

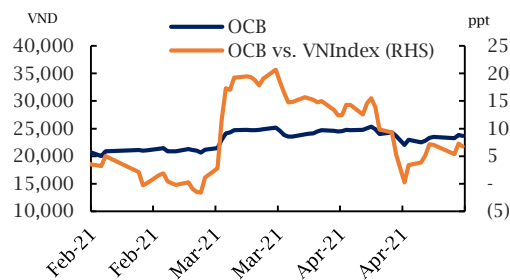
## NOT RATED

TP upside (downside) N/A

Close 07 May 2021

Price VND 23,400  
12M Target N/A

Share price performance relative to VNI



Source: Bloomberg

Market cap	US\$1.1 bn
6M avg. daily turnover	US\$4.4 mn
Outstanding shares	1,096 mn
Free float	62%
FINI ownership	20.5%
Major shareholders	15.0%
2021E P/E (*)	6.4x
2021E P/B (*)	1.2x
FOL Remaining Room	1.5%
2021E Dividend yield	0.0%

Source: FiinPro, (\*) Bloomberg

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Bloomberg code: YUTA

## Orient Commercial Bank (OCB VN)

### Trading gains are key to earnings

#### Event

We attended OCB's 1Q21 analyst meeting on May 7, 2021. OCB reported 1Q21 PATMI of VND1.0 tn (-34% QoQ/+14% YoY). The YoY increase was largely driven by improved net interest income, significant jump in net other incomes, and reduced provision cost.

#### Details

1Q21 loans to customers increased by 4.3% YTD to reach VND93 tn.

Net interest income was VND1.4 tn (-14% QoQ but +16% YoY).

Annualized NIM on total average assets was 3.49% in 1Q21 (-97bps QoQ/-48bps YoY).

Net fee income was VND127 bn (-60% QoQ/-16% YoY). The bank said after stripping out the upfront bancassurance exclusivity fee and other one-off income in 1Q20, net fee income increased by 37% YoY.

Non-interest operating income (excluding fees and income related to NPL recoveries) was VND473 bn (-52% QoQ/-27% YoY).

Adjusted operating income (after stripping out net other income) was VND2.0 tn (-32% QoQ/-1% YoY).

Operating expenses were VND583 bn (-19% QoQ but +10% YoY).

Provisioning decreased by -41% QoQ/-48% YoY to reach VND192 bn.

Net other income was VND84 bn (+41% QoQ/+217% yoY).

NPL ratio was 1.69% (flat QoQ and YoY) in 1Q21. LLR ratio was 63% (+1ppt QoQ/-6ppt YoY), well below the sector median of 85%.

CASA deposits decreased. CASA ratio was 9.7% as at 1Q21 (-2.3ppt QoQ/-0.8ppt YoY), which is below the 13.1% sector median.

#### Our view

OCB's earnings are largely dependent on income from investment securities, which depends on interest rate volatility. In 1Q21, income from investment securities represented 22% of adjusted operating income. Though this ratio declined from 30% in 4Q20, it is still high vs. the sector's 3%. By contrast, OCB's net fee income accounted for only 6% of adjusted operating income.

Asset quality is under control, but keep an eye on NPLs. Special mentioned loans (SMLs) were VND3.6 tn (+32% YTD). Also, OCB's LLR ratio is low relative to the sector.

Funding cost is not a competitive advantage. Notably, OCB's CASA ratio is well below the sector leaders such as VCB, MBB, and TCB.

We don't cover OCB and have no recommendation on the stock. OCB trades at 1.2x 2021E P/B vs. the sector median of 1.7x.

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