

Xin Chao Vietnam

Market performance

	27 Jan	1D	1M	3M	YTD
VNIndex (pt, % chg.)	1,097.17	(3.4)	1.2	15.9	(0.6)
Turnover (VND bn)	16,610				
VN30 (pt, % chg.)	1,083.63	(3.7)	3.0	18.4	1.2

Major indicators

	27 Jan	1D	1W	1M	YTD
1-yr govt bonds (% bp chg.)	0.56	0.0	0.1	0.0	0.1
3-yr govt bonds (% bp chg.)	0.91	0.2	(0.0)	(0.1)	0.1
VND/USD (% chg.)	23,070	(0.0)	0.2	0.5	0.1
VND/JPY (% chg.)	22,231	0.1	0.2	(0.2)	0.6
VND/EUR (% chg.)	28,148	(0.2)	0.3	(2.7)	1.1
VND/CNY (% chg.)	3,566	0.0	(0.8)	(3.1)	(0.8)
	Prev. close	1D	1W	1M	YTD
10-yr US Treasury (% bp chg.)	1.04	0.0	0.1	0.3	0.1
WTI (USD/bbl, % chg.)	52.87	0.5	9.6	33.6	9.0
Gold (USD/oz, % chg.)	56.22	0.6	9.6	36.5	8.5

Domestic institutions net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
MSN	60.1	HPG	(164.7)
MWG	38.3	MBB	(159.8)
VIC	36.8	VHM	(105.5)
VGC	34.9	NVL	(76.4)
E1VFN30	28.3	VPB	(56.5)

Foreign net buy / sell

Net buy	(VND bn)	Net sell	(VND bn)
NVL	86.0	VNM	(99.0)
KBC	63.2	VGC	(65.8)
LPB	37.3	HPG	(47.5)
VHM	28.3	VND	(40.9)
NLG	23.7	FCN	(38.9)

Daily performance by sector

Top five sectors	% chg.	Bottom five sectors	% chg.
Telecommunication	6.9	Diversified Financials	(6.5)
Retailing	0.7	Media & Entertainment	(5.8)
		Technology	(5.1)
		Materials	(5.1)
		Utilities	(4.6)

WHAT'S NEW TODAY

Market commentary & News

- **Market commentary:** Profit-taking in the short term
- **Euro:** Worsening COVID-19 conditions drags down the Eurozone private sector

Sector & company

- **Orient Commercial JSB (OCB):** Pre-listing brief

New listing & Public offerings

KIS market view

	OP (VND bn)	NP (VND bn)	EPS growth (% yoy)	PE (x)	PB (x)	EV/EBITDA (x)	ROE (%)
2018	191,785	119,519	29.7	15.2	2.7	13.6	17.7
2019	238,659	144,922	24.2	13.8	2.4	11.0	17.4
2020F	270,014	151,973	7.3	15.6	2.5	11.1	16.1
2021F	304,264	177,159	18.9	13.1	2.1	9.9	16.4

Note: KIS Universe coverage of 35 companies that account for 58% of all listed (VNIndex) firms' earnings based on the past three-year average

KIS macro forecast

	1Q20	2Q20	3Q20	4Q20F	2019	2020F	2021F
GDP (% yoy)	3.8	0.4	2.6	5.0	7.0	4.3	5.9
Trade balance (USD bn)	1.7	0.6	7.4	5.1	10.4	7.9	1.8
CPI (% yoy, avg.)	5.6	2.8	3.2	3.5	2.8	3.8	3.5
Discount rate (% EoP)	3.5	3.0	3.0	3.0	4.0	3.0	3.0
VND/USD (avg.)	23,264	23,206	23,188	23,197	23,231	23,214	23,206
US GDP (% qoq)	(4.8)	(31.7)	33.1	4.2	2.2	(3.5)	4.1
China GDP (% yoy)	(6.8)	3.2	4.9	6.1	6.1	2.1	8.4

Source: KIS, Bloomberg

Market commentary & News

Market commentary

Profit-taking in the short term

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The Vietnam stock market tumbled yesterday because investors were concerned about the spread of the COVID-19 virus after a Vietnam woman, who flew from Vietnam to Japan on January 17, 2021, was positive for COVID in Japan.

At the close, the VNIndex slid by 3.43% to close at 1,097 pts. Meanwhile, trading volume recorded to 759 million shares or VND16,609bn.

Foreign investors reversed to buy with a net value of VND19bn on HSX. They purchased NVL, KBC, and LPB the most with a net value of VND85bn, VND63bn, and VND37bn, respectively.

Finance was the worst sector, namely BVH (-4.1%), EIB (-5.9%), VPB (-5.9%), STB (-4.7%), MBB (-6.3%), TCB (-4.3%), HDB (-4.9%), BID (-2.9%), CTG (-5.5%), and VCB (-3.5%). Notably, brokerage, such as SSI, HCM and VND, limited down.

Moreover, Energy underperformed the benchmark index due to GAS (-5.2%), PVT (-6.7%), PVD (-5.7%), PVS (-8.6%), POW (-5.2%), BSR (-7.3%), PLX (-3.6%), and OIL (-9.1%).

In contrast, cash flowed into few tickers thanks to FLC (+6.7%), ROS (+5.9%), MWG (+1.1%), NLG (+0.3%), and NVL (+0.2%).

The VNIndex closed below the 1,100-pts, confirmed the short-term downtrend. Thus, traders should reduce long positions and wait for the next signals.

Breaking news

- Euro: Worsening COVID-19 conditions drags down the Eurozone private sector

According to the IHS Markit, early data signaled that the business activity in the Eurozone private sector fell at a faster pace in the first month of 2021 due to the ongoing COVID-19 pandemic. Accordingly, the Flash Eurozone PMI Composite Output Index recorded just 47.5 index point in January, down from 49.1 in December. More specifically, the Flash Eurozone Services PMI Activity Index fell to 45 from 46.4 in the prior month, while the Flash Eurozone Manufacturing PMI Index remained positive at 54.7. (IHS Markit)

Sector & company

Orient Commercial JSB (OCB)

Pre-listing brief

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- Overview

The Orient Commercial Joint Stock Bank (OCB) was established in 1996. Over 25 years of operation, the bank's branch network comprises one head office in Ho Chi Minh city and 133 branches/transaction offices nationwide (mainly operating in the South with 84 branches/transaction offices). The largest shareholder of OCB is Japan's Aozora Bank with 15% ownership (Top 10 M&A deals in Vietnam of the year 2019-2020) and the second-largest shareholder is VinaCapital with 4.5% ownership.

OCB has always concentrated on developing technology platforms and serving a focus group of customers including upper mass in retail banking segment and SME, Micro SME in corporate banking segment. According to HSX, OCB's listing day is January 28th, reference price will be VND22,900/share.

- Financial highlights

Rapid growth with 5-year CAGR total asset growth, total equity growth, credit growth and deposit growth of 25.3%, 32.8%, 26.4% and 24.4% in 2016-2020 respectively. At the end of 2020, total assets reached VND152,687bn, of which 57.8% were loans to

customers, 16.4% were government bonds and 10.7% were deposits/loans to other credit institutions.

TOI in 2020 recorded a 21.2% YoY increase to VND8,013bn. In which, NII and Non-Interest Income reached VND4,982bn (21.2% YoY) and VND3,031bn (+20.7% YoY). PBT reached VND4,420bn in 2020 (+36.8% YoY), 5-year CAGR PBT growth of 75.3% in 2016-2020.

NIM grew from 3.2% in 2016 to 3.6% in 2017 and maintained around 4.0-4.1% in the period of 2018-2020. OCB is among the top performing banks with ROAE of 24.4% and ROAA of 2.61% in 2020.

CASA ratio in 2020 was 12.2%, at a modest level in the industry and this ratio of previous years are also maintained at the same level.

► The ability to balance profits and risks

Despite its rapid growth, OCB still controls the bank's asset quality and performs well in risk management: (1) LDR ratio remained in the range of 66.8-72.1% in the period of 2016-2020, significantly lower than the level of 80-85% regulated by SBV; (2) NPL plummeted from 2.3% in 2018 to 1.7% in 2020 (amount of restructured loans according to Circular 01 is under 1%); (3) Collateralized loans always account for 86.5% -95.7% total outstanding loans in the period of 2016-2020; (4) Bad debts at VAMC have been cleared since 2018.

Implementing risk management according to Basel II standards since 2012 and becoming the first bank in Vietnam recognized to meet this standard in 2018, OCB's CAR ratio was always very high compared to its competitors (11.1%-12.9% in the period of 2016-2020). In 2020, OCB's aspect was rated by Moody's at a stable level, keeping the baseline credit assessment (BCA) at B1 and long-term local & foreign currency deposit at Ba3.

Meeting international standards helps OCB to access cheap capital from international financial institutions such as ADB, IFC, and JICA, increases the bank's NIM.

► Long-term vision with technology platform and digital banking

OCB is considered by Gartner Consulting as a leading bank in digital transformation with 2 key technology platforms, OCB OMNI and Open APIs (Open APIs give third parties right to access to a financial institution's customer data to build value-added apps and services for customers). Technology also helps OCB to reduce costs by digitizing internal processes including credit processes, therefore, the bank's CIR decreased sharply from 56.3% in 2016 to 29.1% in 2020.

In early 2020, OCB launched the SME E-Lending system to serve the SME group with the aim of making online credit decisions. According to the Bank's BoD, in 2021, OCB will launch a series of applications in conjunction with partners in many fields based on OCB OMNI and Open APIs (one of them is the credit product cooperated with Zalo).

► Active player in the Government bond market

Government bonds account for a large proportion of the asset structure of OCB (12.9%-21.2% in the period of 2016-2020). By the end of 2020, OCB held more than VND25 tn Government bonds, equivalent to 16.5% of its total assets. With the yield curve sloping down in recent years, holding a large amount of Government bonds has contributed nearly 20% of TOI per year to OCB. However, the low-yield environment may be coming to an end, the amount of OCB's Government bond (in available to sale securities) will be marked to market, causing a decline in the bank's income.

► Net Fee Income stays brisk

OCB had a 3-year CAGR NFI of 62.5% in 2018-2020. By the end of 2020, OCB's NFI reached VND841bn, increasing the proportion of NFI in TOI from 6.7% in 2018 to 10.5% in 2020. The major contribution to OCB's NFI is income from Bancassurance. Since 2017, OCB cooperated in bancassurance with 2 partners Generali and Dai-ichi Life. As a result, from 2018 to 2020, income from bancassurance of OCB climbed over 50% and contributed over 70% in NFI (surge from 12.2% and 29.1% in 2016 and 2017). Due to impressive results achieved by OCB after 2-year cooperation, Generali signed an exclusive bancassurance distribution contract for 15 years with OCB in 2019.

► Maintain the pace in the year 2021-2025

OCB plans to (1) Focus on Priority Customer Segmentation (Upper mass in retail banking segment and SME, Micro SME in corporate banking segment); (2) Maintain sustainable growth in the leading group (growth of profit, total assets, and charter capital from 20%-25%/year); (3) Improve asset quality (NPL below 2% and CAR above 11%); (4) Optimize digital banking technology and platform.

New listing & Public offerings

► New listing

(VND bn, share, VND)

Date of listing	Ticker	Company	Exchange	Charter	Listed Shares	Reference price
2/2/2021	SVD	Vu Dang Investment & Trading JSC	HSX	129.0	12,900,000	12,300
1/28/2021	OCB	Orient Commercial JSB	HSX	10,959.1	1,095,906,343	22,900

► Public offerings

(VND bn, share, VND)

Date of auction	Ticker	Company	Charter	Offered Shares	Min Bid	Note
2/8/2021	EVNGENCO2	Power Generation Corporation 2	11,866.4	580,120,840	24,520	IPO

- **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

- **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

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