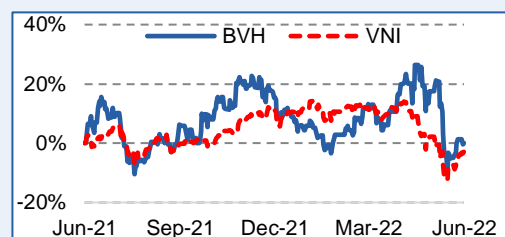




# Bao Viet Holdings (BVH) [BUY +26.3%]

# Update Report

<b>Industry:</b>	<b>Insurance</b>		<b>2021</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
<b>Report Date:</b>	<b>June 1, 2022</b>	Direct premium (y/y)	4.7%	14.6%	14.1%	12.0%
Current Price:	VND52,7900	Net premium (y/y)	5.3%	16.2%	14.3%	12.1%
Target Price:	VND65,800	Life/total premium	74.3%	77.4%	78.3%	79.1%
Last Target Price:	VND64,900	Net ROI	5.7%	5.3%	5.4%	5.4%
Upside to TP:	24.4%	EPS growth (y/y)	19.3%	28.5%	21.7%	18.7%
Dividend Yield:	1.9%	P/E	20.7x	16.1x	13.2x	11.1x
TSR:	26.3%	P/B	1.85x	1.7x	1.5x	1.4x
Market Cap:	USD1.7bn			<b>BVH</b>	<b>Peers</b>	<b>VNI</b>
Foreign Room:	USD387mn	P/E (ttm)		20.6x	8.2x	14.0x
ADTV30D:	USD5.0mn	P/B (curr)		1.8x	0.9x	2.2x
State Ownership:	68.0%	ROE		9.0%	11.9%	15.9%
Outstanding Shares:	742 mn	ROA		1.2%	1.4%	2.6%
Fully Diluted Shares:	742 mn					



## 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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## Cutting math reserve on rising Government bond yields

- We increase our target price (TP) by 1.4% to VND65,800/share but upgrade our rating for BVH from OUTPERFORM to BUY as the company's share price has decreased ~13.5% over the last three months.
- Our higher TP is due to (1) 8.1%/12.9% increases in our projections for 2022/2023F NPAT and (2) the positive effect of rolling our TP to mid-2023F, which outweigh (3) decreasing our target P/B from 2.1x to 2.0x.
- We increase our 2022F net income forecast by 8.1% due to our (1) 1.0% increase in projected non-life premium, (2) 0.4% decrease in claim expenses (including math reserve) and (3) 3.5% increase in net financial income.
- Upside risk: (1) Lower-than-expected combined ratio; (2) higher premium growth.
- Downside risks: (1) Weaker-than-expected recovery of Government bond yields could materially impact our valuation; (2) stiff competition in life and/or non-life that could negatively affect BVH's growth.

**We project BVH's loss ratio to increase over the next three years.** According to BVH's financial statements, while the contribution of premiums from property insurance to total non-life premium decreased from 49% in 2019 to 43% in 2021, the contribution of premiums from healthcare & personal accident insurance increased from 42% in 2019 to 46% in 2021. We believe these structural product mix changes and restricted mobility in 2021 contributed to the improvement in BVH's loss ratio in the last two years from 64.4% in 2019 to 40.9% in 2021. Nevertheless, premiums from property insurance and healthcare & personal accident contributed 47% and 42% to total non-life premium in Q1 2022, respectively. We believe the currently low loss ratio will not be sustainable because (1) the return of normal mobility conditions in 2022 and (2) the increase in demand for property insurance — especially vehicle insurance and fire & explosion insurance — will likely result in higher claim expenses. Taken together, we forecast BVH's loss ratio to increase to 48.6% in 2024F.

**Surging Government bond yields over the last three months relieved pressure on math reserve expenses.** As of end-March 2022, the primary 10-year Government bond yield was 2.20%, increasing nearly 12 bps vs beginning of the year. Meanwhile, math reserve expenses decreased 16.7% YoY in Q1 2022. As of end-May 2022, the primary 10-year Government bond yield was 2.34% — the highest in the past year. Additionally, the 10-year yield on the secondary market increased to 3.25% by end-May. These positive signs demonstrating a recovery of Government bond yields have reduced downward pressure on technical interest rates (the discount rate under the mathematical reserve calculation), which drive us to cut our projection for mathematical reserve expenses by 4.5% relative to our previous forecast as Q1 2022 math reserve expenses tracked behind our forecast.

# Q1 2022 Recap: Pressure on mathematical reserve eases

Figure 1: BVH's Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY	%2022F	VCSC comments
<b>Direct premium</b>	<b>9,429</b>	<b>10,270</b>	<b>8.9%</b>	<b>23%</b>	* In Q1 2022, direct life premium was VND7.7tn (+10.9% YoY; completing 22% of our full-year forecast) and non-life premium was VND2.5tn (+3.3% YoY; completing 26% of our full-year forecast). Overall, life premium was in line with our expectation (given year-end acceleration); meanwhile, non-life premium tracked ahead of our expectation.
- of which - Life	6,968	7,728	10.9%	22%	
- of which - Non-life	2,461	2,542	3.3%	26%	
Inward reinsurance premium	51	23	-53.7%	14%	
<b>Gross written premium (GWP)</b>	<b>9,479</b>	<b>10,293</b>	<b>8.6%</b>	<b>23%</b>	
Outward reinsurance premium	(831)	(787)	-5.3%	19%	
<b>Net written premium (NWP)</b>	<b>8,649</b>	<b>9,506</b>	<b>9.9%</b>	<b>23%</b>	* Q1 2022 net written premium was VND9.5tn (+9.9 YoY; completing 23% of our 2022F forecast), implying a retention ratio of 92.4% vs 89.7% in 2021.
<b>Net earned premium (NEP)</b>	<b>8,558</b>	<b>9,438</b>	<b>10.3%</b>	<b>23%</b>	
Other premiums earned	203	290	43.1%	25%	
Claims and losses	(7,415)	(8,158)	10.0%	23%	
- of which - math expense	(4,502)	(3,757)	-16.6%	17%	* 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.
Underwriting expense	(1,784)	(1,809)	1.4%	22%	
G&A expense	(1,023)	(1,187)	16.0%	26%	* G&A expense over NWP was 12.5% in Q1 2022 vs 11.8% in Q1 2021.
<b>Operating income</b>	<b>(1,461)</b>	<b>(1,426)</b>	<b>-2.4%</b>	<b>25%</b>	
Financial income	2,204	2,352	6.7%	24%	
Financial expense	(188)	(325)	73.1%	20%	
<b>Net financial income</b>	<b>2,016</b>	<b>2,027</b>	<b>0.5%</b>	<b>24%</b>	* Financial income remained the key growth driver of the bottom line. BVH reported Q1 2022 net financial income of VND2.0tn (+0.5% YoY) as (1) a 6.7% YoY increase in financial income slightly outweighed (2) a 73.7% YoY increase in financial expenses. The former was mainly driven by (1) a 24% YoY increase in interest from bonds to VND799bn and (2) 14% YoY increase in interest from advances on surrender value to VND65bn. The YoY surge in financial expense was mainly due to a 62.5% YoY increase in repo and loan interest expenses.
PBT	591	635	7.6%	22%	
<b>NPAT-MI</b>	<b>474</b>	<b>481</b>	<b>1.5%</b>	<b>21%</b>	
Combined ratio*	89.4%	84.5%	-4.9 pts		* The loss ratio was 44.8% (-3.7 pts YoY and +5.4 pts QoQ) and the expense ratio was 39.7% (-1.2 pts YoY and -7.4 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 3.3% YoY increase in Q1 2022 non-life premium vs a 2.8% YoY decrease in Q1 2021 non-life premium.
<b>Total investment</b>	<b>126,917</b>	<b>161,580</b>	<b>27.3%</b>		
Gross ROI	7.0%	5.8%	-120 bps		
<b>Total debt and bonds repo</b>	<b>10,276</b>	<b>24,527</b>	<b>138.7%</b>		
Interest expense from debt and bonds repo	2.8%	2.9%	11 bps		

Source: BVH, VCSC. (\*) Combined ratio here refers to the non-life business only.

## 2022F Outlook: Recovery of Government bond yields to support math reserve, but BVH will incur higher loss ratio

Figure 2: VCSC's 2022F forecast

VND bn	2021	2022F New	2022F Old	2022F New vs 2021	VCSC comments
<b>Direct premium</b>	<b>39,504</b>	<b>45,287</b>	<b>45,194</b>	<b>14.6%</b>	* We increase our forecast for 2022F direct premium by 0.2% mainly due to a 1% increase in our forecast for non-life premium that is derived from higher-than-expected Q1 2022 results. * We maintain our forecast for 2022F life premium at VND35.4tn despite the Q1 2022 result completing only 22% of our full-year forecast as we expect life premium will pick up in future quarters.
- of which - Life	30,558	35,440	35,440	16.0%	
- of which - Non-life	8,946	9,847	9,754	10.1%	
Inward reinsurance premium	165	173	166	5.0%	
<b>Gross written premium</b>	<b>39,668</b>	<b>45,460</b>	<b>45,360</b>	<b>14.6%</b>	
Outward reinsurance premium	(4,078)	(4,108)	(4,069)	0.7%	
<b>Net written premium</b>	<b>35,590</b>	<b>41,352</b>	<b>41,291</b>	<b>16.2%</b>	* We assume a 2022F retention ratio of 91.0%.
Unearned premium reserve	302	(337)	(147)	-211.7%	
<b>Net earned premium</b>	<b>35,892</b>	<b>41,015</b>	<b>41,144</b>	<b>14.3%</b>	
Other premiums earned	936	1,150	1,139	22.9%	
<b>Claims and losses</b>	<b>(31,499)</b>	<b>(35,139)</b>	<b>(35,277)</b>	<b>11.6%</b>	* We trim claim expenses by 0.4% vs our previous forecast mainly due to (1) a 4.5% decrease in math reserve expenses outweighing (2) a 6.6% increase in our forecast for claim expenses. * We think the loss ratio could increase in 2022F as (1) we believe non-life premiums experience positive growth in 2022F vs negative growth in 2021 and (2) the increase in demand for property insurance and vehicle insurance could lead to an increase in claim expenses.
- of which - math expense	(18,980)	(21,269)	(22,261)	12.1%	* We trim our forecast for 2022F math reserve expenses by 4.5% as Q1 2022 math reserves tracked behind our forecast thanks to the recovery of primary Government bond yields.
<b>Underwriting expense</b>	<b>(6,992)</b>	<b>(7,865)</b>	<b>(8,109)</b>	<b>12.5%</b>	* We assume a 2022F expense ratio of 43.8% (-2.4 pts YoY) vs the Q1 2022 expense ratio of 39.7% as we expect higher expenses to be incurred in future quarters, which will facilitate higher sales targets. * For the life sector, we believe new business premium of the life business will be stronger in H2 2022 and produce more upward pressure on selling and G&A expenses as commission and G&A expenses for first-year premium are high vs renewal premium.
G&A expense	(3,998)	(4,935)	(4,637)	23.4%	
<b>Operating income</b>	<b>(5,661)</b>	<b>(5,774)</b>	<b>(5,739)</b>	<b>2.0%</b>	
Financial income	8,912	10,257	9,950	15.1%	
Financial expense	(1,060)	(1,611)	(1,599)	52.0%	
<b>Net financial income</b>	<b>7,852</b>	<b>8,646</b>	<b>8,351</b>	<b>10.1%</b>	* We increase our 2022F financial income forecast by 3.5% mainly due to the 1% increase in our direct non-life premium assumption, which will increase the deposit balances amid our banking team's forecast for a ~50-bp increase in term deposit rates in 2022.
PBT	2,376	3,052	2,833	28.4%	
<b>NPAT-MI</b>	<b>1,897</b>	<b>2,443</b>	<b>2,260</b>	<b>28.8%</b>	
Combined ratio*	87.2%	90.7%	97.5%	3.5 pts	* Our assumption for the 2022F loss ratio is 46.9% (+6.0 pts YoY) declines from 53.5% as in our previous Update Report.
<b>Total investment</b>	<b>149,391</b>	<b>177,439</b>	<b>178,005</b>	<b>18.8%</b>	
Gross ROI	6.5%	6.3%	6.1%	-21 bps	
<b>Total debt and bonds repo</b>	<b>15,996</b>	<b>22,240</b>	<b>16,290</b>	<b>39.0%</b>	
Interest expense from debt and bonds repo	2.0%	2.9%	3.9%	0.9 pts	

Source: BVH, VCSC. (\*) Combined ratio here refers to the non-life business only.

Figure 3: Life and non-life GWP (VND tn)

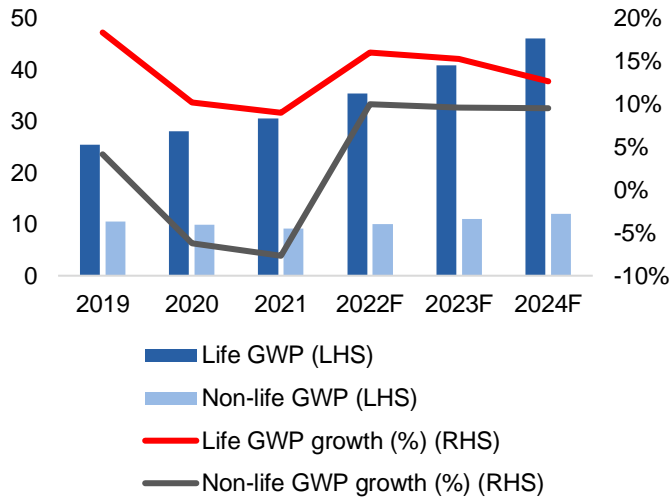
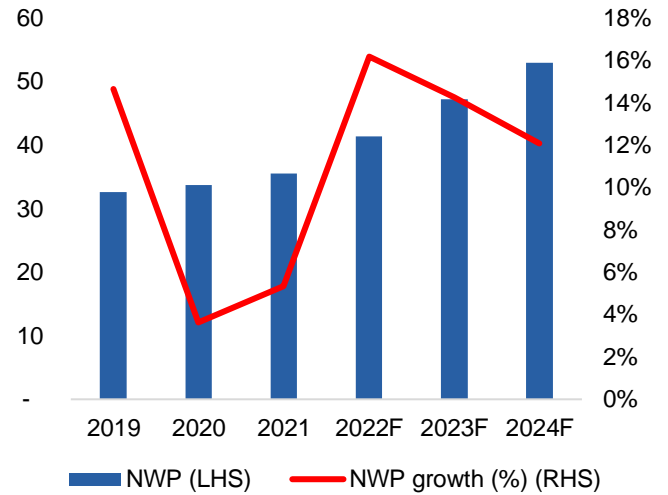


Figure 4: Net written premium (VND tn)



Source: BVH, VCSC

Figure 5: Mathematical reserve expense to life GWP

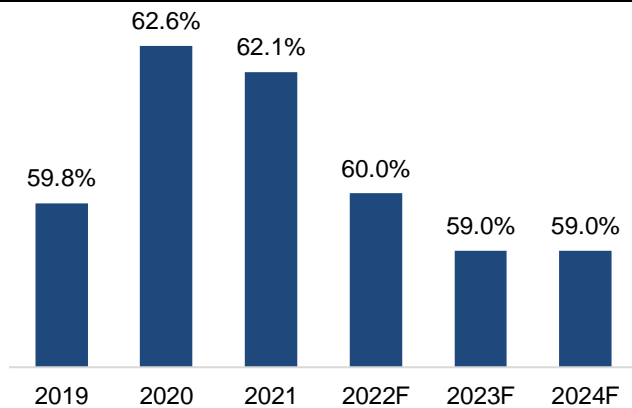
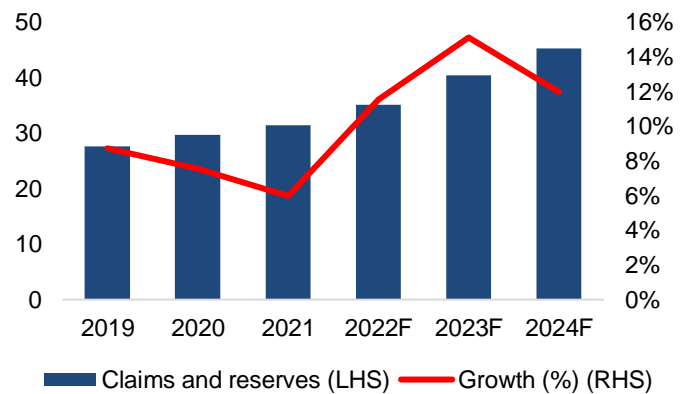


Figure 6: Total claims and reserves (VND tn)



Source: BVH, VCSC

Figure 7: Total cost structure

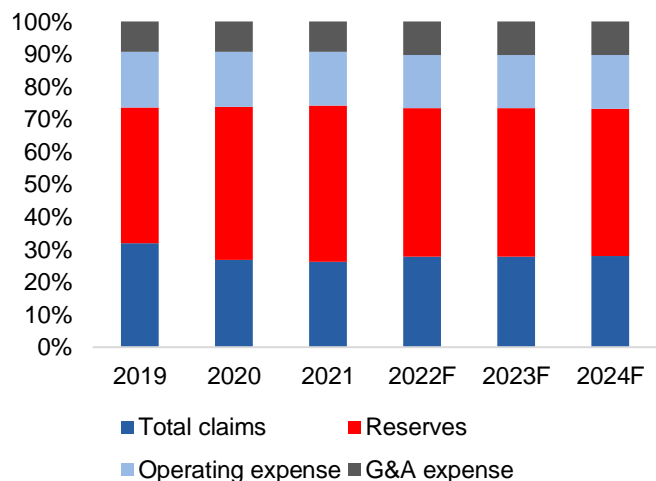
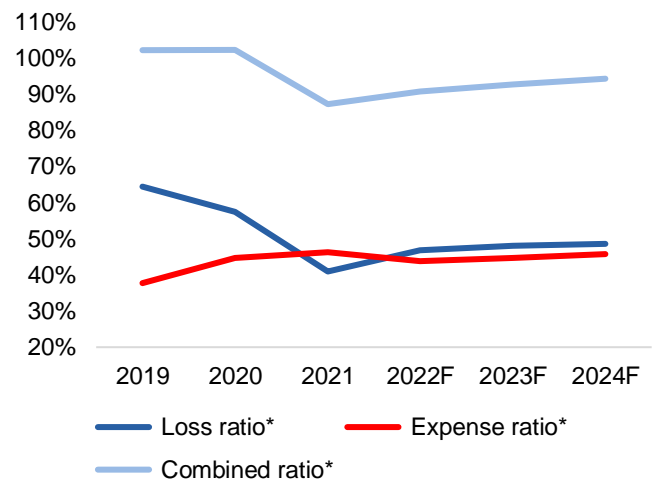


Figure 8: Loss, expense and combined ratio (for non-life only)



Source: BVH, VCSC. (\*) Loss ratio is calculated as the total claims and reserve expenses of non-life business over net earned premium; expense ratio is calculated based on the assumption that underlying expense for the non-life business over total underlying expense (including both life and non-life) is proportional to the percentage of non-life premium over total premium and is calculated as the underlying expense over net written premium; combined ratio is calculated as the sum of the loss ratio and expense ratio.

Figure 9: Vietnam Government yield curve (%)

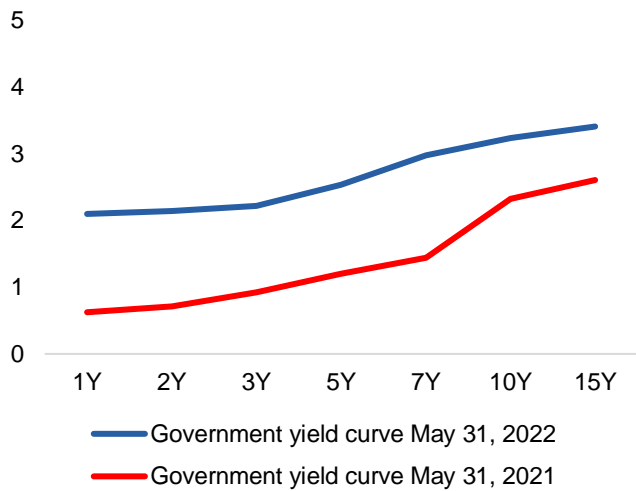
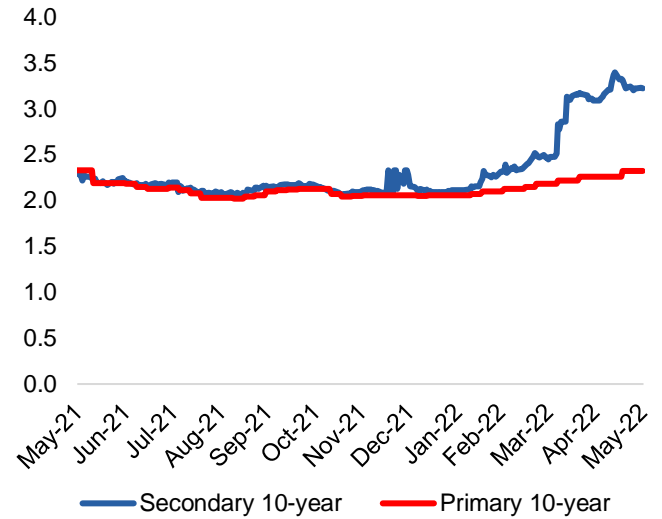


Figure 10: Vietnam Govt. 10-year bond yields (%)



Source: Bloomberg as of May 31, 2022, VCSC

Figure 11: Gross and net investment income (VND tn)

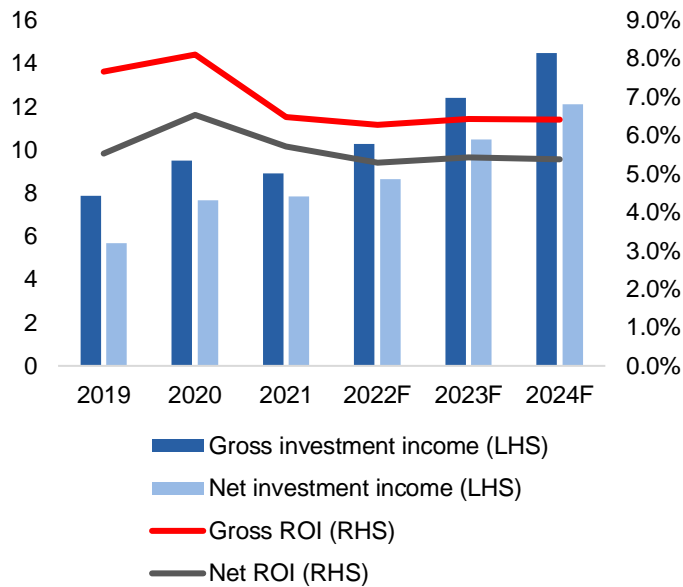
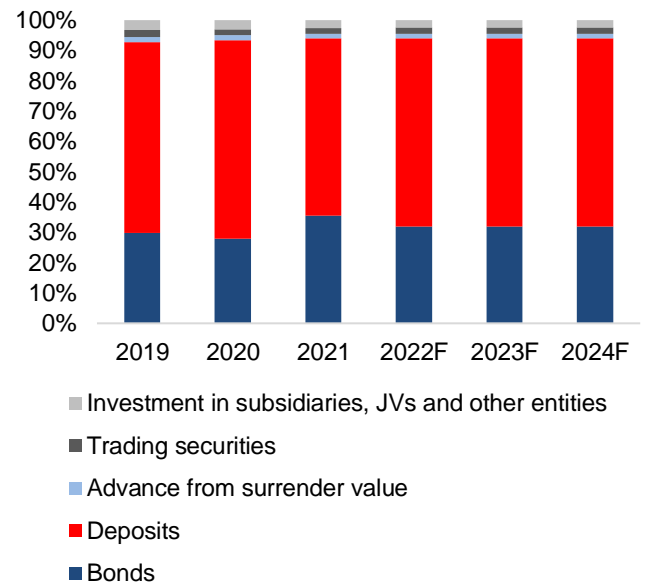


Figure 12: Investment portfolio



Source: BVH, VCSC

Figure 13: EPS (VND) and EPS growth

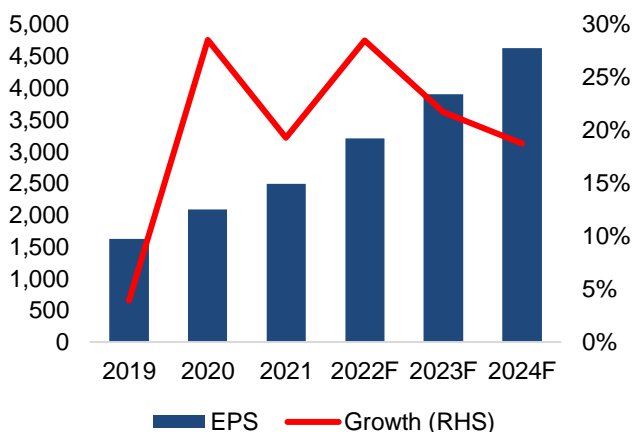
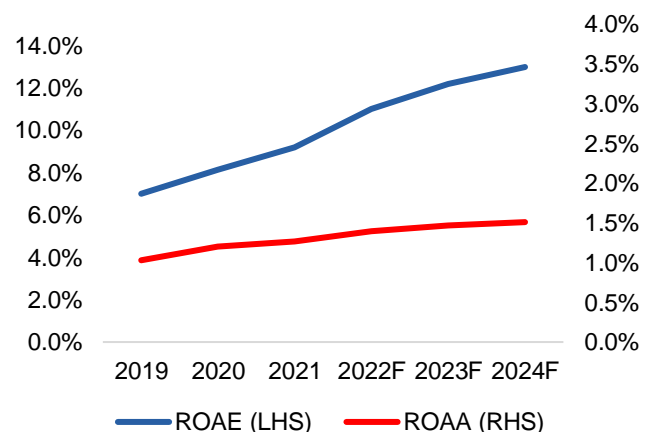


Figure 14: ROAE, ROAA



Source: BVH, VCSC



## Valuation

Our higher TP is due to (1) 8.1%/12.9% increases in our projections for 2022/2023F NPAT and (2) the positive effect of rolling our TP to mid-2023F, which outweigh (3) decreasing our target P/B from 2.1x to 2.0x.

We continue to use a P/B approach to derive our TP for BVH for mid-2023F. We adopt a target P/B for BVH of 2.0x vs 2.1x as in our previous Update Report, which reflects our concerns regarding recent slippage in the timetable for BVH to launch unit-linked products. We observe that growth in unit-linked products has been high in recent years with new unit-linked insurance policies accounting for 13.4% of total new life insurance policies in 2021 (+133% YoY). Currently, we do not have a refreshed timeline on when BVH will be launching such products.

**Figure 15: Valuation summary**

	Fair value
<b>Target P/B (x)</b>	2.0
Mid-2023F equity value (VND bn)	24,413
Target market value of equity	48,826
Number of outstanding shares (billion)	0.742
Mid-2023 BVPS (VND)	32,902
<b>Target Price, TP (VND)</b>	<b>65,800</b>
Current share price (VND)	52,900
Upside	24.4%
Dividend yield	1.9%
<b>TSR</b>	<b>26.3%</b>
<b>Rating</b>	<b>BUY</b>

Source: VCSC

Compared to our chosen peers<sup>1</sup>, BVH is currently trading at a P/B premium despite a relatively low ROE, which implies a relatively expensive valuation for BVH's stock. However, we believe that BVH's ROE is suppressed due to strict regulations regarding the insurance reserve calculation in Vietnam. Specifically, a more conservative discount rate used for the insurance reserve calculation in Vietnam has put upward pressure on BVH's reserve expenses, thereby lowering its earnings capability and ROE. Below are the differences in discount rates used in different countries:

- China regulates a discount rate for the insurance reserve calculation based on a 750-day moving average yield curve of treasury bills issued by the country's Ministry of Finance, plus a premium of not more than 120 bps (risk free rate with a premium).
- Malaysia regulates a discount rate for the insurance reserve calculation based on a zero-coupon spot yield of Malaysian Government Securities (MGS) with matching duration (direct carry over of risk-free rate).
- Vietnam regulates a discount rate for its reserve calculation based on (1) **80%** of a maximum **80%** of the average interest rate of Government bonds with a term of more than 10 years that were issued **24 months** before the reserve is set aside and (2) **20%** of a maximum **70%** of the average interest rate of Government bonds with a term of more than 10 years that were issued **six months** before the reserve is set aside (**only applies for 2021**). **For 2022 onward**, the discount rate for the reserve calculation will be based on **100% of a maximum 80%** of the average interest rate of Government bonds with a term of more than 10 years that were issued within **24 months** before the reserve is set aside.

If a more favorable discount rate is allowed, the gap between BVH's ROE and the chosen peers would narrow (see **Figure 17**).

In addition, though the 2020 penetration ratios for both life and non-life insurance in Vietnam approached the median levels for our sample of emerging economies shown in **Figures 18 & 19**, we believe that Vietnam's insurance industry outlook remains attractive as the country has a stable political and economic environment, aging population and projected growth in GDP per capita that could support future demand for insurance products.

<sup>1</sup> Comparable peers selected have to satisfy two conditions: (1) operating in emerging markets and (2) exposure to both the life and non-life sectors.



**Figure 16: Comparable peers**

	Country	Mkt Cap (USD mn)	Net debt/Equity	ROE TTM	ROA TTM	2021 P/E	2022F P/E	2023F P/E	2021 P/B	2022F P/B	2023F P/B
Bajaj Finserv LTD	India	26,791	190%	12.0%	1.5%	45.7	37.8	32.1	5.2	4.5	3.9
Ping An Insurance Group	China	119,662	194%	11.8%	0.9%	7.9	6.4	5.3	0.9	1.0	0.9
China Pacific Insurance Group	China	28,344	37%	10.7%	1.2%	8.6	7.8	6.5	0.9	0.9	0.8
Allianz Malaysia BHD	Malaysia	522	-36%	14.5%	2.3%	4.4	8.0	7.0	0.6	0.5	0.5
<b>Average</b>		43,830	96%	12.3%	1.5%	16.6	15.0	12.7	1.9	1.7	1.5
<b>Median</b>		27,567	114%	11.9%	1.4%	8.2	7.9	6.8	0.9	0.9	0.9
Bao Viet Holdings	Vietnam	1,684	48%	8.9%	1.1%	20.8	16.0	13.1	1.8	1.7	1.5

Source: Bloomberg as of May 31, 2022, VCSC; BVH data shown is Bloomberg consensus

**Figure 17: P/B value adjustment**

Item	VND bn	Note
2021 mathematical reserve expenses	22,261	
Duration assumption (years)	18	VCSC assumption.
Discount rate assumption	1.95%	VCSC estimation based on Circular 1/2019/TT-BTC.
FV of 2021 mathematical reserve expenses	31,518	
10-yr secondary Gov yield, one-year average*	2.25%	We take the one-year average to smooth out short-term volatility in yields.
Adjusted mathematical reserve expenses	21,117	
Difference	1,145	
Tax rate	20%	
After tax difference	916	Lower math reserves would flow through the income statement in the form of a lower math reserve expense.
2019 Equity value differences between International Financial Reporting Standards (IFRS) and Vietnamese Accounting Standards (VAS)	9.4%	
Implied 2021 equity value following IFRS	23,159	For comparative purposes, it may be appropriate to adjust the book value of BVH to reconcile VAS with IFRS. The company reports the differences between the two accounting standards in its annual report. We apply 2019 equity differences to estimate implied 2021 equity value following IFRS.
Adjusted 2021 equity value (inc. math reserves difference and IFRS difference)	24,074	
Market cap (31/05/2022)	39,046	
<b>Adjusted 2021 PB</b>	<b>1.6</b>	

Source: VCSC; (\*) from December 31, 2020 to December 31, 2021.

**Figure 18: Penetration ratio of life insurance in select emerging markets (2010-2020)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PR China	2.35%	1.78%	1.65%	1.60%	1.70%	1.91%	2.36%	2.62%	2.30%	2.30%	2.40%
India	4.05%	3.28%	2.89%	2.80%	2.63%	2.66%	2.72%	2.68%	2.67%	2.77%	3.20%
Thailand	2.44%	2.49%	3.18%	2.94%	3.55%	3.67%	3.66%	3.59%	3.53%	3.28%	3.40%
Malaysia	3.10%	2.97%	3.12%	3.04%	3.26%	3.02%	3.33%	3.39%	3.28%	3.34%	4.00%
Indonesia	0.95%	1.15%	1.43%	1.15%	1.20%	1.38%	1.58%	1.56%	1.51%	1.41%	1.40%
<b>Vietnam</b>	<b>0.64%</b>	<b>0.48%</b>	<b>0.57%</b>	<b>0.65%</b>	<b>0.72%</b>	<b>0.87%</b>	<b>1.10%</b>	<b>1.30%</b>	<b>1.53%</b>	<b>1.80%</b>	<b>1.60%</b>
Philippines	0.67%	0.85%	1.15%	1.44%	1.22%	1.38%	1.27%	1.23%	1.27%	1.13%	1.20%
Sri Lanka	0.49%	0.49%	0.43%	0.45%	0.47%	0.49%	0.53%	0.53%	0.56%	0.57%	0.50%
Bangladesh	0.20%	N/A	N/A	0.20%	0.20%	0.20%	0.16%	0.16%	0.36%	0.34%	0.30%

Source: Swiss Re, World Bank, VCSC

Figure 19: Penetration ratio of non-life insurance in select emerging markets (2010-2020)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PR China	1.18%	1.16%	1.22%	1.33%	1.45%	1.60%	1.83%	1.84%	1.92%	2.01%	2.10%
India	0.63%	0.68%	0.72%	0.71%	0.70%	0.72%	0.85%	0.90%	0.90%	0.93%	1.00%
Thailand	1.55%	1.67%	1.43%	2.05%	1.77%	1.76%	1.70%	1.66%	1.68%	1.71%	1.90%
Malaysia	1.52%	1.67%	1.60%	1.70%	1.66%	1.61%	1.57%	1.51%	1.41%	1.37%	1.50%
Indonesia	0.46%	0.48%	0.43%	0.55%	0.45%	0.50%	0.47%	0.45%	0.55%	0.58%	0.50%
<b>Vietnam</b>	<b>0.79%</b>	<b>0.84%</b>	<b>0.70%</b>	<b>0.68%</b>	<b>0.69%</b>	<b>0.73%</b>	<b>0.80%</b>	<b>0.82%</b>	<b>0.95%</b>	<b>1.01%</b>	<b>0.70%</b>
Philippines	0.40%	0.47%	0.44%	0.46%	0.48%	0.52%	0.48%	0.55%	0.53%	0.44%	0.50%
Sri Lanka	0.74%	0.60%	0.57%	0.59%	0.62%	0.60%	0.61%	0.61%	0.70%	0.72%	0.60%
Bangladesh	0.63%	N/A	N/A	0.59%	0.56%	0.56%	0.45%	0.41%	0.14%	0.15%	0.10%

Source: Swiss Re, World Bank, VCSC

Figure 20: GDP per capita of select emerging markets (USD) (2010-2020)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PR China	3,832	4,550	5,618	6,317	7,051	7,651	8,033	8,079	8,759	10,262	10,500
India	1,102	1,358	1,458	1,444	1,450	1,574	1,606	1,729	1,981	2,104	1,901
Thailand	4,213	5,076	5,492	5,861	6,168	5,952	5,840	5,979	6,578	7,808	7,189
Malaysia	7,292	9,041	10,399	10,817	10,970	11,319	9,799	9,671	10,118	11,415	10,402
Indonesia	2,261	3,122	3,643	3,694	3,624	3,492	3,332	3,563	3,837	4,136	3,870
<b>Vietnam</b>	<b>1,217</b>	<b>1,318</b>	<b>1,525</b>	<b>1,735</b>	<b>1,887</b>	<b>2,030</b>	<b>2,085</b>	<b>2,192</b>	<b>2,366</b>	<b>2,715</b>	<b>2,786</b>
Philippines	1,822	2,124	2,345	2,573	2,749	2,831	2,867	2,941	2,982	3,485	3,299
Sri Lanka	2,090	2,800	3,201	3,351	3,610	3,819	3,844	3,886	4,105	3,853	3,682
Bangladesh	702	781	862	883	982	1,119	1,248	1,402	1,564	1,856	1,969

Source: World Bank, VCSC

Figure 21: BVH's one-year forward P/B ratio (Bloomberg consensus)

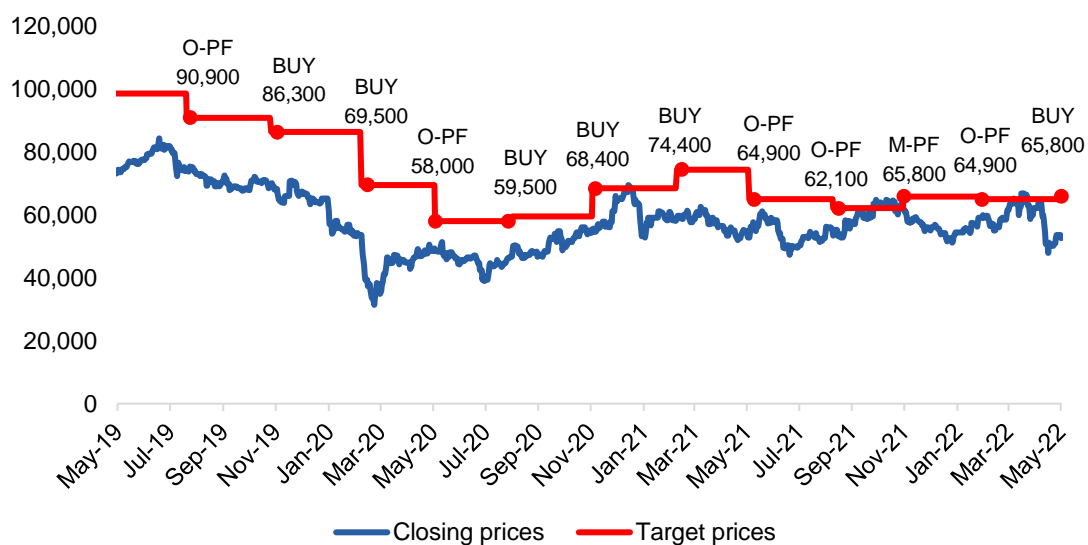


Source: Bloomberg, VCSC



## Historical Recommendations

Figure 22: Historical target prices (VND/share)



Source: Bloomberg, VCSC



## Financial Statements

P&L (VND bn)	2021	2022F	2023F	2024F
<b>Direct premium</b>	39,504	45,287	51,652	57,871
- of which - Life	30,558	35,440	40,851	46,032
- of which - Non-life	8,946	9,847	10,801	11,839
Re-insurance premium	165	173	182	191
<b>Gross written premium</b>	<b>39,668</b>	<b>45,460</b>	<b>51,833</b>	<b>58,061</b>
Outward re-insurance	(4,078)	(4,108)	(4,582)	(5,107)
<b>Net written premium</b>	<b>35,590</b>	<b>41,352</b>	<b>47,251</b>	<b>52,955</b>
Unearned premium reserve	302	(337)	(385)	(432)
<b>Net earned premium</b>	<b>35,892</b>	<b>41,015</b>	<b>46,865</b>	<b>52,523</b>
Other premiums earned	936	1,150	1,306	1,481
Claims and losses	(31,499)	(35,139)	(40,455)	(45,306)
- of which - math expense	(18,980)	(21,269)	(24,108)	(27,165)
Underwriting expense	(6,992)	(7,865)	(8,979)	(10,171)
G&A expense	(3,998)	(4,935)	(5,686)	(6,425)
<b>Operating profit</b>	<b>(5,661)</b>	<b>(5,774)</b>	<b>(6,948)</b>	<b>(7,898)</b>
Investment income	8,912	10,257	12,392	14,466
Financial expense	(1,060)	(1,611)	(1,914)	(2,352)
Income from affiliates	93	93	98	103
Other income	92	87	91	95
<b>PBT</b>	<b>2,376</b>	<b>3,052</b>	<b>3,720</b>	<b>4,413</b>
<b>NPAT</b>	<b>2,003</b>	<b>2,573</b>	<b>3,136</b>	<b>3,721</b>
Minority interest	(107)	(130)	(163)	(190)
<b>NPAT-MI</b>	<b>1,897</b>	<b>2,443</b>	<b>2,973</b>	<b>3,530</b>
EPS (VND)	2,493	3,202	3,897	4,627
DPS (VND)	900	1,000	1,000	1,000

RATIOS	2021	2022F	2023F	2024F
<b>Efficiency</b>				
Loss ratio*	40.9%	46.9%	48.0%	48.6%
Expense ratio*	46.2%	43.8%	44.6%	45.6%
Combined ratio*	87.2%	90.7%	92.6%	94.2%
Retention ratio	89.7%	91.0%	91.2%	91.2%
<b>Balance sheet</b>				
Investment portfolio/equity	7.05	7.66	8.12	8.45
Investment portfolio/reserves	1.19	1.20	1.20	1.20
Assets/equity	8.00	8.57	8.93	9.19

B/S (VND bn)	2021	2022F	2023F	2024F
Cash & equivalents	5,354	14,716	13,258	12,630
ST investments	82,007	96,387	113,119	131,763
LT investments	67,383	81,053	95,123	110,801
Net receivables	9,303	83	96	110
Net fixed assets	2,376	2,851	3,422	4,106
Other assets	3,080	3,517	3,983	4,515
<b>Total assets</b>	<b>169,504</b>	<b>198,607</b>	<b>229,001</b>	<b>263,925</b>
Reserve for outstanding claim and loss	2,408	2,804	3,259	3,777
Premium reserve	4,642	5,006	5,421	5,885
Math reserve	112,071	133,340	157,447	184,613
Other insurance reserves	6,108	6,288	6,905	7,276
Short term borrowing	2,506	2,306	2,306	2,306
Other short-term liabilities	19,201	24,239	26,418	29,490
Long term borrowings	267	100	100	100
Other long-term liabilities	270	385	363	428
<b>Total liabilities</b>	<b>147,473</b>	<b>174,468</b>	<b>202,219</b>	<b>233,875</b>
Shareholder equity	21,191	23,174	25,653	28,731
Minority interest	836	966	1,129	1,319
<b>Total liabilities and equity</b>	<b>169,500</b>	<b>198,607</b>	<b>229,001</b>	<b>263,925</b>
Y/E shares out (mn)	742	742	742	742
BVPS (VND)	28,546	31,218	34,557	38,704

RATIOS	2021	2022F	2023F	2024F
<b>Profitability</b>				
ROAA	1.3%	1.4%	1.5%	1.5%
ROAE	9.2%	11.0%	12.2%	13.0%
<b>Investment performance</b>				
Gross ROI	6.5%	6.3%	6.4%	6.4%
Net ROI	5.7%	5.3%	5.4%	5.4%
<b>Solvency ratio (estimated)</b>				
Life business	117%	118%	123%	130%
Non-life business	138%	137%	141%	146%

Source: BVH, VCSC. (\*) Loss ratio, expense ratio and combined ratio is for non-life insurance only; loss ratio is calculated as net claims and net claim reserve expense over net earned premium; expense ratio is calculated based on the assumption that underlying expense for non-life business over total underlying expense (including both life and non-life) is proportional to the percentage of non-life premium over total premium and is calculated as the underlying expense over net written premium; combined ratio is calculated as the sum of loss ratio and expense ratio.



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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%
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