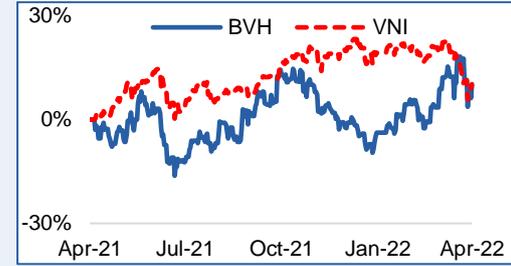


Industry:	Insurance		2021	Q1'22	2022F
Report Date:	May 4, 2022	Direct premium (y/y)	4.7%	9.8%	14.4%
Current Price:	VND63,000	Net premium (y/y)	6.8%	10.8%	14.4%
Target Price*:	VND64,900	Life/total premium	74.3%	75.2%	77.4%
Upside:	3.0%	Net ROI	5.7%	6.2%	5.1%
Dividend Yield:	1.4%	EPS growth (y/y)	18.3%	0.5%	19.8%
TSR:	4.4%	P/E	24.8x	N/A	20.7x
Rating*:	OUTPERFORM	P/B	2.2x	2.2x	2.0x



			BVH	Peers**	VNI
Market Cap:	USD2.0bn	P/E (ttm)	24.8x	7.3x	14.7x
Foreign Room:	USD460mn	P/B (curr)	2.2x	1.0x	2.3x
ADTV30D:	USD5.6mn	ROE (ttm)	8.9%	12.7%	15.8%
State Ownership:	68.0%	ROA (ttm)	1.2%	1.4%	2.6%
Outstanding Shares:	742 mn				
Fully Diluted Shares:	742 mn				

* TP and rating last updated March 7, 2022; ** regional peers (average values)

Company overview
 BVH is a diversified financial group founded in 1965 as a wholly State-owned company in the general insurance industry. It began selling life insurance in 1996 and subsequently opened other subsidiaries and associates in brokerage, banking and fund management.

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Pressures on mathematical reserve ease

BVH released consolidated results for Q1 2022 with gross written premium of VND10.3tn (USD446mn; +9.4% YoY) and NPAT-MI of VND471bn (USD20mn; +0.3% YoY), achieving 23% and 21% of our FY2022 forecasts, respectively. The bottom line was relatively flat YoY as (1) a 5.3% YoY increase in net financial income neutralized (2) an 11.7% YoY increase in operating losses due to a more-than-4x YoY surge in other insurance operating expenses.

- Q1 2022 total direct premium was VND10.3tn (+9.8% YoY; completing 23% of our full-year forecast), in which life premium was VND7.7tn (+10.9% YoY; completing 22% of our full-year forecast) and non-life premium was VND2.5tn (+6.4% YoY; completing 26% of our full-year forecast). Overall, life premium was in line with our expectation; meanwhile, non-life premium tracked ahead of our expectation.
- Q1 2022 net written premium was VND9.5tn (+10.8 YoY; completing 23% of our 2022F forecast), implying a retention ratio of 92.4% vs 90.9% in 2021.
- The claims ratio and reserve ratio in Q1 2022 were 33.5% (+3.0 pts YoY) and 52.9% (-4.2 pts YoY), respectively.
- Q1 2022 mathematical reserve expenses were VND3.8tn (-16.6% YoY; completing 17% of our full-year forecast).
- Q1 2022 net financial income was VND2.0tn (+5.3% YoY; completing 24% of our full-year forecast).

Combined ratio tracked down in Q1 2022. BVH reported a Q1 2022 combined ratio for the non-life sector of 83.1% (-9 pts YoY and -3.8 pts QoQ), in which the loss ratio was 42.9% (-9.4 pts YoY and -10.3 pts QoQ) and the expense ratio was 40.2% (+0.4 pts YoY and +6.6 pts YoY). We attribute the improvement in the loss ratio to (1) BVH's strategy of increasing the contribution of healthcare and personal accident insurance to improve its profit margin and (2) a 6.4% YoY increase in Q1 2022 non-life premium vs a 5.7% YoY decrease in Q1 2021 non-life premium. The increase in the expense ratio was mainly driven by a 25.6% YoY increase in underwriting expenses, which were derived from a more-than-4x YoY surge in other insurance operating expenses. Although there is no further information about the nature of these expenses, we think the surge was to facilitate strong premium growth in both the life and non-life sectors in Q1 2022.

Mathematical reserve expenses decreased 16.6% YoY in Q1 2022 thanks to the recovery in Government bond yields, in our view. We attribute the lower-than-expected mathematical reserve expenses to the recent increase in Government bond yields as primary 10-year Government bond yields have improved around 20 bps since the beginning of 2022.

Financial income remained the key growth driver of the bottom line. BVH reported Q1 2022 net financial income of VND2.0tn (+5.3% YoY) as (1) a 6.7% YoY increase in financial income outweighed (2) 16.7% YoY increase in financial expenses. The former was mainly driven by (1) a 26% YoY increase in interest from bonds to VND799bn and (2) a 14% YoY increase in interest from advances on surrender value to VND58bn.

Figure 1: BVH's consolidated Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY
Direct premium	9,357	10,271	9.8%
of which – Life	6,968	7,728	10.9%
of which – Non-life	2,389	2,542	6.4%
Inward reinsurance premium	51	23	-53.7%
Gross written premium	9,408	10,294	9.4%
Outward reinsurance premium	(831)	(787)	-5.3%
Net written premium	8,577	9,507	10.8%
Unearned premium reserve	(92)	(69)	-24.8%
Net earned premium	8,485	9,438	11.2%
Other premiums earned	224	290	29.6%
Claims and reserves	(7,431)	(8,158)	9.8%
of which - math expense	(4,502)	(3,757)	-16.6%
Underwriting expense	(1,447)	(1,817)	25.6%
G&A expense	(1,149)	(1,225)	6.6%
Operating income	(1,318)	(1,473)	11.7%
Financial income	2,204	2,352	6.7%
Financial expense	(278)	(325)	16.7%
Net financial income	1,926	2,027	5.3%
Income from affiliates	4	5	40.7%
Other income	(6)	8	227.3%
PBT	593	625	5.4%
Income tax expense	(94)	(125)	32.5%
NPAT	499	501	0.3%
Minority interest	30	30	0.4%
NPAT-MI	469	471	0.3%
Loss ratio*	52.3%	42.9%	-9.4 ppts
Expense ratio*	39.8%	40.2%	0.4 ppts
Combined ratio*	92.2%	83.1%	-9.0 ppts

Source: BVH, VCSC. (*) Loss ratio, expense ratio and combined ratio here refer to the non-life business only.

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Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
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