

17 Aug 2023

Orient Commercial Bank (OCB)

Impressive earning growth

AM briefing

- We tuned in to OCB's analyst meeting on Aug 17 which shed some light on its 2Q23 operational updates.

Strong 2Q23 profit growth

- 2Q23 PBT surged +75%yoy (to VND1,577bn) thanks to strong income growth from Non-NII (+331%yoy), low OPEX (-15.3%yoy) and a constant provision expense (+1%yoy). Meanwhile, NII kept a moderate growth rate of 7% with maintained NIM.
- Accumulated results, 1H23 PBT rose by 47.2%yoy to VND2,560bn, completing 43% of 2023 target.

Higher credit growth with stable NIM

- 2Q23 total credit went up 7%YTD to VND131,125bn, higher than 1Q23's 2% YTD and the industry's 4.7%. 2023 credit growth could grow at 20%yoy in as the bank's business plan.
- 2Q23 Corporate loan (+11%YTD) was a driver of 2Q23 total credit growth. Meanwhile, retail still grew 1%YTD as the industry trend amid the economic slowdown. OCB continues to focus on retail and SME for the credit allocation, per bank's management.
- 2Q23 Deposit customer growth (+8%YTD) was a main contributor of total M1 mobilization (+7%YTD). LDR fell from 2022's 75.6% to 2Q23's 73.8%
- 2Q23 NIM(TTM) maintained at 3.8% (vs 3.9% in 1Q23 and 3.7% in 2Q22) with the narrower market spread between the M1 lending rate and deposit rates.

12M rating **NON-RATED**

12M TP

Up/Downside

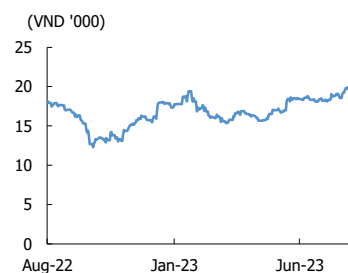
Stock Data

VNIndex (17 Aug, pt)	1,233
Stock price (17 Aug, VND)	19,400
Market cap (USD mn)	1,114
Shares outstanding (mn)	1,370
52-Week high/low (VND)	19,950/12,300
6M avg. daily turnover (USD mn)	0.86
Free float / Foreign ownership (%)	75.8/20.9
Major shareholders (%)	
Aozora Bank	15
Trinh Van Tuan and his family	12.45

Performance

	1M	6M	12M
Absolute (%)	6.3	12.5	6.6
Relative to VNIndex (%p)	1.0	(4.9)	8.4

Stock price trend



Source: Bloomberg

	2018A	2019A	2020A	2021A	2022A
TOI (VND bn)	5,016	6,613	8,013	8,919	8,534
chg. (YoY)	84.2	31.8	21.2	11.3	-4.3
PPE (VND bn)	3,146	4,164	5,683	6,516	5,457
Net profit (VND bn)	1,761	2,582	3,535	4,405	3,510
EPS (VND, adj.)	2,938	3,264	3,363	3,188	2,540
chg. (YoY)	74.2	11.1	3.0	-5.2	-20.3
PB (x)	1.50	1.37	1.25	1.25	1.08
PE (x)	7.54	6.17	6.25	6.26	51.90
P/PPE (x)	2.9	3.4	3.5	3.8	4.5
NIM (%)	4.0	3.9	3.9	3.7	4.0
ROE (%)	23.6	25.4	24.4	22.5	14.9
ROA (%)	1.9	2.4	2.6	2.6	1.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
CAR (%)	0.0	0.0	13.0	12.3	12.8

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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Impressive Non-NII growth

- 2Q23 net fee income (NFI) and 2Q23 Non-NFI rallied +9%yoy (to VND251bn) and +331%yoy (to VND294bn) respectively, thanks to more favorable environment for government bond trading. Accumulated results, 1H2023 NFI and Non-NFI rose by 4%yoy and 516%yoy, respectively.

Manageable OPEX

- 2Q23 OPEX slumped by -6% respectively thanks to lower staff cost (-26%yoy) and general expenses (-6%yoy). 2Q23 CIR improved to 32% from 2Q22's 43%. Per management, OCB utilizes the digital banking and labor optimization; and 2023 NIM could remain at below 35%

Asset quality

- 2Q23 NPL (2-5 group) and NPL (3-5 group) fell to 6.2% (vs. 1Q23's 7.4% and 4Q22's 4.8%) and 3.2% (vs. 1Q23's 3.3% and 4Q22's 2.2%) respectively, hit by tourism and customer services, SME, import-export customer, and individuals.
- The management views that the NPL ratios peaked at 1Q23; and 2023 NPL (2-5 group) and NPL (3-5 group) could be down to 3.5% and 1.5% respectively.

Recommendation and Ratings

- OCB is trading at PB of 0.97x, lower than private peers' average of 1.64x (69% premium) and the five-year average of 1.3x (34% premium).

Table 1: Snapshot of income statement

Units: VNDbn, %

	2Q22	1Q23	2Q23	q/q	n/n	6T22	6T23	n/n
Net interest income	1,702	1,751	1,818	3.8	6.8	3,372	3,568	5.8
Total operating income	1,806	2,090	2,363	13	30.8	3,814	4,453	16.8
Profit before provision expense	1,030	1,326	1,705	28.6	65.5	2,301	3,032	31.8
PBT	903	983	1,577	60.3	74.5	1,739	2,560	47.2

Source: Finpro, company data

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