



Company Report: Orient Commercial Joint Stock Bank (OCB)

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1H2021 results update

- In 1H2021, the bank recorded only 7.7%ytd in credit growth due to reaching the ceiling limitation of SBV. Meanwhile, high interest rate policy applied for large-scale deposits (over VND500 bil) made the bank's deposit growth in the top of sector, at 9.2%ytd.
- Total profit before tax was VND 2,661 billion, up 43% mainly from: 21.6%yoy growth in NII (of which NII from corporate and individual customers increased sharply by 60%yoy), operating cost up slowly than income (+14.9%yoy) while provision expenses plummeted by 48%yoy. Notably, in the period, the bank's interest-free earnings only increased by 13% due to the highs of the same period in 2020 in which service fee income increased by 5% and profits from securities investments increased slightly by 3%yoy. With the above results, ROA and ROE lightly improved compared to the end of 2020.
- The restructured balance under Circular 01 is almost sideways, at VND 926 billion (1% of total outstanding loan). NPL ratio decreased slightly. The Bank said it would set up provision expenses in accordance with Cir.03's roadmap, which, accordingly, has the non-material impact on profits as the additional cost of setting up less than VND30 billion/year.

Investment prospect

- With a focus on the construction and real estate industry and customers in the south region, OCB will be short-term affected by this Covid 4th wave outbreak. With the impact expected to last until the end of August 2021, OCB's credit growth is expected to reach only 21.8% this year instead of 25% as planned by the bank. NIM in the second half of the year is expected to improve by boosting outstanding loan and reduced funding costs by actively mobilizing in international markets with low interest rates.
- In the medium term, the strategy focusing on young customers in retail and real estate (corporate credit) will help the bank maintain a credit growth rate of over 20% per year in the period 2022-2023.
- Regarding the private placement plan, updated in the Analyst Meeting on July 23, 2021, the bank said it would complete negotiations with partners by the end of September and implement the next steps this year.
- Despite lowering our credit growth expectations, we raised our Target Price due to a CIR reduction adjustment from 33% to 30% and an increase in growth expectations for the period 2022-2023.

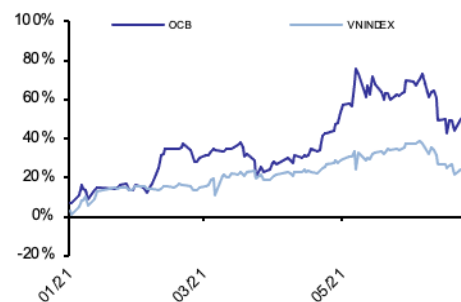
Rating:

Neutral6-18m TP:
Revised from**VND27,700**
VND24,800

Share price:

VND24,000

Stock performance



Change in Share Price	1 M	3 M	1 Y
Abs. %	(4.9)	23.0	N/A
Rel. % to HS index	(12.7)	24.7	N/A
Avg. share price (VND)	27,800	25,472	25,472

 Source: Bloomberg, Guotai Junan (VN)
 (*) OCB niêm yết từ 28/1/2021

Year End	TOI	Net Profit	EPS	EPS	BPS	DPS	Yield	NIM	CIR	ROE
12/31	(VND b)	(VND b)	(VND)	(Δ%)	(VND)	(VND)	(%)	(%)	(%)	(%)
2019A	6,613	2,582	3,264	11.1	10.51	-	0	3.97	-37.04	25.44
2020A	8,013	3,535	3,226	-1.16	15.92	-	0	3.95	-29.07	24.43
2021F	9,476	4,595	4,197	30.08	20.12	-	0	3.99	-30	23.29
2022F	12,296	5,887	5,376	28.11	25.5	-	0	4.08	-33	23.57
2023F	15,426	7,537	6,883	28.02	32.38	-	0	4.09	-33	23.79

Shares in issue (m)	1,368.8	Major shareholder (%)	37.7
Market cap. (VND b)	33,315.5	Free float (%)	62.3
3 month average vol. ('000)	5,019.0	FY10 Net gearing (%)	35.4
52 Weeks high/low (VND)	32,850 / 18,350	CAR (%)	13

Source: the Company, Guotai Junan (HK).

COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than -15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% Or The Fundamental outlook of the sector is unfavorable

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