

28 Jan 2021

## Orient Commercial JSB (OCB)

### Pre-listing brief

#### 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 28<sup>th</sup>, 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 24.2% 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 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.

	2016A	2017A	2018A	2019A	2020A
Total assets (VND bn)	63,815	84,300	99,964	118,160	152,687
Total equity (VND bn)	4,716	6,139	8,797	11,507	17,435
TOI (VND bn)	1,860	2,724	5,016	6,613	8,013
chg. (% YoY)	30.2	46.5	84.2	31.8	21.2
PBT (VND bn)	484	1,022	2,202	3,231	4,420
NIM (%)	3.2	3.6	4.1	4.0	4.0
ROE (%)	8.7	15.0	23.6	25.4	24.4
ROA (%)	0.68	1.10	1.91	2.37	2.61

Source: Fiinpro, KIS

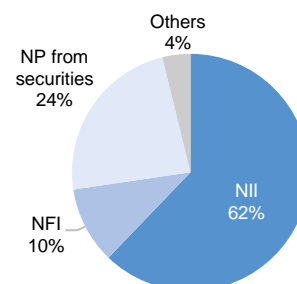
Analysts who prepared this report are registered as research analysts in Vietnam but not in any other jurisdiction, including the U.S. PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES & DISCLAIMERS AT THE END OF THIS REPORT.

#### Stock Data

Company name	Orient Commercial JSB
Ticker	OCB
Scheduled listing day	28/01/2021
Reference price (VND)	22,900
Sector	Bank
Sub-sector	Commercial bank
Paid-in capital (VND bn)	10,959
Listed shares	1,095,906,343
Outstanding shares	1,095,906,343
Major shareholders (%)	
Aozora Bank, Ltd.	15

Source: Fiinpro

#### TOI structure 2020



Source: Company data

**Chau Le**

chau.ln@kisvn.vn

### 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% of 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 Counterparty Risk Rating (CRR) 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

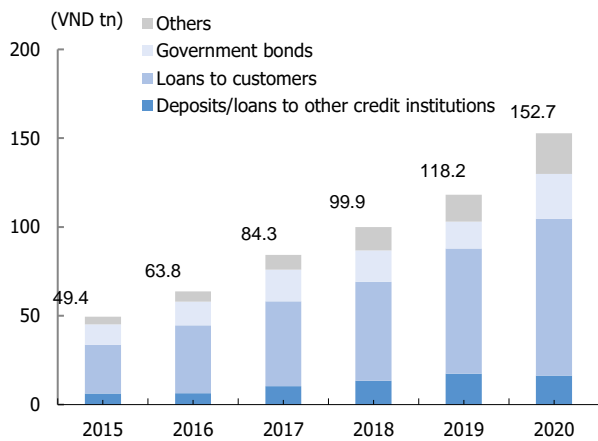
OCB had a 3-year CAGR NFI of 62.5% in 2018-2020. By the end of 2020, OCB's NFI reached VND841bn, increasing the proportion of NFI in TOI from 6.7% in 2018 to 10.5% in 2020. The major contribution to OCB's NFI is income from Bancassurance. Since 2017, OCB cooperated in bancassurance with 2

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

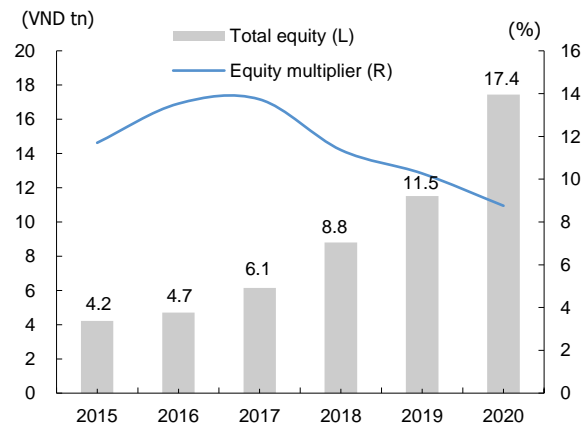
OCB plans to (1) Focus on Priority Customer Segmentation (Upper mass in retail banking segment and SME, Micro SME in corporate banking segment); (2) Maintain sustainable growth in the leading group (growth of profit, total assets, and charter capital from 20%-25%/year); (3) Improve asset quality (NPL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

**Figure 1. Total assets**



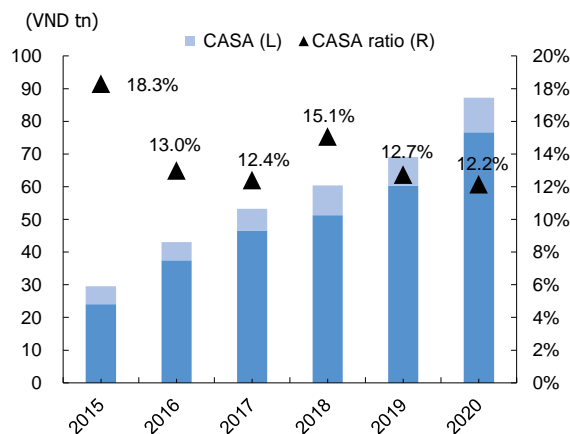
Source: Company data, KIS

**Figure 2. Total equity**



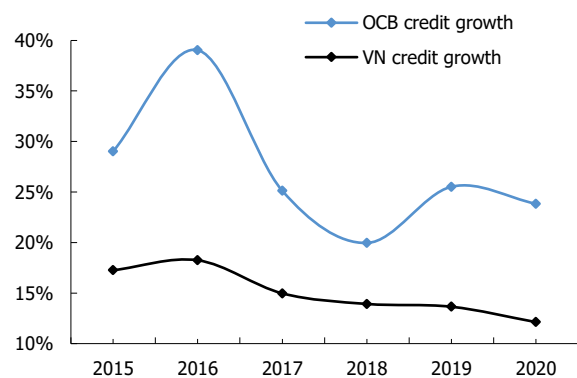
Source: Company data, KIS

**Figure 3. Deposit and CASA ratio**



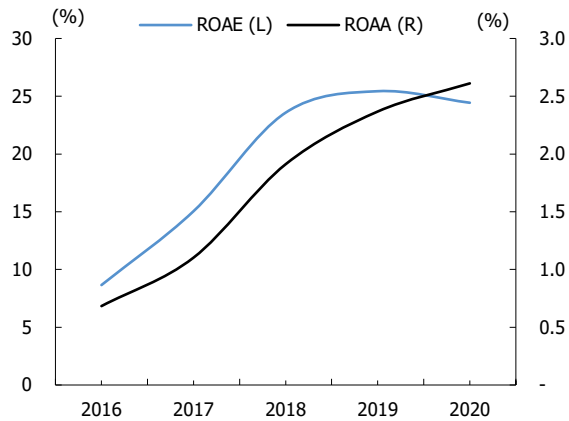
Source: Company data, KIS

**Figure 4. Credit growth**



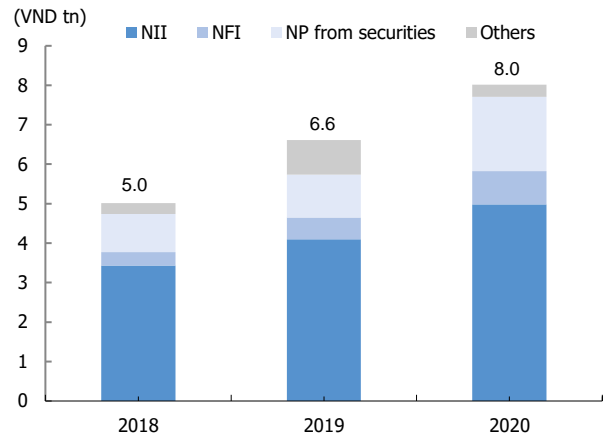
Source: Company data, KIS

**Figure 5. ROE and ROA**



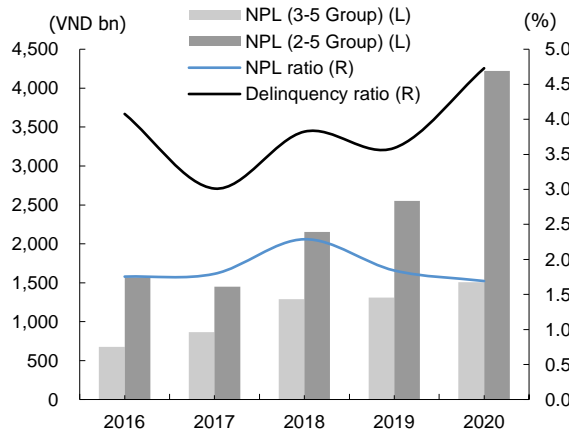
Source: Company data, KIS

**Figure 6. TOI breakdown**



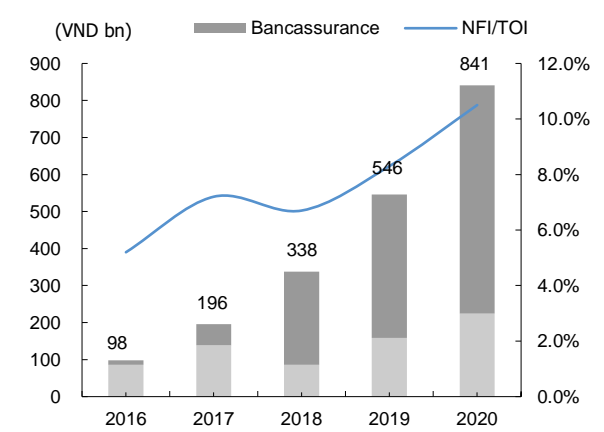
Source: Company data, KIS

**Figure 7. NPL**



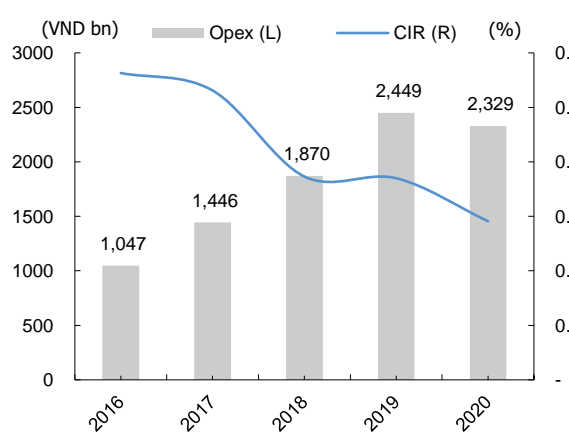
Source: Company data, KIS

**Figure 8. NFI and Bancassurance**



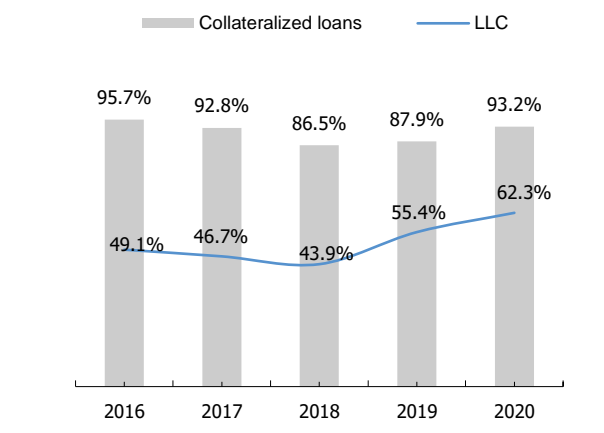
Source: Company data, KIS

**Figure 9. Opex and CIR**



Source: Company data, KIS

**Figure 10. Collateralized loans and LLC**



Source: Company data, KIS

■ **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.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 28 Jan 2021.

KIS Vietnam Securities Corp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 28 Jan 2021.

Prepared by: Chau Le

## Global Disclaimer

### ■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

### ■ Country-specific disclaimer

**United States:** This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

**United Kingdom:** This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

**Hong Kong:** This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

**Singapore:** This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2021 KIS Vietnam Securities Corp.. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp..