

COMPANY REPORT FIRST

Recommendation: **BUY**

Date: 07/10/2014

Current price: 15.000 VND/share

Target price: 20.000 VND/share

Company information

Name:	Bank for Investment and Development of Vietnam Insurance Joint Stock Corporation
Chartered Capital:	VND 762,299,820,000
Market cap:	VND 1,144,499,730,000
Sector:	Non-life Insurance
Listed on:	HSX
Ticker:	BIC
Outstanding shares	76,229,982 shares
Foreign ownership	7.1%

Earnings strip	2010	2011	2012	2013	2014f	2015f	2016f
Total turnovers	328	462	530	680	772	849	934
Operating profit	37	98	108	119	135	148	163
Pre tax profit	32	101	111	126	143	157	172
Net profit	23	79	84	96	111	122	135
EPS	397	1,199	1,295	1,444	1,501	1,576	1,733
Book value	10,307	11,362	11,491	11,999	13,500	15,076	16,809
Dividend	0	1,000	1,000	1,000			
Dividend yield	0.0%	23.3%	16.4%	8.7%			
ROA	0.9%	4.2%	6.0%	5.4%	1.7%	5.9%	6.2%
ROE	3.4%	10.5%	11.1%	12.0%	5.6%	13.1%	13.8%
EBITDA	35	105	115	129	174	161	177
EBIT	32	101	112	127	144	158	174

Price fluctuation of stock:



Valuation based on financial analysis:

P/E Method:	18,311
P/B Method:	21,051
Target price in 2014:	20,000

Recommendation technical analysis

Recommendation::	BUY
Price on 07/10/2014:	15,000
Short term trend:	Increasing
Middle term trend:	Increasing
Long term trend:	Increasing
Buying price:	15.000
Target price:	20.000
Cut loss price:	13.500

Recommendation:

Besides the stable performance, BIC is progressing the deal with strategic shareholders (this is an activity stated in BIC's resolution at the beginning of the year) and being officially rated B+ (Good) in financial strengths and bbb- (Adequate) in issuing institution by A.M.Best, the leading world-class credit rating agency. This is a good preparation step for BIC in order to find suitable strategic shareholders.

According to the market information, BIC is going to sell 20% of its shares for strategic partners with price for not less than 20,000 VND/share. The company has not confirmed this information yet. However, if the plan is going as expected, it will bring positive changes for BIC. With 76 million outstanding shares, this 20% for its strategic partners is equivalent to 15 million shares. In the case that its share is sold at 20,000 VND/share, BIC will receive 300 billion VND, of which 150 billion VND was of chartered capital and 150 billion VND was of capital surplus. Existing shareholders will benefit by an increase in the book value of BIC equivalently.

Moreover, the huge proceeds from issuing shares will help BIC to enhance its financial efficiency through increasing financial revenue in the following years. The right selection of strategic partners, who are operating in the same industry, will improve BIC's competitiveness, competence, and management system. Hence, BIC performance will be enhanced in the future.

Excluding the unexpected risk factor from confirming the deal with its strategic partner, BIC growth still stay stable. Based on the financial performance of the first 6 months, we expect that BIC will achieve the total revenue of 1050 billion VND for 2014, net revenue of 700 billion VND, and profit after tax of 109 billion VND. Forward earning per share is expected to be 1500 VND/share. By using fundamental valuation methods, BIC will have a reasonable price at 20,000 VND/share. With the current price at 15.600 VND/share, we recommend that investors should BUY in a range from 15.0000 – 15.6000 VND/share and hold up to the expectation of 20.000 VND/share for the last 4 months of 2014.

Investment highlights:

- Vietnam Insurance industry is still in the early stages of development so the proportion of people using insurance and insurance revenue per capita are much lower than the regional average. Therefore, Vietnam insurance industry is a potential market for expansion and attractive for further development.
- The economy has gone through peaks and shown a positive signal for the rebound. Economic growth is forecasted to be better in the following years. This will have a positive impact on the insurance industry, particularly non-life insurance sector. The better outlook of the economy, the more people demand for insurance. It will boost revenue growth and businesses expansion in the following years.

Research: Do Bao Ngoc

Senior Analyst

Email: ngoc1.dobao@mbs.com.vn

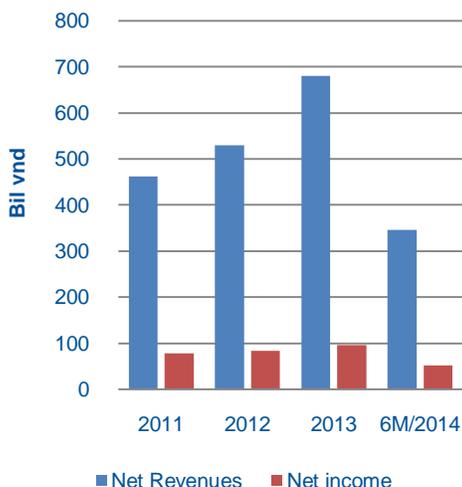
Mobile: +84 902276166

Sales: Gordon Edward Alexander

Email: Gordon.Edward@mbs.com.vn

Mobile: +84 904017141

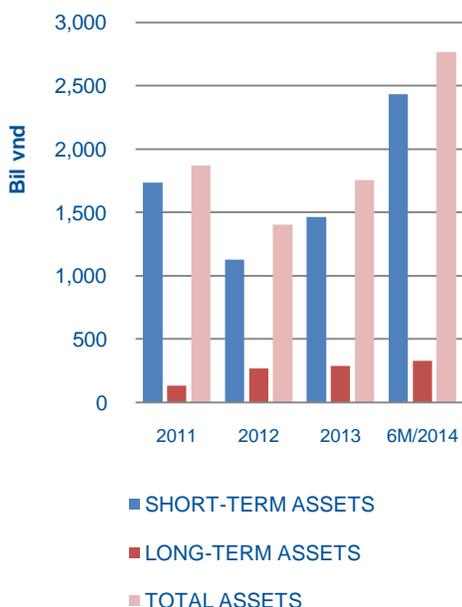
NET REVENUE



REVENUE STRUCTURE INSURANCE 6M/2014

	Bil. Vnd	%
Health and accident	62.7	10.7%
Assets and losses goods	127.2	21.8%
Motor vehicle fire	60.6	10.4%
responsibilities	194.7	33.4%
Damage Business	61.7	10.6%
aviation	2.4	0.4%
ships	3.4	0.6%
Financial risk	42.3	7.2%
	27.1	4.7%
	1.3	0.2%

ASSET STRUCTURE



- Interest rates are at the lowest level within the last 5 years. However, the interest rates will gradually go up in the coming years because economic is recovering and moving to the growth phase. This could lead to a positive impact on BIC's financial portfolios, which mainly are bonds and saving accounts.
- It is anticipated that the BIC may have significant changes in the last 6 months of 2014 as the deal with strategic partners is going to happen with a high price. Therefore, the company's chartered capital will be increased and BIC will have huge share premium. This will bring a large amount of cash to BIC and give opportunities for the company to develop products, expand businesses and increase its revenue.
- BIC has a good financial performance as revenue is consistently increased in the last few years while keeping all the financial portfolios including bonds, saving accounts and small proportion of short-term securities are at a safety level. BIC is one of the businesses that has been able to maintain efficient business fairly in the most difficult period of the insurance industry over the years, and recorded positive results in the first 6 months.

Investment risks:

- Short-term trend of the market is being adjusted after a long period of growth. If the trend continues, this may lead to an adverse impact on the short-term expectations of investors. However, investors will have opportunities to buy shares at low prices in the context of market correction.
- The deal with strategic partners may not be successful so all expectations for this plan will be collapsed
- The current interest rate remains low and is expected to stay the same throughout 2014 so revenue from financial activities of the BIC will not have a significant change. Total revenue will likely to be the same as a result.

Company overview:

Bank for Investment and Development of Vietnam Insurance Joint Stock Corporation (BIC) was established under the BIDV trade mark through purchasing shares of an International Group Insurance QBE (Australia) in Joint venture Vietnam-Australia Insurance Company (which has a foreign investment and has been operating in Vietnam since 1999). The company name was officially changed to "BIC" in 1st Jan 2006. From the 1st of Oct 2010, BIC has the approval of MOF to convert its type to Limited Liability Corporation and increase its chartered capital to VND660 billion. 19 branches are converted to dependent ones. BIC has officially listed its shares on the stock exchanges in Ho Chi Minh City (HOSE) with the ticker BIC from 6/9/2011.

Up until present, BIC has chartered capital of VND 762 billion. The main activities are providing non-life insurance, reinsurance and financial investment. According to the Vietnam Insurance Association, BIC is now one of the leading companies in non-life insurance and has a rapid growth in the insurance industry. BIC is also the first insurance company that has an operation fully covered in the Indochina market. BIC has over 600 employees, 22 affiliates, 104 sales departments and more than 1,000 insurance agents nationwide. Orientation of development in BIC is to become one of five non-life insurance corporations having the largest market share and to maintain to be an important business in BIDV Group.

Industry overview and the position of enterprises in the industry:

Overall, Vietnam's insurance market is still in an early stage of development with a low level of people using insurance services. This is reflected through the proportion of insurance premium over total GDP at 1.5% in the period 2005-2013. This percentage is quite low compared to other countries in the region such as Malaysia 16%, Thailand 14%. Premiums per capita in 2013 reached \$ 24 that has increased sharply compared to \$0.5 in 1993. However, this rate is still lower than the average of \$68.8 in ASEAN countries. This means that the potential development in the market is still available.

Vietnam insurance industry has suffered a slowdown in growth for 3 consecutive years due to the economic downturn. Demand on using insurance services has been declining whilst risk of liability in insurance has been increasing. Moreover, high rate of inflation has negative impacts on demand for investment and property insurances, leading to a decline in sale figures. However, insurance market has recovery with a positive signal from 2013 to the present, namely:

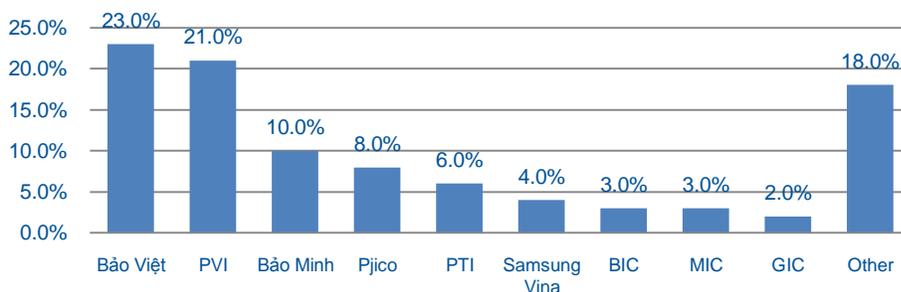
According to statistics, the total revenue of the entire insurance market was over 47 trillion in 2013, increasing by 14.13% compared to in 2012, of which non-life insurance premium was nearly 24.5 trillion, up 7% and life insurance premium was over 22.6 billion, up 23.1%.

In the first 6 months of 2014, Vietnam's insurance market continues to indicate a positive performance. The total revenue of the market premium was estimated at 24,129 billion VND, up 12.6% compared to the same period in 2013. Life insurance premiums was likely 11,052 billion VND, equivalent to an increase of more than 19% over the same period and non-life insurance premium was 13,077 billion VND, up 7.3% compared with the same period in 2013.

For the period 2014 – 2016, with the recovery of the domestic economy, the insurance industry is forecasted to be better enhanced. The demand for insurance will grow; the interest rates will be at higher level that will enhance the performance of financial investment activities of insurers. Therefore, it is expected that revenue and profit will grow significantly. However, the level of competition in the industry will be increased due to the entry of more foreign insurers.

During the recession, BIC is still one of the leading non-life insurance companies, and able to maintain the operations effectively and achieve budgeted plans. In 2013, the company achieved a revenue growth of 24.5% and pre-tax profit growth of 13.5%. Net profit margin reached 14.2%, higher than the industry average was about 10%. In the segment of non-life insurance, BIC is ranked at 6th position in the top highest sales companies with only 3% of market share.

MARKET SHARE REVENUE - NON-LIFE INSURANCE 2013



With the insurance industry is expected to prosper more in the future, the business activities of the BIC will also have better growth. That is shown clearly in the first 6 months of 2014 when BIC continued to achieve a good financial performance.

Business Result in 1H2014 and forecasts in 2014:

Figures	Units	2012	2013	Growth	Plan 2014	Growth	6M/2014
Revenue	Bil. vnd	754	939	24,5%	1.000	6,5%	519
Profit before tax	Bil. vnd	111	126	13,5%	130	3,2%	67

In 2014, BIC have budgeted a sales target of 1,000 billion VND, up 6.5% and pre-tax profit target of VND130 billion, up 3.2% compared with the year 2013. This seem to be a feasible plan as BIC has progressed a good financial performance in the first 6 months, in particular:

In the first 6 months of 2014, BIC had a total revenue over 519 billion and profit before tax more than 67 billion, achieved 52% of target revenue and 51.5% of profit before tax plan. Through observing the cyclical nature of the business activities of the BIC, we found that sales in the last 6 months of the year is higher than the first 6 months of the year. Therefore, we expect that BIC will outperform the budgeted plans in 2014.

We expect that BIC will achieve the total revenue of 1050 billion VND for 2014, net revenue of 700 billion VND, and profit after tax of 109 billion VND. Forward earning per share is expected to be 1500 VND/share

Business Situation period 2009 - 2013:

We use net revenue (total revenue minus revenue deductions) in order to assess business performance of BIC in the period 2009-2013, namely:

- BIC had an increase in net sales from 240 billion VND in 2009 to 680 billion VND in 2013 and achieved an average annual growth rate of 30.1% over the period 2009-2013.
- BIC had an increase in profit before tax from 81 billion VND in 2009 to 126 billion VND in 2013, and achieved an average annual growth rate of 45.3% in the period 2009-2013.

Conclusion and Valuation:

As the nature of non-life insurance companies, BIC is a typical service enterprise that revenues come from insurance premiums and financial investment, and subjects to many risks of macroeconomics and monetary policies over the years. Beside, total value of investment portfolios in the insurance companies is usually higher than profit achieved. Hence, using the discounted cash flow methods will have a certain number of limitations.

Therefore, we use Index methodologies for BIC in order to have reasonable price compared to its peers. The valuation results are based on the historical data of the companies as well as the future prospects of the BIC in the following years.

P/E

	2010	2011	2012	2013	Q2/2014	2014F
EPS	397	1,199	1,295	1,444	712	1,501
P	5,800	4,300	6,100	11,500	9,900	
P/E	14.61	3.59	4.71	7.96	13.91	8.95
P/E Industry						11.65
P/E HOSE						15.00
P/E HNX						13.20
P/Ef						12.20
Pf						18,311

P/B

	2010	2011	2012	2013	Q2/2014	2014F
BV	10,307	11,362	11,491	11,999	12,413	13,500
P	5,800	4,300	6,100	11,500	9,900	
P/B	0.56	0.38	0.53	0.96	0.80	0.74
P/B Industry						1.11
P/B HOSE						3.40
P/B HNX						1.80
P/Bf						1.56
Pf						21,051

FINANCIAL STATEMENTS

INCOME STATEMENT

<i>Bil. Vnd</i>	2011	2012	2013	6T/2014		2012	2013	6T/2014
Net Revenues	462	530	680	346				
Cost of Goods Sold	330	339	435	239	Liquidity ratios			
Gross Profit	132	191	245	108	Current ratio	4.10	3.22	1.30
Financial Revenues	290	160	140	72	Quick ratio	4.10	3.22	1.30
Financial Expenses	140	43	16	8	Cash ratio	0.06	0.07	0.07
<i>Interest expenses</i>	<i>0</i>	<i>1</i>	<i>1</i>	<i>0</i>				
Selling Expenses	0	0	0	0	Activity ratios			
General Administrative Expenses	184	199	250	105	Asset turnover	0.38	0.39	0.13
Operating net income	98	108	119	67	Fixed assets turnover	37.25	34.93	15.59
Other income	1	1	2	1	Equity turnover	0.70	0.86	0.40
Other expense	1	0	1	1				
Other profit	(0)	1	1	0	Debt ratios			
Net income from JVC	3	2	6	0	Short-term asset/Total asset	80.5%	83.4%	88.1%
Earnings Before Taxes	101	111	126	67	Long-term asset/Total asset	19.5%	16.6%	11.9%
Payable Income tax expenses	21	27	29	15	Debt ratios	45.9%	53.4%	67.8%
Deffered income tax expenses	0	0	0	(0)	Short-term liabilities/ Asset	19.6%	25.9%	67.6%
Net income	79	84	96	52	Long-term liabilities/ Asset	26.3%	27.5%	0.2%
<i>Minority interests</i>	<i>0</i>	<i>0</i>	<i>2</i>	<i>4</i>	Long-term liabilities/ Long-term asset	135.0%	165.4%	1.4%
<i>Net Income for common Shareholders</i>	<i>79</i>	<i>84</i>	<i>95</i>	<i>48</i>	Long-term liabilities/ Equity	48.7%	60.9%	0.5%

BALANCE SHEET

<i>Dvt: Tỷ VNĐ</i>	2011	2012	2013	6T/2014				
SHORT-TERM ASSETS	1,734	1,129	1,464	2,432	Profitability ratios			
Cash and cash equivalents	18	15	30	135	Gross profit margin	36.0%	36.0%	31.1%
Short-term financial investments	1,401	900	1,059	1,055	Operating net income ratios	20.4%	17.4%	19.4%
Accounts receivable	311	208	362	383	Other profit ratios	0.1%	0.2%	0.0%
Inventories	0	0	0	0	Earnings Before Taxes ratios	20.9%	18.5%	19.4%
Other current assets	4	6	12	858	Net income ratios	15.9%	13.9%	13.9%
LONG-TERM ASSETS	136	273	292	330	Return on asset (ROA)	6.0%	5.4%	1.7%
Long-term accounts receivable	0	0	0	6	Return on equity (ROE)	11.1%	12.0%	5.6%
Fixed assets	9	14	19	22	Other profit/ Earnings Before Taxes	0.5%	1.1%	0.1%
Real Estate Investments	0	0	0	0	Operating net income/ Earnings Before Taxes	97.5%	94.5%	99.9%
Long-term financial investments	122	253	260	294				
Goodwill	0	0	0	0	Share value			
Other long-term assets	6	6	13	8	Earning per share (EPS)	1,295	1,444	712
TOTAL ASSETS	1,870	1,403	1,756	2,762	Dividend	1,000	1,000	
				0	Dividend ratios	77.2%	69.3%	
LIABILITIES	1,120	644	938	1,871	Dividend yields	16.4%	8.7%	
Short-term liabilities	821	275	455	1,867	Dividend growth	0.0%	0.0%	
<i>Short-term borrowing</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	Book value per share (BV)	11,491	11,999	12,413
<i>Accounts payable - Trade</i>	<i>240</i>	<i>186</i>	<i>348</i>	<i>353</i>	P/E	4.71	7.96	13.91
<i>Advance from Buyers</i>	<i>8</i>	<i>10</i>	<i>9</i>	<i>13</i>	P/B	0.53	0.96	0.80
Long-term liabilities	299	369	482	4				
<i>LT borrowings</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>0</i>				
<i>Prevention</i>	<i>298</i>	<i>369</i>	<i>482</i>	<i>0</i>				
OWNERS' EQUITY	750	758	792	860				
Paid - in capital	660	660	660	693				
Surplus share capital	2	2	5	5				
Treasury stocks	(6)	(7)	0	0				
Retained earnings	87	92	105	138				
Others reserve fund	2	2	2	2				
Minority interests	0	0	26	30				
TOTAL RESOURCES	1,870	1,403	1,756	2,762				

RECOMMENDATION:

MBS recommendation system is the difference between the price and the market price at **the issued time up to 6 months**. There are 3 levels for each stock recommendations which can be changed to fit the companies situation:

- **SALE:** when the market price is above 15%
- **HOLD:** when market prices are +/-15%
- **BUY:** when the market price is under 15%

DISCLAIMER: Copyrights. MBS 2014. ALL RIGHTS RESERVED. Authors have based this document on information from sources they believe to be reliable but which they have not independently verified. The views expressed in this report are those of the authors and not necessarily related, by any sense, to those of MBS. Neither any information nor comments were written for advertising purposes or recommendation to buy / sell any securities. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying recording, or otherwise, without the prior written permission of MBS.

MB SECURITIES (MBS)

Established since May 2000. MBS was one of the first 5 securities firms operating in Vietnam. After years of continuous development. MBS has become one of the leading securities company in Vietnam, providing a full range of services including: brokerage, research and investment advisory, investment banking and capital markets underwriting. MBS's network of branches and transaction offices has been expanded and operated effectively in many major cities such as Hanoi. Ho Chi Minh City. Hai Phong and other strategic areas. MBS's clients include individual investors and institutions, financial institutions and enterprises. As a member of the MB Group, including MB Bank. MB Land. MB Asset Management. MB Capital and Viet R.E.M.A.X (Viet REM). MBS is able to leverage substantial human, financial and technological resources to provide its clients with tailored products and services that few securities firms in Vietnam can match.

MBS is proud to be recognized as:

- A leading brokerage firm – ranked No.1 in terms of brokerage market share since 2009.
- A renowned research firm with a team of experienced analysts that provides market-leading research products and commentaries on equity markets and the economy.
- A trusted provider of investment banking services for corporate clients.

MBS HEAD OFFICE

MB Building, 3 Lieu Giai, Ba Dinh, Ha Noi
Tel: +84 4 3726 2600 – Fax: +84 4 3726 2600
Website: www.mbs.com.vn.