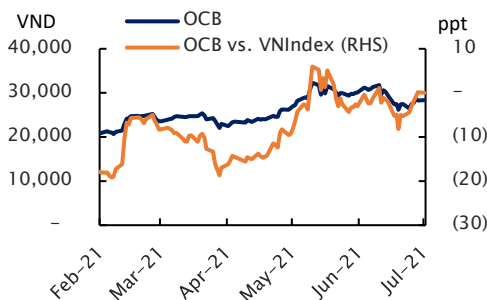


ORIENT COMMERCIAL BANK [OCB VN]
26 July 2021
NOT RATED
TP upside (downside) N/A
Close 26 Jul 2021
Price VND 28,350
12M Target N/A
Share price performance relative to VNI

Source: Bloomberg

Market cap	US\$1.3 bn
6M avg. daily turnover	US\$5.4 mn
Outstanding shares	1,096 mn
Free float	62%
FINI ownership	22%
Major shareholders	15.0%
2021E P/E (*)	6.9x
2021E P/B (*)	1.4x
FOL Remaining Room	0.0%
2021E Dividend yield	0.0%

Source: FiinPro, (*) Bloomberg
Orient Commercial Bank (OCB VN)
Event

OCB reported 2Q21 PATMI of VND1.1 tn (+10% QoQ/+83% YoY). The YoY increase was largely driven by improved net interest income, high trading gains, and reduced provision cost. 1H21 PATMI was VND2.1 tn (+42% YoY). OCB targets 2021E PBT of VND5.5 tn (+25% YoY).

Details

2Q21 loans to customers increased by 7.7% YTD to reach VND96 tn. LDR was 72% as at 2Q21, which well below the SBV's cap of 85%. Total 2Q21 restructured loans were VND926 bn (1.0% of total loans).

2Q21 net interest income was VND1.4 tn (+5% QoQ/ +28% YoY). 1H21 net interest income was VND2.8 tn (+22% YoY).

Net fee income was VND224 bn in 2Q21 (+77% QoQ/+22% YoY). 1H21 net fee income was VND351 bn (+5% YoY).

Non-interest operating income (excluding fees and income related to NPL recoveries) was VND397 bn in 2Q21 (-16% QoQ/+116% YoY). 1H21 non-interest operating income was VND870 bn (+5% YoY).

Operating expense was VND611 bn in 2Q21 (+5% QoQ/+15% YoY). 1H21 opex was VND1.2 tn (+13% YoY) as the bank invested strongly in people (+17% YoY) and marketing & IT-related expenses (+6% YoY). However, CIR was only 28%, which is among the lowest in the sector.

2Q21 provisioning cost was VND202 bn (+5% QoQ/-30% YoY). 1H21 provisioning was VND393 bn (-40% YoY).

2Q21 net other income was VND143 bn (+70% QoQ/+68% yoY). 1H21 other income increased 104% YoY to reach VND228 bn.

LLR ratio increased to 70% (+7ppt QoQ/+6ppt YoY). ST funding for MLT lending was 31.6% as at 2Q21, well below the SBV's cap of 40.0%.

CASA ratio improved slightly to reach 10.8% as at 2Q21 (+1.1ppt QoQ/-0.4ppt YoY).

Our view

OCB's earnings historically have been dependent on income from investment securities, but the contribution from trading has declined since 4Q20. Investment gains to total operating income declined from 32% in 4Q20 to 22% in 1Q21 and 17% in 2Q21.

Low provisioning cost also helped boost earnings in 2Q21. In our view, OCB's LLR ratio of 70% is low versus the sector median.

Capital level is quite strong, with CAR ratio of 12.8% as at 2Q21.

We don't cover OCB and have no recommendation on the stock. OCB trades at 1.4x 2021E P/B, which is lower than the sector median of 1.8x, while the bank's expected 2021E ROE is 23% vs. the sector median of 20% (source: Bloomberg).

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HOLD–Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

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