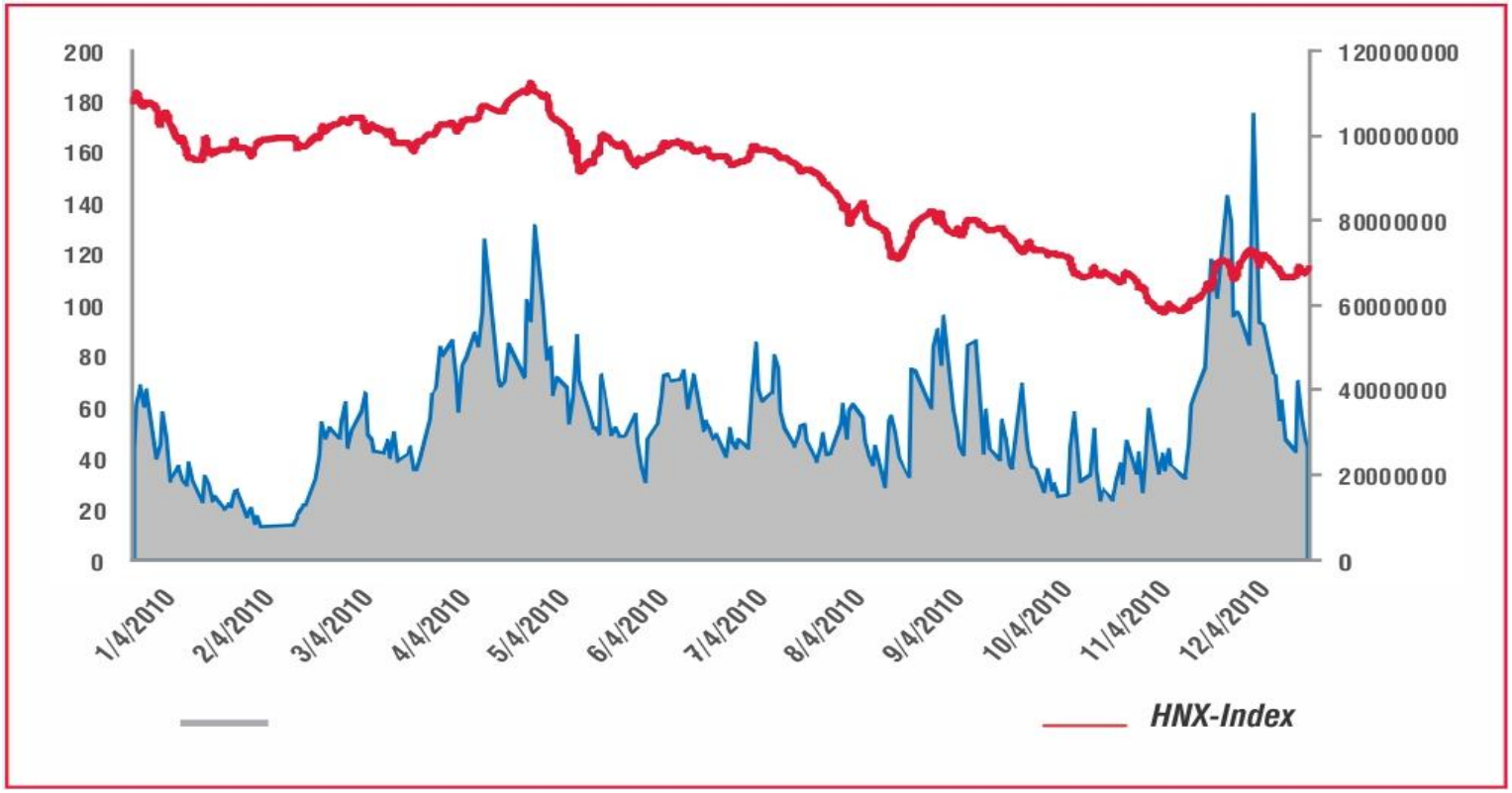
## VN Index Chart, 2010



# VIETNAM STOCK MARKET IN 2010

- HN-index ended 2010 at 114,24 points, down 32% during the year

***HN Index Chart***



# LISTINGS AND NEW ISSUES

- More  firms listed: There were 189 firms listed in 2010 including 113 tickers on HNX and 76 on HOSE.

- Market liquidity was generally low. During the year, most secondary issues targeted existing shareholders at price discounts of up to 50%.

- There were several IPOs not pulling any attraction of investors, such as: Da Nhim – Ham Thuan – Da Mi Hydropower plant, Vietnam Electric Equipment Corp., Vietnam Industrial Construction Corp., State Financial Investment in HCMC Corp., Petro Vietnam Gas (PV Gas).

# 2010
# BUSINESS PERFORMANCE

# CORPORATE MANAGEMENT ACTIVITIES

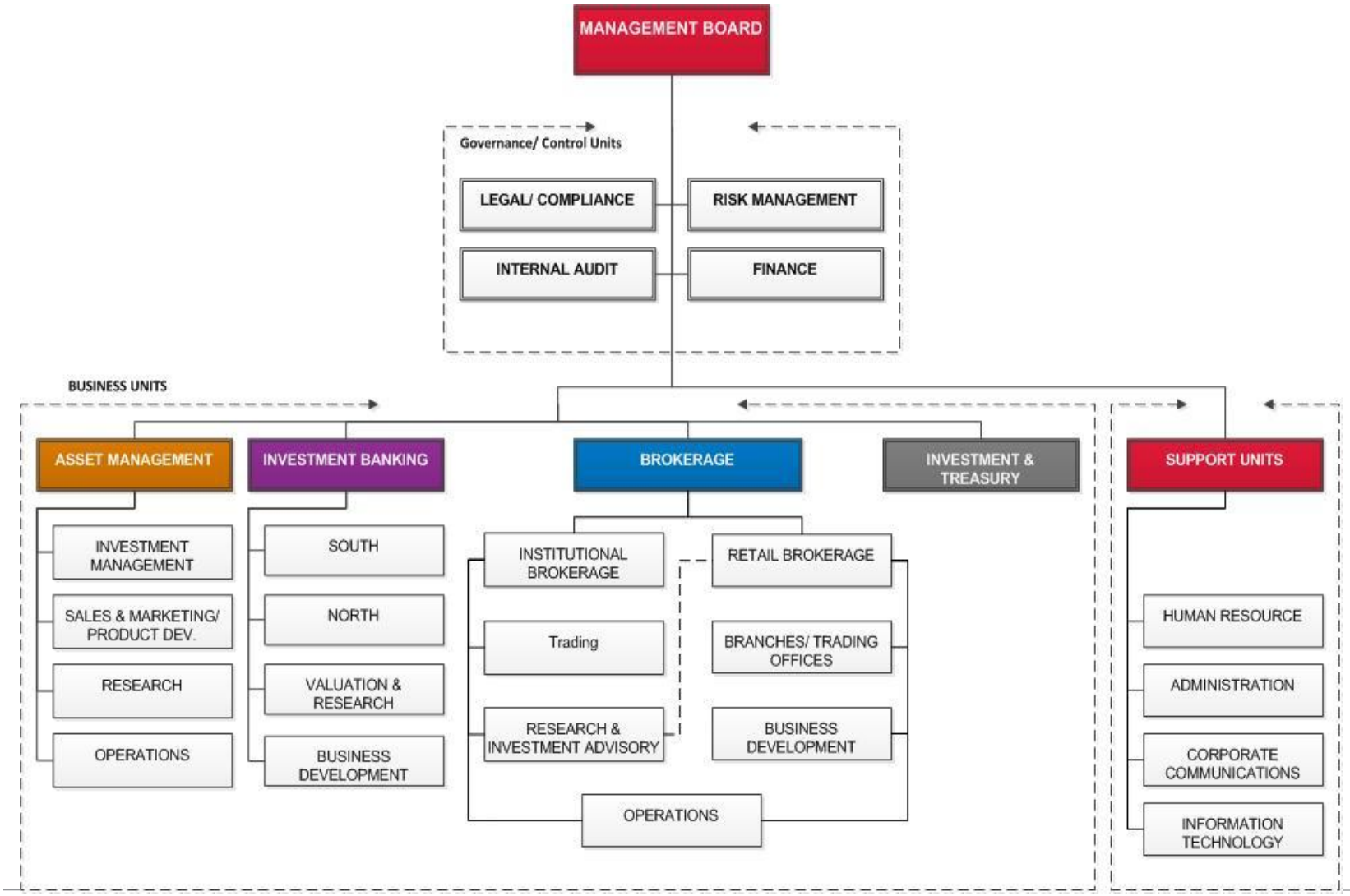
# CORPORATE REORGANIZATION

- Objectives:
  - To enhance specialization and better define each employee responsibilities in the entire organization
  - To better ensure collaboration between individuals / divisions / business units; To carry out active supervision and controls.
  - To promote and maintain competitive professional skills
  - To nurture and train the next generation of leaders
- Organize the company into 3 separated divisions: **Business Division, Management/Control Division and Support Division.**
- **Business Division**:
- Securities Service Division: **Institutional Client Brokerage and Retail Client System** including branches and trading centers.
- Set up a **Business Development Division** with new functions mainly to develop products, promote marketing activities, enlarge market-share and enhance customer services.

# CORPORATE REORGANIZATION

- Merge Research and Investment Advisory division with Securities Service Division to serve Institution Clients and Set up a new body to serve Retail Clients.
- Investment Banking Division has several Directors in charge of different tasks and projects.
- Restructure SSIAM to serve many funds catering for different types of investors.
- Multiple support departments including IT, PR, HR, Administrative are regrouped in **Support Division** under direct management by a COO.
- **Management/Control Division** was upgraded and assigned additional functions including Risk Management, Financial Management, Supervision and Compliance.

# ORGANIZATION CHART



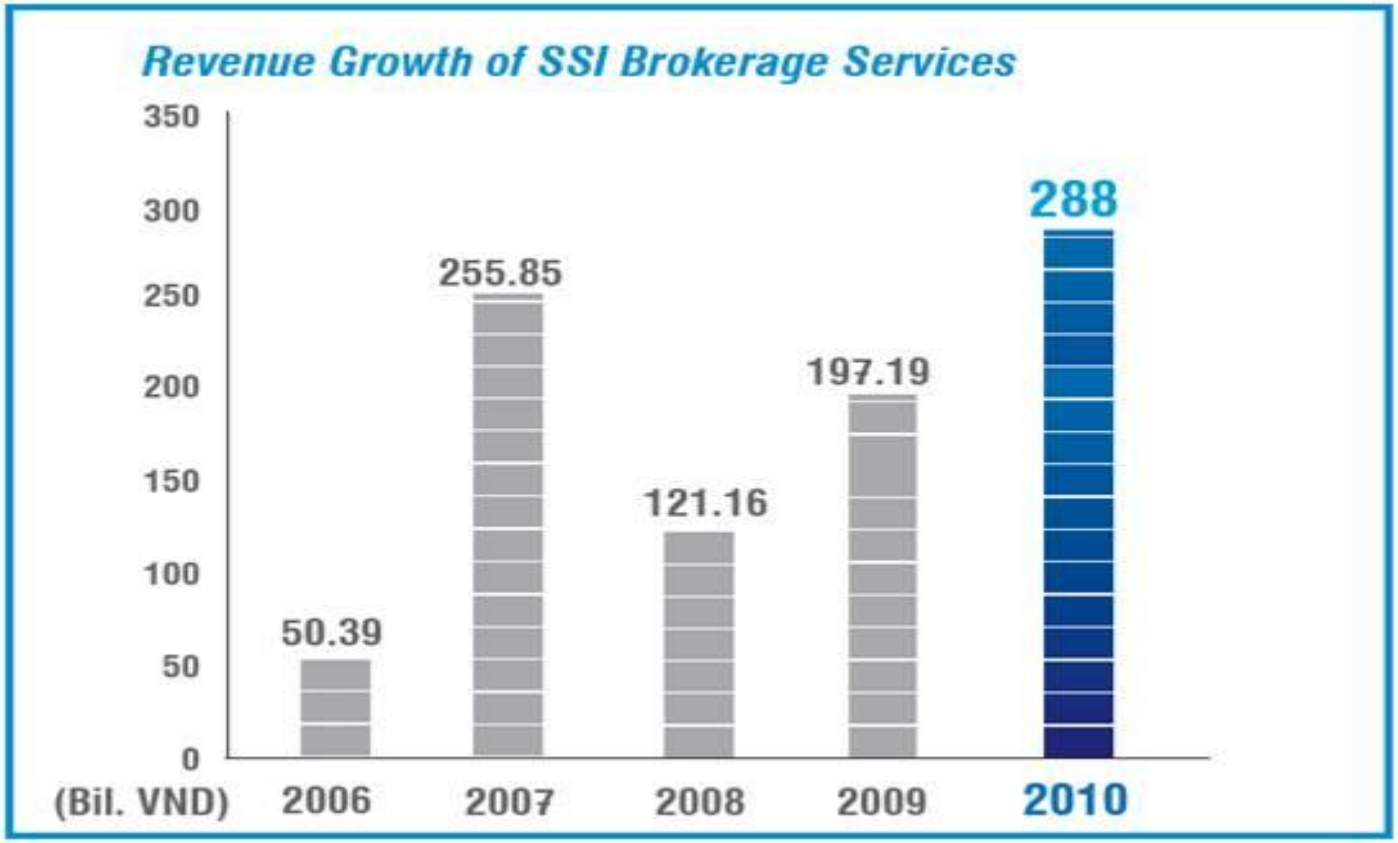
# BUSINESS ACTIVITIES

# SECURITIES BROKERAGE

- SSI was awarded “Vietnam Best Broker House” by Finance Asia for the third year in a row.
- SSI continued to lead in securities brokerage for foreign institutional clients, with a market share of 30% of total trading.
- Retake the leading position in brokerage trading market-share on HOSE since June, 2010
- **Achieve the Top position in Brokerage Revenues in Vietnam: VND288 billion, up 45% versus 2009.**

# SECURITIES SERVICES

- **SSI Brokerage Services' Revenues for the period from 2006-2010 (in VND billion)**



# SECURITIES SERVICES

- **Brokerage market shares in the 4th quarter/2010 of top ten securities companies on HOSE**



# SECURITIES SERVICES

- 54.000 accounts were opened at SSI, including 300 domestic client accounts and 250 foreign institutional accounts.

- Total transaction value of domestic investors was over VND 53,032 billion. The Total transaction value of foreign investors was over VND 27,445 billion.

- SSI's long-established and new customers among largest financial institutions include Deutsch Bank London, Van Eck, KITMC, Daiwa, Templeton, Horizon, Credit Suisse, Lion Capital, Prudential Vietnam, Société Générale, Morgan Stanley, HSBC, Manulife VN.

# SECURITIES SERVICES

- Wide range of products and services include Basic Services, Financial Services, On Line Services and Value Added Services
- Basic Services: additional conveniences in Account Opening, Listed Securities Depository, Shareholder Management and Payment Services, to simplify trading procedures together with consistent quality of services
- Financial Services: designed to combine our client needs with risk management policy for both our clients and SSI
- On Line Services with high speed, user-friendly interface, easy to use – Smart Trading, Web Trading, Contact Center
- Value Added Services: direct consulting services: seminars to introduce investment opportunities, company visits, research reports.

# SECURITIES SERVICES

- Expand network of Branches, Transaction Offices
- Total network of 11 Branches and Transaction Offices
- Focus on optimizing each branch operation by developing a retail operating model, ensuring a standardized and synchronized operating system

# SECURITIES SERVICES

**Competitive advantages in institutional brokerage**

- Capability of approaching corporates as well as seeking potential investment opportunities
- Research Reports and Services
- Professional, Young, Dynamic, Experienced and Well-Qualified staff

**Competitive advantages in individual brokerage**

- *Solid brand name in the filed with sound financial capacity.*
- Macro Reports, Fundamental and Technical Analysis reports
- Risk management policy to protect investors, minimizing the risk of financial products

# INVESTMENT BANKING

- Second consecutive year to receive “Best Equity House in Vietnam” award in 2010 and “Best Investment Bank in Vietnam” award, granted the first time for a Vietnamese company by well-known Finance Asia.
- Maintain market leadership position in Vietnam Investment Banking industry
- Pioneer in providing new services, to meet demands of clients and market trends as a whole, including the Convertible Bond issuance for Hoang Anh Gia Lai, Hoa Phat, the first public takeover bid by Hung Vuong JSC acquiring AnGiang Fishery Import and Export JSC, etc.
- 2010 Revenues surged 200% to VND 119 bn, versus VND 59.3 bn in 2009
- IPO/SPO Advisory, Underwriting and M&A Advisory Services are core business. Total number of Advisory Contracts in the year reached 206.

# INVESTMENT BANKING

- *IPO/SPO advisory for corporates* with total value at par of about vnd 2,873 bn, which accounted for 8.8% of total market issuance. Some large names include Dabaco Vietnam (DBC-HNX), PV Gas D (PGD-HOSE), Quoc Cuong Gia Lai (QCG-HOSE), Intresco (ITC-HOSE)

# INVESTMENT BANKING

- Convertible Bond Issuance Advisory (non-bank sector): Total issuance value in the contracts advised totaled VND 4,603 bn. Our clients include Hoang Anh Gia Lai JSC (HAG-HOSE), Tasco JSC (HUT-HNX), Transimex-Saigon (TMS-HOSE), Dai Thien Loc JSC (DTL-HOSE)
- Private Placement Advisory achieved outstanding result with over VND 7,000 bn being mobilized. One of the most successful deals was the private placement of VND 1,175 bn for Hoang Anh Land JSC
- SSI is always in the list of the top M&A advisory firms in Vietnam
- Corporate Capital Restructuring Advisory: With a commitment to support our clients for the long term, SSI has been successful in helping develop client brand names, increase the size of a company with potential to become a large corporation This list includes Hoang Anh Gia Lai JSC (HAG-HOSE), Quoc Cuong Gia Lai JSC (QCG-HOSE), Elcom (ELC-HOSE) and Dabaco Vietnam JSC (DBC-HNX)
- *Listing advisory:* SSI advised 20 companies to list their shares on the stock market with a total value of listed shares close to VND 5,000 bn

# SSI ASSET MANAGEMENT

- The only asset management company in Vietnam granted permission to invest abroad

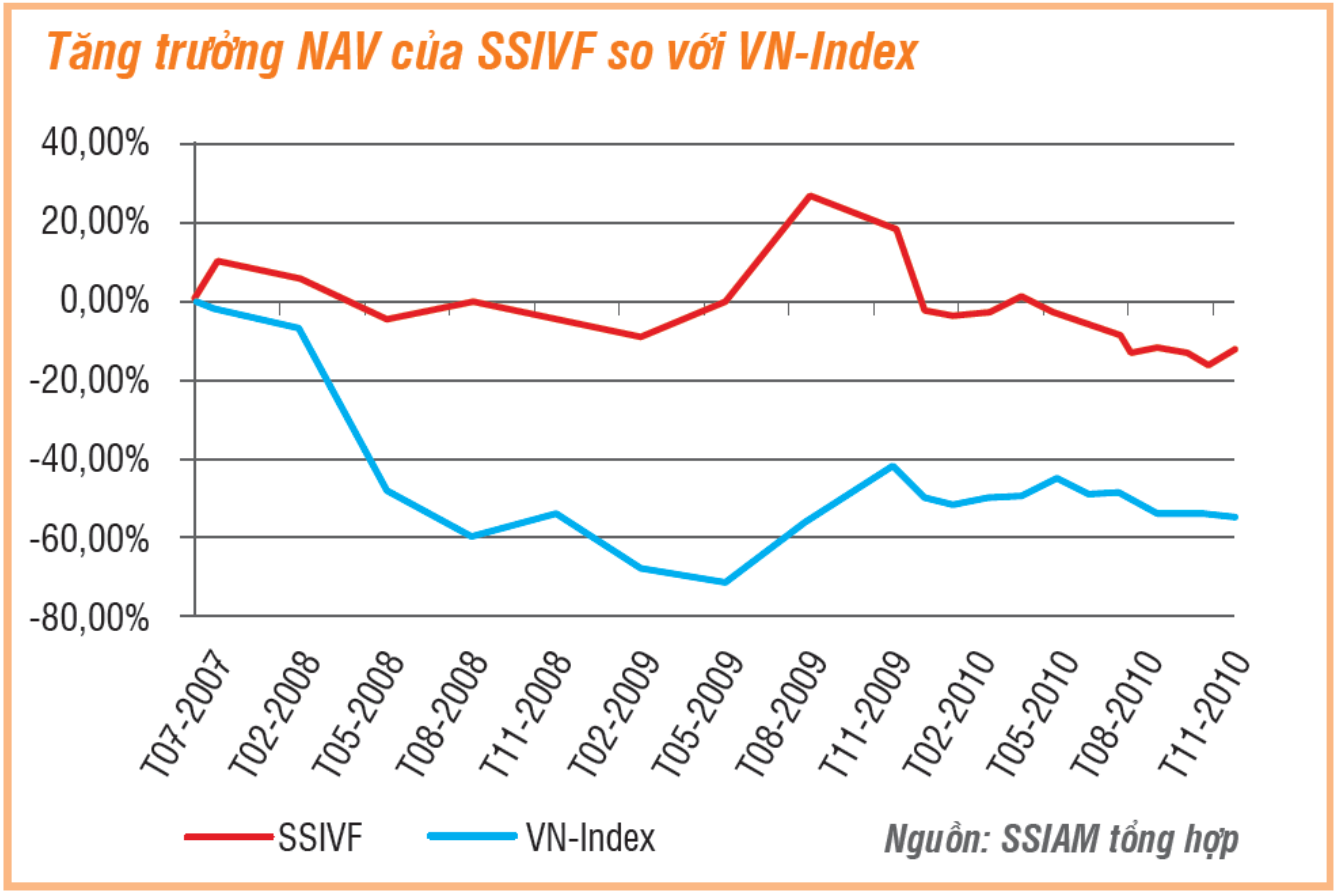
- Successfully raised fund via DSCAP Vietnam Growth Fund with Daiwa and SSI Investment Member Fund – which is a member of SSI, to invest in the US real estate market.

- Although SSI Vision Fund (SSIVF) did not perform as expected in 2010 due to the negative impact of the stock market, SSIVF remains one of the most profitable domestic funds

*Difficulties in the stock market in 2010 significantly affected SSIAM operations SSIAM's revenue were VND 32 billion, below the target set at the beginning of the year*

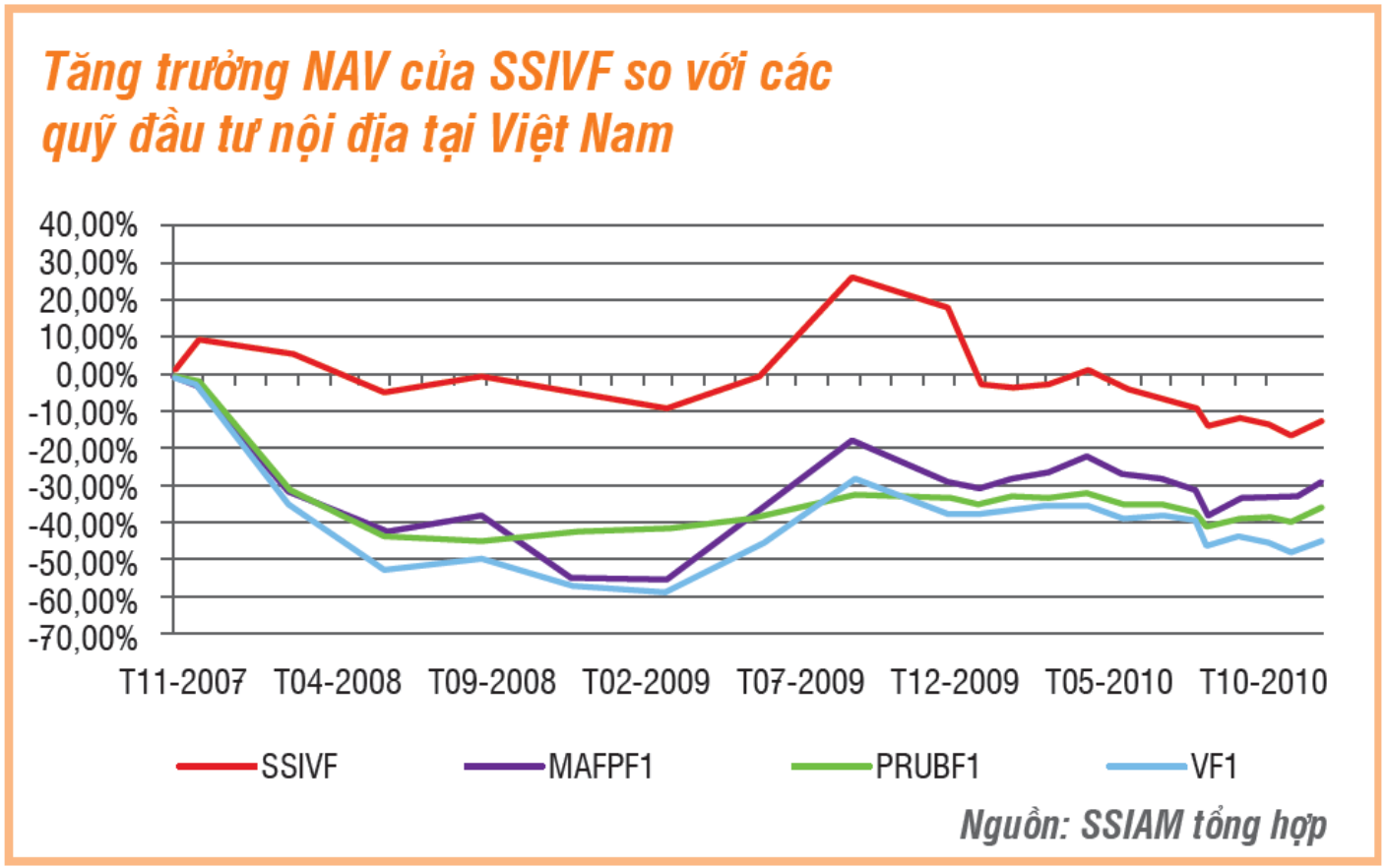
# SSI ASSET MANAGEMENT (SSIAM)

- Chart of NAV of SSI Vision Fund compared to VN Index



# SSI ASSET MANAGEMENT (SSIAM)

- Chart of NAV of SSI Vision Fund compared to other domestic funds in Vietnam



# SSI ASSET MANAGEMENT (SSIAM)

- In coordination with other departments (Securities Services and Treasury), SSIAM continued to provide individual customers with a variety of asset management products and financial services

- Taking advantage of the sluggish stock market, SSIAM focused on improving operational process with an emphasis in investment process, portfolio management software systems, internal controls and risk management capabilities.

# PRINCIPAL INVESTMENTS & TREASURY

- SSI's investment activities were negatively affected by market difficulties occurring during 2010 year.
- However, with a diversified and long-term investment strategy, SSI eliminated a large amount of risk in 2010
- **Revenues from SSI investment activities reached VND 437.5 billion, which was 11% higher than initial target**
- With total assets of VND 8.793 billion, total equity of VND 5.458 billion, the largest market share in trading and a large number of investors' accounts, SSI has become a securities corporation, which manages the largest amount of owners' capital contribution and investor assets. SSI always manages to ensure liquidity and customer payments in most timely and cost saving manner. Regulating funds between accounts at 11 branches and trading centers of SSI has been positively and efficiently managed.

# PRINCIPAL INVESTMENTS & TREASURY

- SSI provides investment support services in order to help customers maximize their profit. The Invest link product (capital cooperation investment) offers our clients attractive fixed interest rates, flexible terms and convenient investment procedures.

- SSI continued to maintain 1st position in **bond market transactions,** by actively brokering bond transactions not only to connect investor selling and buying requirements but also to connect capital flow channels in bond repo transactions and to contribute to market liquidity.

- With the largest equity capital among all securities firms, SSI reports a benefit of VND 473.02 billion in the treasury business, accounted for 31% of Revenue from securities trading activities.

# RESEARCH AND INVESTMENT ADVISORY

- **Improved research and investment advisory process with higher quality and a wider range of research products**
- Macro Reports, Industry Sector Reports, Company Reports, Daily and Weekly Newsletters
- **Successfully organized many investment seminars for institutional and retail investor clients**
- In November 2010, SSI organized Gateway to Vietnam 2010 Conference under the theme, “Driving growth through the private sector”, which attracted over 600 domestic and foreign institutional investors
- “SSI - Sector Watch” conference is organized twice a year, providing investors with information and investment views about major market industry sectors.
- SSI Research and Investment Advisory was selected into Top 3 Research House and Top 3 Equity Analyst in a first award for Research House in Viet Nam by Bloomberg and was awarded the Second Prize of Equity Research House in 2010 by two leading media companies(Bloomberg and Thompson Reuters).

# RESEARCH AND INVESTMENT ADVISORY

## Competitive Advantage

- ***Deep knowledge of Vietnam market***

- ***Distinctive knowledge about industry sectors and companies:*** SSI differentiates itself by focusing upon detailed industry and company research and strives to increase the number of companies in its coverage

- ***Information is updated quickly and in detail:*** SSI has capability to build and maintain a wide corporate network, which enables quick information updates about companies in coverage and the depth of information in each research report.

# INCOME STATEMENT HIGHLIGHTS

| ITEMS | Amount (VND) |
|---|---|
| **Revenue** | **1,503,616,689,880** |
| *In which:* | |
| Revenue from Brokerage Services | 178,464,799,086 |
| Revenue from Securities Investments and Capital Contribution | 710,010,595,072 |
| Revenue from Investment Banking Services | 121,382,101,654 |
| Revenue from Investment Portfolio Management Services for Trusted Investors | 19,811,488,075 |
| Revenue from Property Lease and Other Deductions | 680,873,701 |
| Revenue from Principal Investment and Treasury | 473,016,832,292 |
| | |
| **Expenses** | **592,325,572,635** |
| *In which:* | |
| Direct Operating Expenses | 406,339,977,085 |
| Securities Provision Expenses (Income from Reversal Provision) | 185,985,595,550 |
| **Other Income** | **187,530,675** |
| **Share of profit/(lost) in Associates** | **2,736,427,943** |
| **Profit before Tax** | **902,819,486,257** |
| **Profit after Tax** | **689,469,002,878** |

# COMMUNITY ACTIVITIES

# INVESTMENT IN EDUCATION

- Continued funding scholarships during 4 years (2007-2010) with Vietnamese Education Promotion Association: at the end of 2010, nearly 2.000 scholarships were given to pupils in primary schools in poor provinces in the Northern Vietnam including Bắc Kạn, Cao Bằng, Hà Giang, Lai Châu, Điện Biên, Sơn La, Lạng Sơn, Lào Cai, Hoà Bình, Phú Thọ, Bắc Giang, Yên Bái, Tuyên Quang, Hà Tĩnh, Nghệ An, Quảng Bình.
- Funded scholarships for promising students in Economic Colleges of Hanoi National University.
- Funded U12 team of Hanoi Youth Volleyball Club to participate in the “Asia – Pacific PONY Volleyball Championship” in Taiwan.

# ASSISTANCE TO THE COMMUNITY

- In September 2010, SSI implemented the concept of building permanent schools, which can shelter people from storms and floods in 4 districts of Hương Khê, Hương Sơn, Vũ Quang and Đức Thọ of Hà Tĩnh province.
- Visit and give charity gifts to patients in K Hospital, National Children Hospital, Bạch Mai Hospital. In addition on several occasions, SSI staff donated to difficult cases in Burn hospital and Việt Đức hospital.
- And many other activities: Funding for the “Caring of poor people in Tân Mão 2011 Year”; subsidizing individuals with serious diseases and poor conditions; contributing to the construction of charity houses in Ho Chi Minh City; contributing to “Gratitude fund”.

# 2011
# BUSINESS PLAN

# 2011 ECONOMIC OUTLOOK

- **Inflation** remains the biggest risk for Vietnam stock market.
- **CPI continued to increase in Q1** due to various factors, including rising food and commodities prices, up-coming hikes in the domestic price of coal and electricity power and the depreciation of the VND.
- Exchange rate is also **an important contributor to inflation** as demand for imported materials and consumption continued to rise. Maintaining a stable exchange rate and restoring confidence in the VND will be major challenges for authorities.
- **CPI will likely increased slightly** in the Second Half of 2011 when the real economy will start reflecting measures implemented by the Government to fight inflation.

# 2011 ECONOMIC OUTLOOK

- Ion the **fiscal** front, the Government has announced a **Restrictive Fiscal Policy, by a reduction of unnecessary investment projects, an increase in revenues and a reduction of budget expenditures**, with the objective to reducing the **Budget Deficit to below 5% of GDP.**
- **The Restrictive Fiscal Policy will pose many challenges for Economic development of the country.**

# 2011 ECONOMIC OUTLOOK

- **Interest rates will remain at a high level** for some time. Enterprises face difficulties in raising funding for manufacturing and expansion
- Interest rates might start declining later, however this **will largely depend on SBV policy measures, the overall health of the banking system and the ability of the Government to execute its plans to cut budget spending.**
- **Exchange rate**: On 11 February, SBV raised the exchange rate from 18,932 VND/USD to 20,693 VND/USD, with a reduction of trading band from +/-3% to +/-1%. The objective of this substantial adjustment (greater than 9%) is to narrow the gap between the official exchange rate and the unofficial exchange rate.

# 2011 ECONOMIC OUTLOOK

- Right from the beginning of the year, **the exchange rate issue** has been partly resolved, which helps restoring some **confidence in the VND. Therefore, there is some hope that the exchange rate will remain stable for some more time**.
- The **Trade Deficit** will continue to put pressure in next few years. In addition, demands for repatriations in USD will re-emerge at year-end the capacity to replenish currency reserves remains questionable. Th**e exchange rate will continue to remain a macro issue**, which will require close attention of policy makers in their decisions about whether or not to adjust the exchange rate any further.
- Balance of Payment issue will likely improve given that **foreign remittances and disbursements related to ODAs, FDIs and FIIs are expected to increase.**

# 2011 ECONOMIC OUTLOOK

- Although **the trade balance will likely continue to be in deficit** , **increased production by the Dung Quat oil refinery and increased exports resulting from a weaker VND** may possibly cause the trade deficit to slightly reduce in 2011 compared to 2010, and along with the exchange rate adjustment, these will likely **reduce pressures on the Balance of Payments.**

# 2011 ECONOMIC FORECASTS

- The Government target for economic growth in 2011 was set at 7-7.5%, higher than in 2010. Given the above difficulties in the economy, GDP growth of 2011 will hardly achieve this target.
- CPI will likely remain at high level.
- The State Bank of Vietnam made a decisive adjustment in the exchange rate, but policy makers still need more time to keep a narrow gap between the official exchange rate and the exchange rate on the unofficial market.
- Interest rates will likely remain at high level in first half of the year. In the short term, policy focus still consists of a tightening monetary policy and a restrictive fiscal policy, for the purpose of controlling inflation. Economic Growth could be considered later only once the macro economy has been stabilized.

# DEVELOPMENT STRATEGY – SECURITIES SERVICE

***Maintain and consolidate our Number 1 Position in market share of brokerage trading for international institutional investors trading in Vietnam***

- Develop *Best model of customer relationship management*, through segmentation by customer groups, development and design of respective range of product and service offerings, for the purpose of achieving the client needs and objectives through differentiated value-added service packages.
- *Differentiated and outstanding research products c*overing a variety of industry sectors, encompassing research of companies with different market capitalization, and especially research products that are customized to specific slient requirements.
- *Optimal order routing and trading systems with high speed and accurate execution*

# DEVELOPMENT STRATEGY – SECURITIES SERVICE

***Develop retail distribution and offering diversified products and services for individual customers***

- *Expand customer coverage based on the diversification of product and service packages that are tailored to the need of individual customer segments.*
- *Finalize and manage a standardized retail distribution management model for retail client securities service.*
- *Enhance and develop a modern on-line trading system.*

# DEVELOP STRATEGY – INVESTMENT BANKING

- ***Continue to maintain leading position in investment banking :*** Focus on added-value professional services for potential customers targeting large or profitable corporations, high potential services such as capital restructuring, M&A, securities issuance advisory and securities underwriting.

- **Continue to design new funding instruments** that meet the needs of domestic and international investors, the capabilities of corporate clients and developing access to international capital markets.

- ***Expand M&A activities, with focus on M&A activities involving foreign investors transacting with other foreign investors in same trade or industries***

- ***Enhance human resources and capabilities to match international investment banking standards.***

# DEVELOPMENT STRATEGY – FUND MANAGEMENT

- *Raise investment funds from domestic and international investors through diversified products, increased marketing and sales and enhancement of information systems and operations.*
- *Develop retail investor client base through attractive asset management products*
- *Building capacity to accommodate operation of open-end mutual funds*

# DEVELOPMENT STRATEGY – PRINCIPAL INVESTMENTS AND TREASURY

- Diversify strategies and products to take advantage of market opportunities.
- Gradual transfer of investment portfolio through an investment management agreement to SSIAM in order to diversify risk while increasing transparency and segregation between the firm's investment activities and those of clients.
- Continue ensuring preservation of capital, achieving investment return, superior liquidity, efficient settlement and cost savings for clients.
- Coordinate capital assistance for investors with safe, low-risk and transparent financial services through efficient and simple procedures.
- Continue enhancing advisory services for investors in the handling of their excess savings by providing a high return with preservation of capital and flexible terms, Make optimal use of own capital in order to maximize return and increase bond brokerage activities.

# 2011 BUSINESS PLAN

| Objectives | VND Billion |
|---|---|
| Total Revenues | 1,195.59 |
| Total Expenses | 670,138 |
| Earnings Before Taxes | 525,455 |

# QUARTER 1/2011 BUSINESS RESULTS

| Objectives | VND Billion |
|---|---|
| Net Revenues from Business Operations | 232,122,445,474 |
| Business Operational Expenses | 276,867,808,900 |
| Including,  Provisional Expenses | 181,163,438,049 |
| Gernal & Administrative Expenses | 2,456,209,180 |
| Other Earnings | 90,703,344 |
| Earnings from investments in Listed Companies | (52,059,362,179) |
| Net Profit/Losses after Taxes | (101,875,605,554) |

# THANK YOU