

Insurance

A promising industry

Favorable fundamentals

Vietnam has a promising insurance market from its low penetration rate of 2.65% compared to 9.6% in advanced markets. Insurance density was USD72 compared to USD4,664 of the advanced markets. Total population possessed life insurance products was just ~8.5%. Those imply a potential field for all players in the sectors. In addition, Vietnam insurance sector is supported by bright economy prospect, macro stability and sizable population of ~97 million. The industry achieved a two-digit growth for many years and is expected to keep its robust trajectory in coming period.

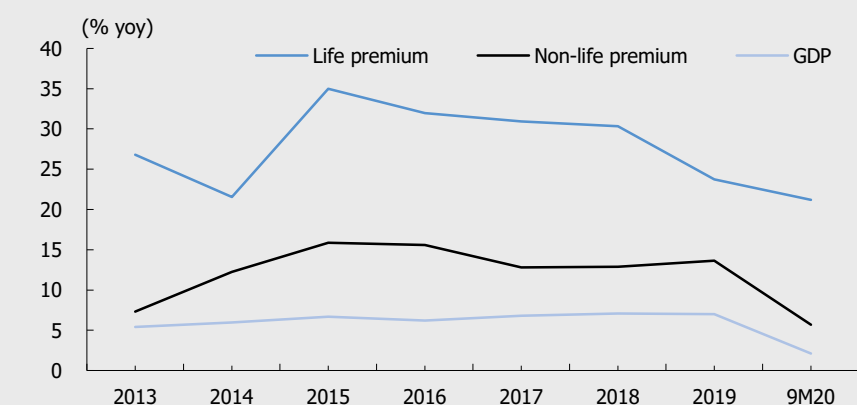
An attractive destination for foreign-insurance companies

Vietnam market has 67 insurance companies, therein 31 non-life insurers, 18 life insurers, 16 brokers and two reinsurers. Many reputable foreign insurance companies have presences in Vietnam in both life and non-life sectors. Currently, local players such as BVH, PVI, PTI, BMI have large market shares in term of gross premium. Most of them are listed on Vietnam stock exchanges and have drained investors' attention.

A bass note in 2020

The COVID-19 slowed down the non-life premium growth to 5.7% yoy in 9M20. The most impacted product lines are cargo with negative growth of 14.4%, automobile business and health business with slight growth of 2-3%. Meanwhile, the life insurance premium recognized positive growth at 21.2% yoy in 9M20. The sector's 2020 NP may have depressed by historical low interest rates level.

Figure 1. Vietnam insurance premium growth



Source: IAV, GSO, KIS VN

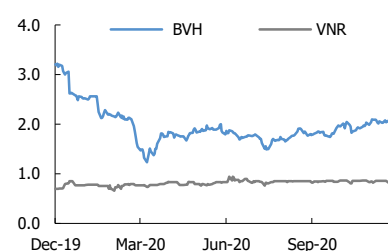
Absolute performance (%)

| | 1M | 6M | 12M |
|-----|-------|------|--------|
| BVH | 5.4 | 20.5 | (18.5) |
| PVI | 4.8 | 5.8 | 4.8 |
| PTI | 3.0 | - | - |
| BMI | 5.6 | 38.4 | 31.0 |
| PGI | 13.8 | 32.4 | 40.4 |
| BIC | 7.9 | 0.5 | (10.8) |
| MIG | 12.7 | 35.4 | 27.9 |
| BLI | 15.7 | 22.9 | 17.6 |
| ABI | 3.1 | 32.0 | 26.0 |
| VNR | (5.0) | 4.6 | 18.9 |

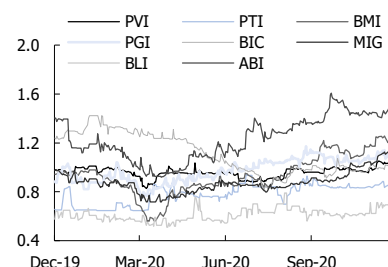
Relative performance to VNIndex (%p)

| | 1M | 6M | 12M |
|-----|--------|--------|--------|
| BVH | (4.0) | (5.3) | (31.2) |
| PVI | (4.6) | (20.0) | (7.9) |
| PTI | (6.4) | - | - |
| BMI | (3.8) | 12.6 | 18.3 |
| PGI | 4.4 | 6.6 | 27.7 |
| BIC | (1.5) | (25.3) | (23.5) |
| MIG | 3.3 | 9.6 | 15.3 |
| BLI | 6.3 | (2.9) | 4.9 |
| ABI | (6.3) | 6.2 | 13.4 |
| VNR | (14.4) | (21.2) | 6.2 |

BVH & VNR PB



Non-life insurers PB



Note: stocks statistic on 16 Dec 20
Source: Bloomberg

Yen Tran

yen.tt@kisvn.vn

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What is the report about?

- Vietnam is the potential field for insurance industry.
- Drastic competitiveness in both life and non-life insurance segment.
- Short-term headwind due to COVID-19

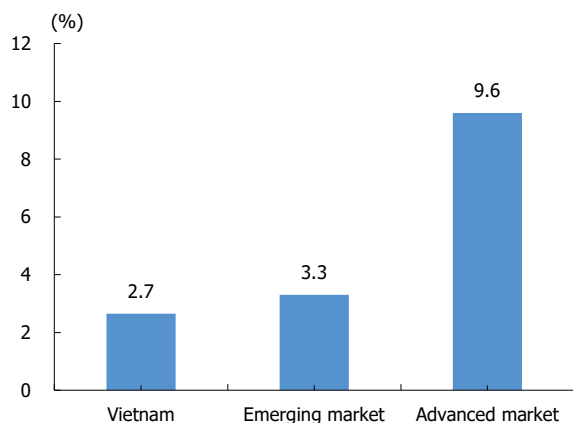
I. A promising industry

1. Low penetration rate

Low penetration rate implies a potential field for all players.

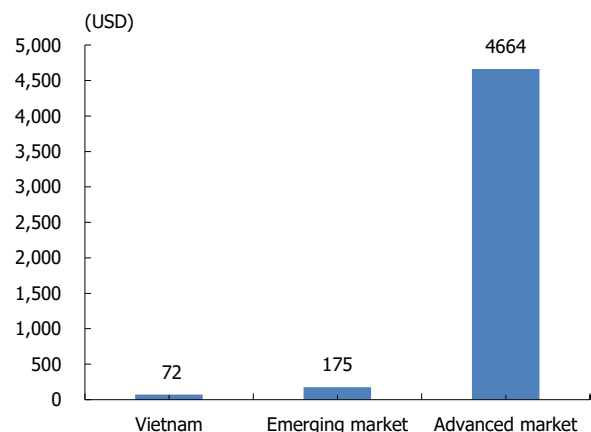
Vietnam insurance industry is underdeveloped with low penetration rate (insurance premium/GDP) and low density (average insurance spending per capita). The overall insurance penetration rate in Vietnam was 2.7% in 2019, 60bps below the average penetration rate in emerging markets and a distance vs. 9.6% in advanced markets. Average insurance spending per capital (density) was ~USD72 in Vietnam in 2019 vs. an average of USD175 in emerging markets and USD4,664 in advanced market. Total population possessed life insurance was ~8.5% in 2019, and the MoF expects to lift the ratio to 15% by 2025. Those imply a potential field for all players in the sectors.

Figure 2. Insurance penetration rate 2019



Source: Swiss Re Institute

Figure 3. Insurance density 2019



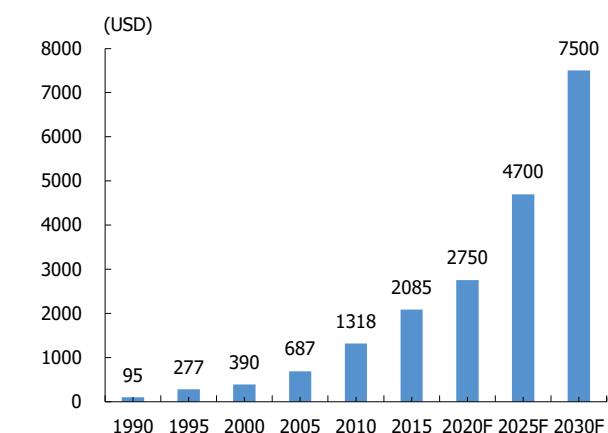
Source: Swiss Re Institute

2. Favorable fundamental factors

The Government aims to raise GDP per capital to USD4,700-5,000 by 2025.

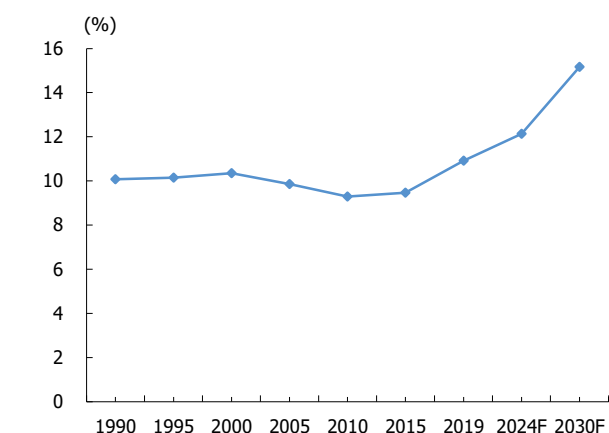
Good economy prospect, macro stability and sizable population of ~97 million people are favorable conditions for insurance industry. Vietnam has a steady economic growth with an average rate of 7.3% in 2001-2010 and 6.31% in 2010-2019. In 2020, despite of COVID-19 outbreak, Vietnam is one of minority countries accomplishing positive GDP growth (+2.12% in 9M20) and this outstanding trajectory is forecasted to continue in coming years. According to Vietnam development plan for 2021-2025 and 2021-2030, the Government aims to raise GDP per capital to USD4,700-5,000 by 2025 and to USD7,500 by 2030 from USD2,750 in 2020F.

Figure 4. Vietnam GDP per capita



Note: 2020F GDP estimated by Government in Oct 2020; 2030F GDP is Government's goal.
Source: Worldbank

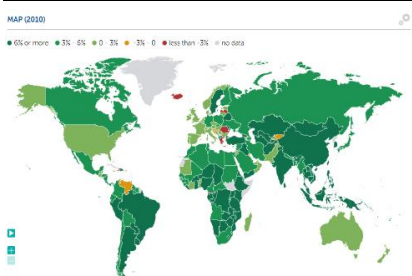
Figure 5. Old-age dependency rate



Source: Worldbank, 2024F and 2030F by Populationpyramid.net

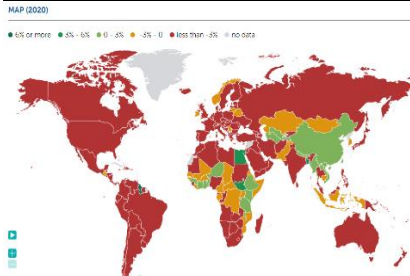
The country population is increasing and has been in “golden structure”. Urbanization will keep growing and the portion of urban population is forecasted to increase to ~45% from existing level of ~37%. In line with economy growth, there will be a rise in middle class population from 13% at present to 26% by 2026 according to Worldbank’s estimation. Besides, restructuring in healthcare system and social insurance scheme may provide opportunity for private insurers to ripen health insurance services. On the other hand, the development of banking system will assist the industry in approaching clients via bancassurance activity.

Figure 6. Real GDP growth 2010



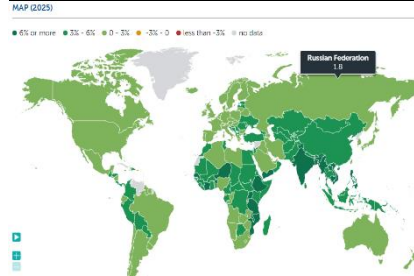
Source: IMF

Figure 7. Real GDP growth 2020F



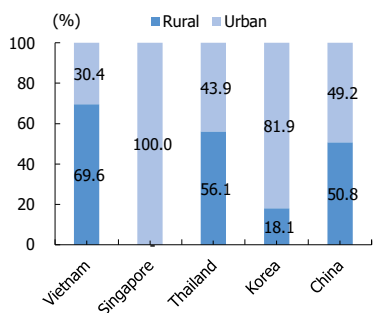
Source: IMF

Figure 8. Real GDP growth 2025F



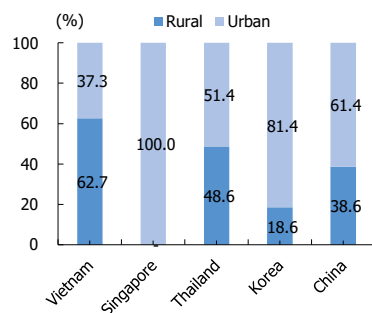
Source: IMF

Figure 9. Urban vs. rural population in Vietnam and other countries in 2010



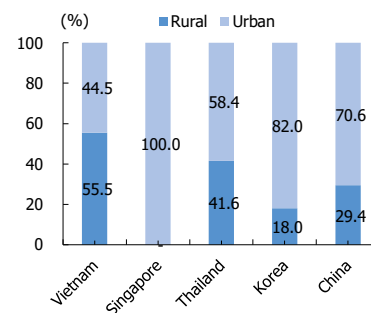
Source: United Nations

Figure 10. Urban vs. rural population in Vietnam and other countries in 2020



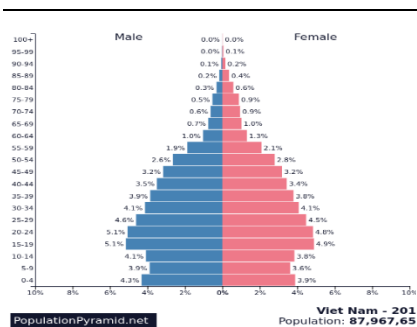
Source: United Nations

Figure 11. Urban vs. rural population in Vietnam and other countries in 2030F



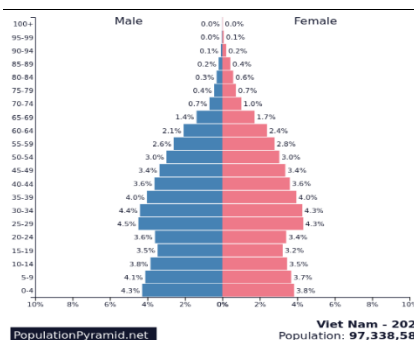
Source: United Nations

Figure 12. Population pyramid 2010



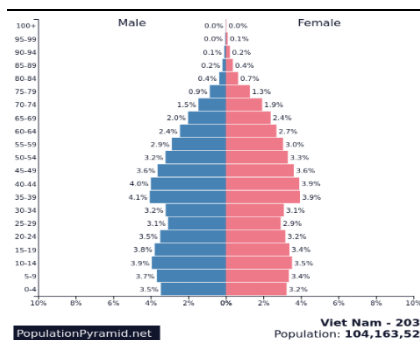
Source: Populationpyramid.net

Figure 13. Population pyramid 2020



Source: Populationpyramid.net

Figure 14. Population pyramid 2030F



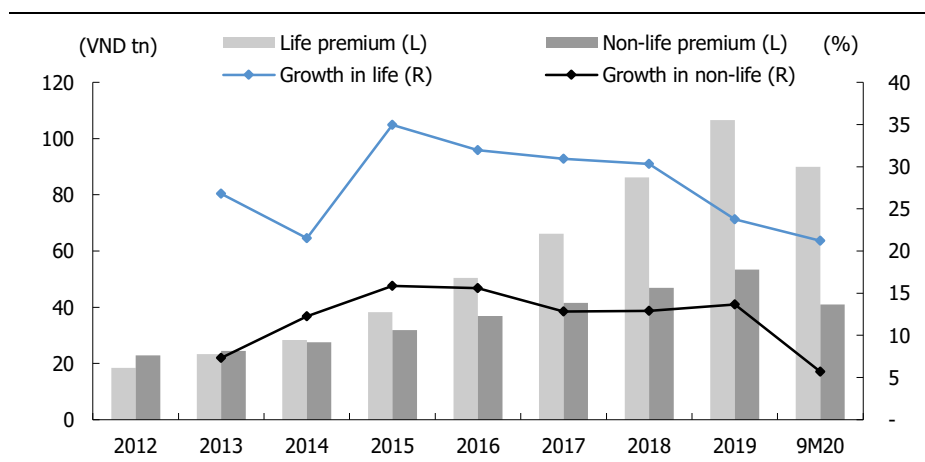
Source: Populationpyramid.net

3. Robust growth will continue

The life insurance premium was still positive at a growth of 21.2% yoy in 9M20.

Vietnam total insurance premium skyrocketed by 21-26% per year during 2015-2019. Notably growth in life insurance premium was around 24-35%/year while non-life insurance premium grew at 12-16%/year. Total segment assets increased at CAGR (2014-2019) of 22% and reached VND463tn in 2019. The industry investment portfolio achieved VND378tn in 2019, making a five-year CAGR of 9.3%. Of which, government bond investments accounted for 44%, approximately VND378tn and deposits made up ~40% or VND151tn in 2019. The COVID-19 slowed down the non-life insurance premium growth to 5.7% yoy while the life insurance premium was still positive at a growth of 21.2% yoy in 9M20.

Figure 15. Vietnam gross premium and growth



Source: IAV

Table 1. Industry financial capacity

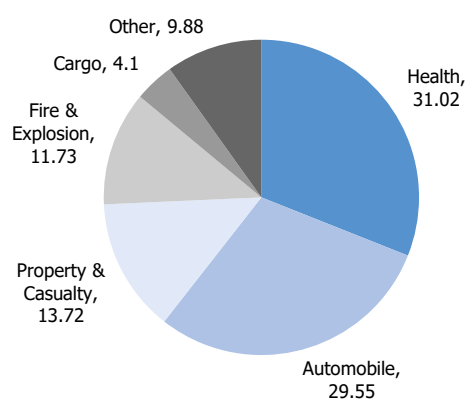
(VND bn)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 1H20 |
|--|---------|---------|---------|---------|---------|---------|
| Assets | 202,378 | 248,247 | 316,487 | 395,215 | 462,642 | 211,273 |
| life | 143,250 | 181,705 | 240,847 | 311,140 | 370,343 | 137,838 |
| non-life | 59,128 | 66,542 | 75,640 | 84,075 | 92,299 | 73,435 |
| Reserves | 119,897 | 146,524 | 189,029 | 241,710 | 291,735 | - |
| Industry investment portfolio | 160,467 | 198,149 | 247,815 | 324,250 | 378,408 | 158,299 |
| Deposits | 47,693 | 59,916 | 77,007 | 129,252 | 150,758 | - |
| VGBs | 91,204 | 113,366 | 134,155 | 149,379 | 168,138 | - |
| Secured CBs | 2,005 | 2,080 | 3,848 | 10,323 | 17,367 | - |
| Equity, Fund Certificate & unsecured CBs | 8,073 | 10,619 | 16,099 | 22,670 | 29,115 | - |
| Capital contribution | 2,740 | 2,663 | 3,176 | 3,236 | 2,785 | - |
| Real estate | 296 | 496 | 623 | 659 | 614 | - |
| Loans | 6,628 | 6,793 | 7,031 | 7,373 | 8,485 | - |
| Investment trust | 529 | 1,331 | 5,117 | 542 | 530 | - |
| Others | 1,299 | 885 | 759 | 816 | 616 | - |

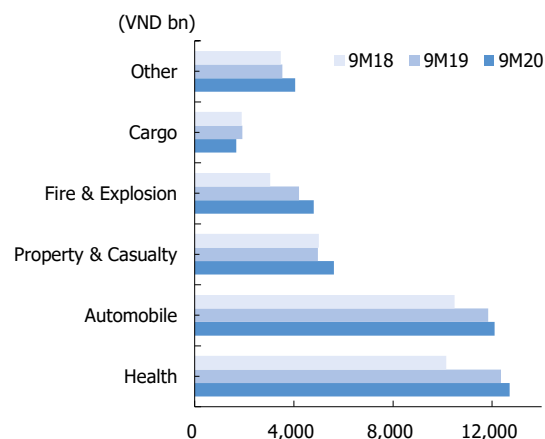
Source: IAV, Fin

Premium of cargo business line declined by 14.41% yoy in 9M20 due to COVID-19

Regarding to non-life insurance, main business lines comprise health insurance, automotive insurance, property & casual insurance, and fire & explosion insurance. Of which, automobile and health insurance showed strong premium growth of 12.5% and 20% respectively in 2019. However, due to COVID-19, premium of cargo business line declined by 14.41% yoy to VND1.68tn in 9M20 and premium of automobile and health business were decelerated at 2.2% yoy and 2.86% yoy respectively.

Figure 16. Non-life premium mix by business lines 9M20

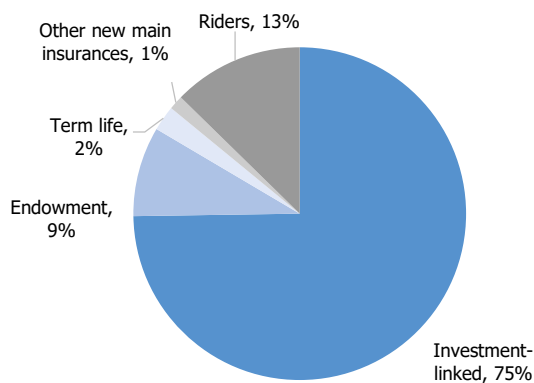
Source: IAV

Figure 17. Non-life premium by business line in 9M18 - 9M20

Source: IAV

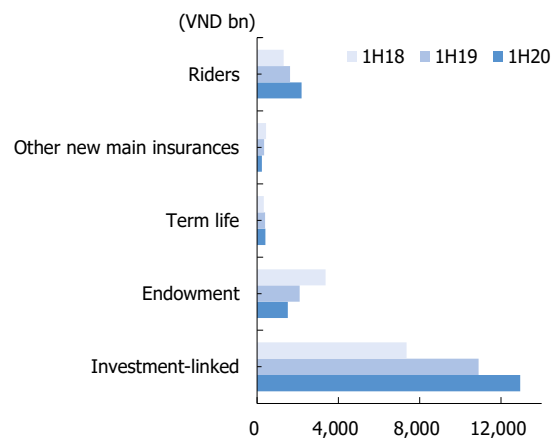
Regarding to life business, investment-linked products accounted for ~75% of first year premium, and 56% of new policies. Most of main insurance products showed weak results in 1H20 vs. that in the last two years except for investment-linked lines and riders.

Figure 18. First year life premium mix by business lines 1H20



Source: IAV

Figure 19. First year premium by business line in 1H18-1H20



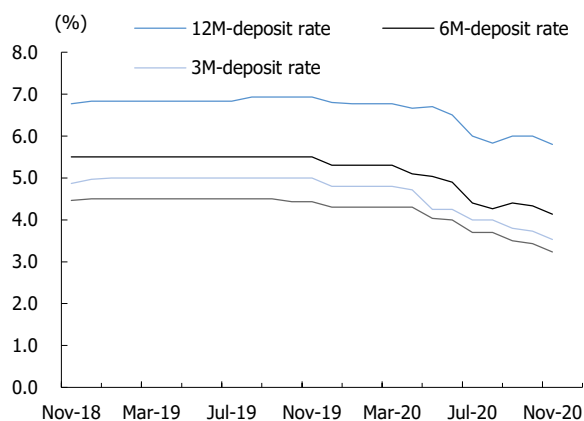
Source: IAV

There is a concern that the virus may restrain economic activities, then affects the insurance business outlook. However, since Vietnam's economy has been solid in 9M20 (+2.62% in 3Q20) and is expected to recovery strongly in 2021 (+6.1% by ADB), we believe the insurance sector may maintain its two-digit growths in future.

4. Historical low interest rate level hurts short-term earnings

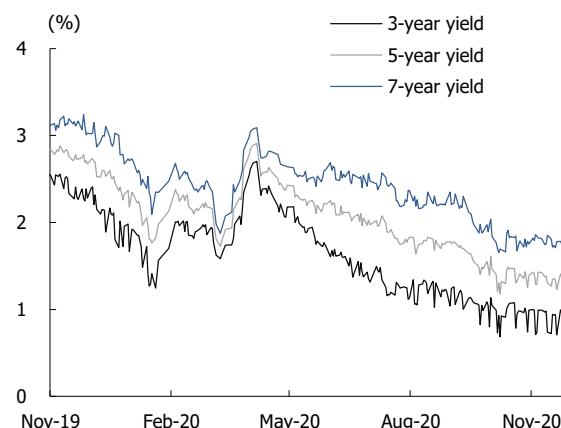
As mentioned above, G-bond and deposit account for above 80% of investment portfolio of insurance companies, the recent interest rate downward puts heavy pressure on the sector's financial income. However, our fixed-income team forecast that super low-yield environment may not last long in the near term since the country's credit has jumped up considerable to achieve 8.46% in Nov 2020 from 6.08% in 9M20. Given that, liquidity of the banking system would not be as easing as before, then it would put more upward pressure on the yields in Jan 2021.

Figure 20. State-owned banks deposit rates



Source: Company data, Local presses, KIS

Figure 21. G-bond yields on secondary market



Source: Bloomberg, KIS, HNX

II. Market structure

1. M&A trend

There are 67 insurance companies in Vietnam market

The country has 67 insurance companies, therein 31 non-life insurers, 18 life insurers, 16 brokers and two reinsurers in 2019. There was significant change in the number of life and non-life insurance companies with an addition of one company each since 2015. However, many foreign insurers have entered Vietnamese market via M&A. For instance, FWD took over VCLI through a bancassurance agreement with Vietcombank worth of ~USD400mn in 2019, Sunlife acquired whole stake in PVI Sun life J.V in 2016, or Sumitomo Life raised its BVH holding by 4.6%p to 22.09% in 2019. We believe, the industry attractiveness may draw more foreign capital into Vietnam via M&A in coming period. Besides, EVFTA expands Vietnam's commitment to open insurance market e.g. reinsurance business, then may lift competitiveness in the sector.

Table 2. Number of insurance company

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------------|------|------|------|------|------|
| Total | 61 | 63 | 64 | 65 | 67 |
| No. of non-life | 30 | 30 | 30 | 31 | 31 |
| No. of life | 17 | 18 | 18 | 18 | 18 |
| No. of pro reinsurers | 2 | 2 | 2 | 2 | 2 |
| No. of brokers | 12 | 13 | 14 | 14 | 16 |

Source: IAV

2. Foreign-brands dominate life insurance business

BVL is the only domestic representative in life segment

Except for Bao Viet Life (BVL), a subsidiary of Bao Viet Holding (HSX: BVH), life insurance business has been crowded with foreign-brand insurers. Top five largest life insurers in terms of total insurance premium comprises BVL (22.9% market share), Prudential (19.1%), Manulife (15.9%), Dai-ichi (11.6%) and AIA (11.4%), accounts for ~81% of overall premium in 6M20. Apart from the top-five, there are many foreign-players who are trying to capture the market opportunity. Some in the list of top ten largest first year premium five years ago have been replaced by new faces while some such as Generali, MB Ageas, FWD, Aviva, and Hanwha have significant increases in their rankings. Overall, the competitiveness in the industry is quite fierce.

Table 3. Life insurance market share by first year premium and ranking (%)

| | 6M20 | Ranking | 2015 | Ranking |
|------------|------|---------|------|---------|
| Manulife | 19.4 | 1 | 12.3 | 3 |
| BVL | 16.3 | 2 | 19.5 | 2 |
| Prudential | 14.0 | 3 | 21.9 | 1 |
| Dai-ichi | 11.9 | 4 | 10.3 | 5 |
| AIA | 11.7 | 5 | 11.4 | 4 |
| Generali | 4.7 | 7 | - | - |
| MB ageas | 4.5 | 8 | - | - |
| FWD | 3.3 | 9 | - | - |
| Chubb | 3.0 | 10 | - | 6 |
| Avia | 2.8 | 11 | - | - |
| Hanwha | 2.7 | 12 | - | - |
| Others | 5.7 | - | 24.7 | - |

Source: IAV

3. Fragmented non-life market

The non-life insurance market is fragmented with 31 players. Majority of them are local companies e.g. Bao Viet, PVI, PTI, BMI, Pjico, MIC ect. Top ten largest non-life players make up ~72% of industry gross premium and the other 21 companies share ~28% of the remaining pie.

Table 4. Non-life insurance market shares by total premium and ranking (%)

| | 6M20 (%) | Ranking | 2015 (%) | Ranking |
|--------------|----------|---------|----------|---------|
| Bao Viet | 17.2 | 1 | 18.3 | 2 |
| PVI | 15.0 | 2 | 20.3 | 1 |
| PTI | 10.9 | 3 | 7.7 | 4 |
| Bao Minh | 7.4 | 4 | 8.9 | 3 |
| Pjico | 6.6 | 5 | 7.0 | 5 |
| MIC | 5.3 | 6 | 4.4 | 7 |
| BSH | 3.4 | 7 | 1.2 | 18 |
| VASS | 3.4 | 8 | 4.0 | 8 |
| Samsung Vina | 1.4 | 9 | 3.6 | 9 |
| Liberty | 1.1 | 10 | 1.6 | 13 |
| Others | 28.3 | | 23.1 | |

Source: IAV

4. Rise in bancassurance

Life insurers have been seeking for exclusive distribution bancassurance agreements

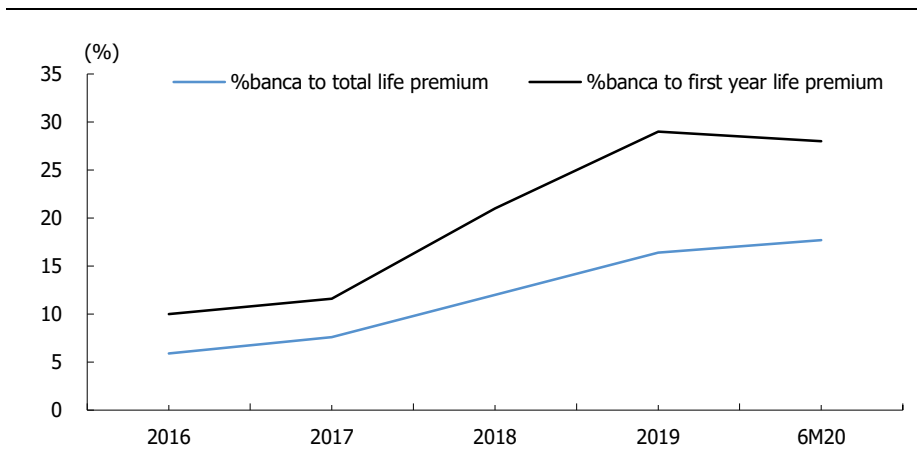
Number of insurance agents increased at a CAGR of 28% in 2014-2019 and reached more than 1 million in 2019. 84% of that was belong to life insurance business. These agents are important to the industry development. On the other hand, many insurers have inked bancassurance agreement with banks to leverage on bank's client base and their distribution networks. Penetration of bancassurance in total life insurance premium increased significantly from 5.9% in 2016 to 17.2% in 2019. We believe this trend will continue since both banks and insurance companies have emphasized on this business. Except for BVL, foreign-brand life insurers such as Manulife, Prudential, AIA, Dai-ichi, FWD and Sunlife etc. have tried to inked exclusive distribution agreement with commercial banks with generous upfront fee.

Table 5. Number of agents

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------|---------|---------|---------|---------|-----------|
| Agents | 561,773 | 595,040 | 743,778 | 899,071 | 1,026,224 |
| Life | 484,915 | 507,165 | 627,038 | 760,723 | 866,769 |
| Non-life | 76,858 | 87,875 | 116,740 | 138,348 | 159,455 |

Source: IAV

Figure 22. GWP via bancassurance channel



Source: Local presses, KIS

Table 6. Life insurance bancassurance partnership

(%)

| | 6M20 mkt share | Exclusive partners | Other partners |
|-------------------------------|----------------|---|--|
| BVL | 22.90 | Bao Viet Bank (in-house) | |
| Prudential | 19.10 | MSB (2013, 10y); VIB (2015, 15y); Standard Chartered (2014, 15y), UOB (2019, 15y), PVcomBank (2019, 10y), SeABank (2020, 20y) | Shinhan, Vietbank |
| Manulife | 15.90 | SCB (2015); Techcombank (2017, 15y); Vietinbank (Dec2020, 16y) | ANZ, Shinhan |
| Dai-ichi | 11.60 | LPB (2016, 5y), STB (2017, 20y), SHB (2017, 15y), HDB (2015, 10y) | Bac A Bank |
| AIA | 11.40 | VPB (2017, 15y); HSBC (2017, 5y) | Citibank, KLB, Viet Capital Bank, Public Bank, Dong A Bank |
| Chubb (Ace Life: before-2015) | 3.10 | Viet A Bank (2018, 10y) | Viet Capital Bank |
| Generali | 2.90 | Eximbank (2016, 5y); OCB (2019, 15y) | Bac A Bank, CIMB |
| Hanwha | 2.70 | - | Shinhan Bank, Woori Bank |
| MB ageas | 2.40 | MBB (in-house) | - |
| Aviva | 2.10 | Vietinbank (in-house) – To transfer to Manulife since 2021 | KLB |

Source: Local presses, KIS

Insurance stocks

Bao Viet Holding (BVH)

Non-life stocks – PVI, BMI, BIC, PGI, MIG, PTI, ABI

Reinsurance stocks – VNR

Table 7. Earnings and valuation

| Recommendation & TP | | | | Earnings & Valuation | | | | | | | | | |
|---------------------|------------------|--------|--------|----------------------|----------|----------|-------|--------|-------|------|-------|-------|-------|
| Company | | | | Revenue | OP | NP | EPS | BPS | PER | PBR | ROE | ROA | DY |
| | | | | (VND bn) | (VND bn) | (VND bn) | (VND) | (VND) | (x) | (x) | (%) | (%) | (%) |
| Life & Non-life | | | | | | | | | | | | | |
| BVH | Recommendation | - | 2016A | 23,281 | 1,773 | 1,123 | 1,718 | 19,149 | 31.96 | 2.87 | 9.13 | 1.71 | 1.46 |
| (HSX) | TP (VND) | - | 2017A | 29,482 | 2,524 | 1,563 | 2,292 | 20,221 | 27.34 | 3.10 | 11.64 | 1.90 | 1.60 |
| | Price (VND) | 58,000 | 2018A | 37,464 | 2,023 | 1,115 | 1,518 | 21,092 | 57.00 | 4.10 | 7.28 | 1.09 | 1.16 |
| | Mkt cap (VND bn) | 43,055 | 2019A | 40,317 | 2,377 | 1,182 | 1,649 | 25,821 | 41.01 | 2.62 | 6.89 | 0.98 | 1.48 |
| | | | T12M20 | 42,590 | 2,280 | 1,278 | 1,731 | 27,149 | 27.72 | 1.77 | 7.13 | 0.96 | 2.00 |
| Non-life | | | | | | | | | | | | | |
| PVI | Recommendation | - | 2016A | 5,453 | 727 | 540 | 2,231 | 29,628 | 8.58 | 0.65 | 7.58 | 3.36 | 10.44 |
| (HNX) | TP (VND) | - | 2017A | 5,398 | 692 | 500 | 2,115 | 29,654 | 12.30 | 0.88 | 7.15 | 2.76 | 7.69 |
| | Price (VND) | 30,600 | 2018A | 6,173 | 751 | 553 | 2,305 | 29,354 | 12.46 | 0.98 | 7.88 | 2.82 | 4.88 |
| | Mkt cap (VND bn) | 6,840 | 2019A | 6,538 | 860 | 648 | 2,580 | 29,946 | 11.15 | 0.96 | 8.70 | 3.10 | 6.96 |
| | | | T12M20 | 5,537 | 868 | 652 | 2,729 | 30,040 | 10.95 | 1.00 | 9.10 | 2.85 | 7.53 |
| BMI | Recommendation | - | 2016A | 2,903 | 223 | 182 | 2,039 | 23,766 | 9.88 | 0.85 | 8.56 | 3.64 | 4.51 |
| (HSX) | TP (VND) | - | 2017A | 3,357 | 190 | 163 | 1,787 | 23,291 | 17.72 | 1.36 | 7.59 | 3.09 | 6.32 |
| | Price (VND) | 30,200 | 2018A | 3,310 | 200 | 162 | 1,776 | 24,541 | 10.40 | 0.75 | 7.43 | 2.97 | 5.42 |
| | Mkt cap (VND bn) | 2,759 | 2019A | 3,562 | 218 | 181 | 1,660 | 24,833 | 13.98 | 0.93 | 7.75 | 3.25 | 5.17 |
| | | | T12M20 | 3,885 | 243 | 201 | 1,949 | 24,565 | 14.73 | 1.17 | 8.69 | 3.43 | 5.23 |
| BIC | Recommendation | - | 2016A | 1,406 | 165 | 127 | 1,095 | 17,321 | 31.01 | 1.96 | 6.32 | 2.88 | 1.77 |
| (HSX) | TP (VND) | - | 2017A | 1,580 | 183 | 138 | 1,176 | 17,576 | 28.56 | 1.91 | 6.74 | 3.00 | 2.08 |
| | Price (VND) | 21,250 | 2018A | 1,726 | 214 | 155 | 1,321 | 18,021 | 18.36 | 1.35 | 7.42 | 3.14 | 2.89 |
| | Mkt cap (VND bn) | 2,492 | 2019A | 1,929 | 270 | 211 | 1,800 | 18,897 | 13.61 | 1.30 | 9.75 | 3.97 | 2.86 |
| | | | T12M20 | 2,095 | 341 | 258 | 2,198 | 19,817 | 8.31 | 0.92 | 11.44 | 4.61 | 3.83 |
| PGI | Recommendation | - | 2016A | 2,173 | 126 | 102 | 1,449 | 12,882 | 11.18 | 1.26 | 11.87 | 2.55 | 6.17 |
| (HSX) | TP (VND) | - | 2017A | 2,415 | 148 | 127 | 1,682 | 16,546 | 10.50 | 1.07 | 10.70 | 2.74 | 6.23 |
| | Price (VND) | 20,800 | 2018A | 2,474 | 177 | 145 | 1,631 | 16,827 | 9.22 | 0.89 | 9.77 | 2.79 | 7.98 |
| | Mkt cap (VND bn) | 1,845 | 2019A | 2,661 | 198 | 163 | 1,833 | 17,332 | 9.47 | 1.00 | 10.73 | 2.90 | 6.91 |
| | | | T12M20 | 2,906 | 227 | 183 | 2,061 | 17,238 | 8.63 | 1.03 | 12.11 | 3.07 | 7.31 |
| MIG | Recommendation | - | 2016A | 1,477 | 87 | 70 | 1,107 | 9,173 | n.a | n.a | n.a | n.a | n.a |
| (UPCOM) | TP (VND) | - | 2017A | 1,768 | 81 | 44 | 431 | 9,564 | 20.69 | 0.93 | 5.11 | 1.49 | n.a |
| | Price (VND) | 13,400 | 2018A | 1,756 | 131 | 108 | 1,171 | 10,707 | 8.66 | 0.95 | 11.55 | 3.24 | n.a |
| | Mkt cap (VND bn) | 1,742 | 2019A | 2,008 | 181 | 142 | 1,210 | 11,382 | 8.23 | 0.88 | 11.49 | 3.30 | 8.03 |
| | | | T12M20 | 2,425 | 159 | 124 | 956 | 11,069 | 14.01 | 1.21 | 8.52 | 3.30 | 9.80 |
| PTI | Recommendation | - | 2016A | 2,679 | 133 | 108 | 1,347 | 22,989 | 9.47 | 1.07 | 5.87 | 2.35 | 5.28 |
| (HNX) | TP (VND) | - | 2017A | 2,960 | 190 | 154 | 1,912 | 23,635 | 11.23 | 0.91 | 8.20 | 2.97 | 5.59 |
| | Price (VND) | 20,700 | 2018A | 3,415 | 34 | 17 | 207 | 22,576 | 99.42 | 0.91 | 0.90 | 0.29 | 5.83 |
| | Mkt cap (VND bn) | 1,664 | 2019A | 4,409 | 146 | 112 | 1,390 | 23,162 | 14.03 | 0.84 | 6.08 | 1.63 | 4.10 |
| | | | T12M20 | 4,888 | 296 | 223 | 2,775 | 24,046 | 7.39 | 0.85 | 11.95 | 2.91 | 4.88 |
| ABI | Recommendation | - | 2016A | 988 | 138 | 111 | 1,819 | 16,333 | 10.60 | 1.18 | 11.56 | 7.83 | 6.22 |
| (UPCOM) | TP (VND) | - | 2017A | 1,084 | 160 | 128 | 1,651 | 17,854 | 14.31 | 1.32 | 9.66 | 7.69 | 5.08 |
| | Price (VND) | 36,000 | 2018A | 1,327 | 214 | 172 | 3,146 | 20,321 | 13.45 | 1.24 | 16.48 | 8.74 | 5.40 |
| | Mkt cap (VND bn) | 1,326 | 2019A | 1,571 | 303 | 242 | 6,582 | 24,187 | 4.48 | 1.22 | 29.58 | 10.30 | 4.07 |
| | | | T12M20 | 1,758 | 339 | 272 | 7,152 | 26,844 | 5.03 | 1.34 | 28.94 | 9.90 | 3.86 |
| Reinsurance | | | | | | | | | | | | | |
| VRE | Recommendation | - | 2016A | 1,155 | 248 | 240 | 1,816 | 20,789 | 9.01 | 0.79 | 8.97 | 3.74 | 9.16 |
| (HNX) | TP (VND) | - | 2017A | 1,022 | 267 | 259 | 1,934 | 20,507 | 10.00 | 0.94 | 9.56 | 4.04 | 11.37 |
| | Price (VND) | 19,400 | 2018A | 1,182 | 292 | 297 | 2,264 | 22,507 | 8.99 | 0.90 | 10.52 | 4.52 | 0.98 |
| | Mkt cap (VND bn) | 2,543 | 2019A | 1,507 | 301 | 288 | 2,163 | 23,441 | 9.20 | 0.85 | 9.42 | 4.22 | 6.03 |
| | | | T12M20 | 1,681 | 343 | 321 | 2,373 | 23,163 | 8.18 | 0.84 | 10.50 | 4.51 | 10.31 |

Source: Bloomberg, Fiinpro. Data as of 16 Dec 2020.

Bao Viet Holdings (BVH)

| | |
|---------------------------------|---------------|
| Stock price (16 Dec, VND) | 58,600 |
| Market cap (USD mn) | 1,881 |
| Shares outstanding (mn) | 742 |
| 52W High/Low (VND) | 71,948/31,835 |
| 6M avg. daily turnover (USD mn) | 1.86 |
| Free float (%) | 31.9 |
| Foreign ownership (%) | 28.4 |

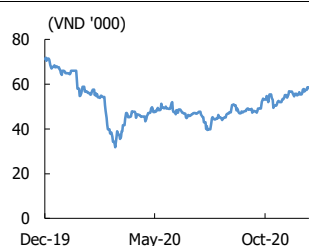
| Yr to | Sales | OP | NP | EPS | BPS | PE | PB | ROA | ROE | DY |
|--------|----------|----------|----------|-------|--------|-------|------|-------|------|------|
| Dec | (VND bn) | (VND bn) | (VND bn) | (VND) | (VND) | (x) | (x) | (%) | (%) | (%) |
| 2016A | 23,281 | 1,773 | 1,123 | 1,718 | 19,149 | 31.96 | 2.87 | 9.13 | 1.71 | 1.46 |
| 2017A | 29,482 | 2,524 | 1,563 | 2,292 | 20,221 | 27.34 | 3.10 | 11.64 | 1.90 | 1.60 |
| 2018A | 37,464 | 2,023 | 1,115 | 1,518 | 21,092 | 57.00 | 4.10 | 7.28 | 1.09 | 1.16 |
| 2019A | 40,317 | 2,377 | 1,182 | 1,649 | 25,821 | 41.01 | 2.62 | 6.89 | 0.98 | 1.48 |
| T12M20 | 42,590 | 2,280 | 1,278 | 1,731 | 27,149 | 27.72 | 1.77 | 7.13 | 0.96 | 2.08 |

Modern distribution channels threat the King

Performance

| | 1M | 6M | 12M |
|----------------------|-------|-------|--------|
| Absolute (%) | 8.5 | 20.9 | (18.2) |
| Relative to VNI (%p) | (3.9) | (5.3) | (31.2) |

Stock price trend



Well-recognized SOE - brands: Bao Viet was established in 1965 and is the oldest insurance company in Vietnam. MOF holds the largest stake at 65%. Sumitomo Life is the second largest shareholder at 22.09%, following a private placement for 4.61% stake in Dec 2019 and an acquisition of 17.48% of stake from HSBC insurance in 2013.

The company always affirms its leading position in terms of market share, original insurance premium as well as charter capital. Bao Viet takes the first place in both life insurance market (~23%) and non-life insurance market (~16%), provides clients with a wide range of services, including 80 non-life insurance products and 55 life insurance ones. Particularly, thanks to its high reputation of a large SOE-companies, Bao Viet is the best well-known brand in rural areas, where banking system has yet approached.

Advantage with wide distribution network: Apart from well-known brands, physical distribution network is another BVH's advantages, including 220 branches and 1,000 transaction offices across all provinces in Vietnam. BVH had 6,600 staffs and 250,000 agents (~24.4% of whole sector) and possessed a client base of 17 million in 2019.

Threat from bancassurance: BVH has not seek for any exclusive bancassurance distribution agreement at present which is contrast to foreign-owned insurers in the market. Even though BVH has the in-house Bao Viet Bank (49.5% stake), it still emphasizes on developing its owns agent. Besides, Bao Viet Bank's distribution network includes 23 branches and transaction offices, which is small vs. peers and even small vs. BVH.

Company overview

BVH Holdings (BVH), formerly known as Vietnam Insurance Company, was established in 1964. The Company operates its business in provision of financial industries, such as insurance, banking, securities, funds management and real estate of which insurance is the core business. Bao Viet's business strategy is to become leading financial-insurance group with strong financial strength, gradually integrating into regional market and international markets based on 3 cores: Insurance, Banking and Investment.

Yen Tran

yen.tt@kisvn.vn

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- Hold: Expected total return will be between -5%p and 15%p
- Sell: Expected total return will be -5%p or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

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- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
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VIET NAM

JAE HEUNG LEE, Business Director (jhlee@kisvn.vn +8428 3914 8585 - 1466)
UYEN LAM, Head of Institutional Brokerage (uyen.lh@kisvn.vn +8428 3914 8585 - 1444)
KIS Vietnam Securities Corporation
3rd floor, 180-192 Nguyen Cong Tru, Nguyen Thai Binh Ward, District 1, Ho Chi Minh City.
Fax: 8428 3821-6898

SOUTH KOREA

YEONG KEUN JOO, Managing Director, Head of International Business Division (ykjoo@truefriend.com, +822 3276 5157)
PAUL CHUNG, Sales Trading (pchung@truefriend.com +822 3276 5843)
27-1 Yoido-dong, Youngdeungpo-ku, Seoul 150-745, Korea
Toll free: US 1 866 258 2552 HK 800 964 464 SG 800 8211 320
Fax: 822 3276 5681~3
Telex: K2296

NEW YORK

DONG KIM, Managing Director (dkim@kisamerica.com +1 212 314 0681)
HOON SULL, Head of Sales (hoonsull@kisamerica.com +1 212 314 0686)
Korea Investment & Securities America, Inc.
1350 Avenue of the Americas, Suite 1110
New York, NY 10019
Fax: 1 212 314 0699

HONG KONG

DAN SONG, Managing Director, Head of HK Sales (dan.song@kisasia.com +852 2530 8914)
GREGORY KIM, Sales (greg.kim@kisasia.com, +822 2530 8915)
Korea Investment & Securities Asia, Ltd.
Suite 2220, Jardine House
1 Connaught Place, Central, Hong Kong
Fax: 852-2530-1516

SINGAPORE

ALEX JUN, Managing Director, Head of Singapore Sales (alex@kisasia.com.sg +65 6501 5602)
CHARLES AN, Sales (alex.jun@kisasia.com.sg +65 6501 5601)
Korea Investment & Securities Singapore Pte Ltd
1 Raffles Place, #43-04, One Raffles Place
Singapore 048616
Fax: 65 6501 5617

LONDON

Min Suk Key, Managing Director (peterkey@kiseurope.com +44 207 065 2766)
Korea Investment & Securities Europe, Ltd.
2nd Floor, 35-39 Moorgate
London EC2R 6AR
Fax: 44-207-236-4811

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