

AGM NOTE



On April 17 2015, Baoviet Group (HSX-BVH) held its Annual General Meeting in Hanoi.

2014 Business Results

In 2014, the Group recorded VND19,050 billion (USD887.8million) in total revenue, up 11.5 percent y-o-y, and VND1,331 billion (USD62 million) in net income, up 7.9 percent y-o-y, both surpassing the year's target.

Insurance business contributed the majority of BVH's revenue (76 percent) while the contribution from banking and financial services was modest.

Life Insurance: Revenue reached VND7,959 billion (USD370.9 million), 27 percent growth y-o-y

Baoviet Life's 2014 revenue was VND7,959 billion (USD370.9 million), contributing 41.8 percent of the Group's total revenue. This result represented a 27 percent growth y-o-y, much higher than the estimated growth of Vietnam's life insurance sector of 17.9 percent in 2014. Revenue from new business grew impressively at 28.4 percent y-o-y to reach VND1,873 billion (USD87.3 million) and net income reached VND590 billion (USD27.5 million), 11 percent growth y-o-y, achieving the full year target.

Non-life Insurance: Revenue reached VND6,510 billion (USD303.4 million), two percent decline y-o-y

Baoviet Insurance's 2014 revenue actually declined by two percent compared to last year. Similarly net profit only reached VND251 billion (USD11.7 million), a 15.5 percent decline y-o-y. The contribution of non-life insurance to total revenue was 34.2 percent, slightly less than last year (38 percent). In 2014, Baoviet Insurance lost its top rank to PVI.

Financial services:

Fund management: Revenue from fund management business reached VND52 billion (USD2.4 million) and net income reached VND12 billion (USD0.56 million), up six percent y-o-y and surpassing 2014's target.

Securities services: In 2014, Baoviet Securities' revenue reached VND306 billion (USD14.3 million) and net income reached VND132 billion (USD6.15 million). These results represent growths of 48 percent and 52 percent, far surpassing the full year target.

Banking services: The Group decreased its ownership in Baoviet Bank from 52 percent to 49.5 percent on September 24 2014. Therefore, instead of consolidating Baoviet Bank's 2014 profit into the Group like previous years, Baoviet Bank's 1H2014's profit was consolidated into the Group's profits and Baoviet Bank's 2H2014 profit was reported in the Group's share profit from associates following the equity method. The total revenue and net income from banking services, therefore, has not been reported clearly in the Group's business results.

Real estate investment and management:

Real estate investment and management business contributed VND303 billion (USD14.1 million) to the Group's revenue and VND17 billion (USD0.79 million) to net income, achieving the whole year target.

Dividend:

Despite 2014's positive earnings results, the Board of Directors proposed a dividend of ten percent on par, lower than the original target of 13 percent set at 2014's AGM. Unlike previous years, when BVH paid out most of its earnings to shareholders (92.43 percent of PAT) and maintained high dividend payments (15 percent on par in 2012 and 2013), this year, only 60.7 percent of profit after tax will be paid out as dividends as the Group has chosen to retain 15 percent of its profit after tax for development funds, which hopefully will fuel higher future growth. The 2014 dividend yield on the current market price is 2.83 percent.

FY2015 Business Targets

BVH set out the following targets for 2015.

	2015 Target (VND bn)	y-o-y growth
Revenues	18,910	-0.7%
Net income	1.140	-14.4%
Dividend rate	10%	

Explaining 2015's lower revenue and net income targets, BVH offered the following rationales:

- In 2015, the Group will no longer consolidate Baoviet Bank into the Group and only record the share profit from associates following the equity method. In addition, the Group will continue to reduce its ownership at Baoviet Bank, hence income from banking services will be reduced.
- Interest rates will be kept at lower levels in 2015, therefore financial income from investing in Treasury bonds and depositing at banks is expected to be lower than in 2014.
- Changes in accounting methods according to Circular 200/2014 will lead to increases in expenses.
- The stock market is forecast to go sideways or to grow marginally, leading to lower investment income.
- From 2015, Baoviet will follow a more conservative investment approach, therefore lower investment income is expected. However, with a conservative approach, Baoviet's financial safety and capability will be strengthened.

Regarding the capital-raising plan for a strategic partner set out in 2014, targeted for completion by March 2015, BVH's BOD clarified that although there has been a delay from the original plan it is continuing and is expected to be completed by June to August 2015. At the moment, the partner is doing due diligence and valuation of BVH.

Today, the stock price decreased by 0.8 percent, closing at VND35,300, trading at P/E of 18.77x, P/B of 1.96x.

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