

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 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.

	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

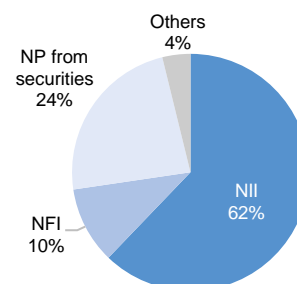
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Stock Data

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

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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

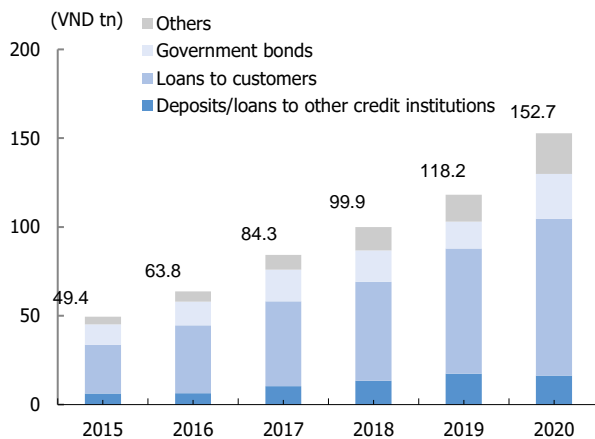
OCB had a 3-year CAGR NFI of 62.5% in 2018-2020. By the end of 2020, OCB's NFI reached VND841bn, increasing the proportion of NFI in TOI from 6.7% in 2018 to 10.5% in 2020. The major contribution to OCB's NFI is income from Bancassurance. Since 2017, OCB cooperated in bancassurance with 2

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

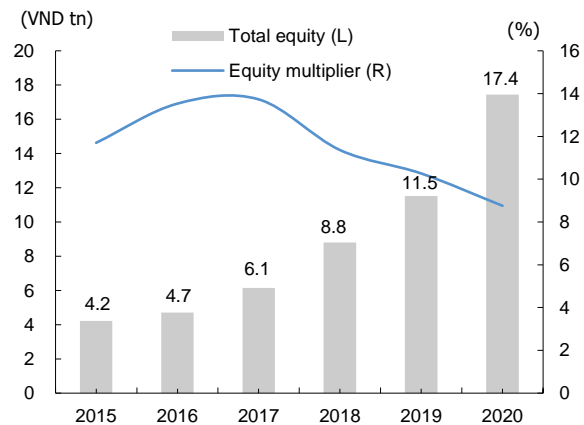
OCB plans to (1) Focus on Priority Customer Segmentation (Upper mass in retail banking segment and SME, Micro SME in corporate banking segment); (2) Maintain sustainable growth in the leading group (growth of profit, total assets, and charter capital from 20%-25%/year); (3) Improve asset quality (NPL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

Figure 1. Total assets



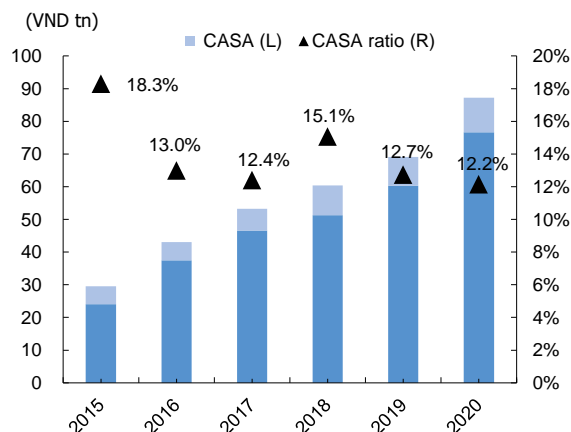
Source: Company data, KIS

Figure 2. Total equity



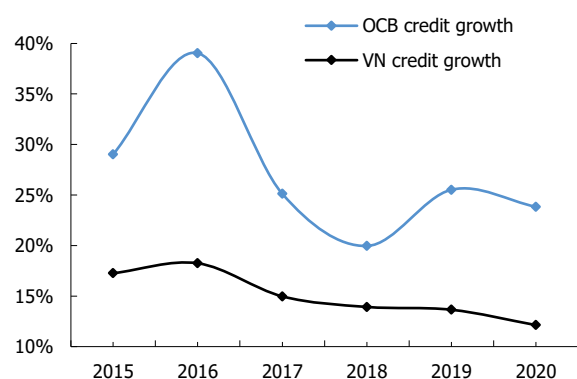
Source: Company data, KIS

Figure 3. Deposit and CASA ratio

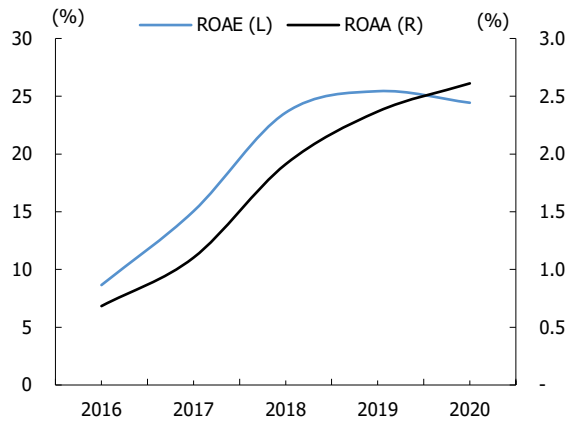


Source: Company data, KIS

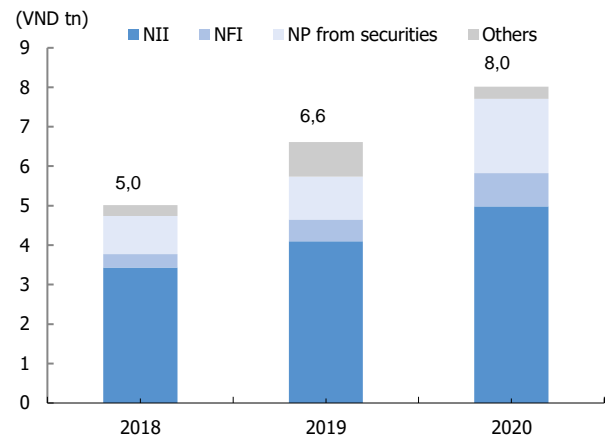
Figure 4. Credit growth



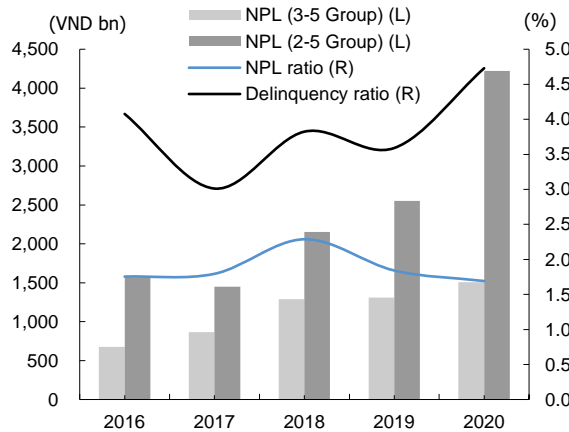
Source: Company data, KIS

Figure 5. ROE and ROA

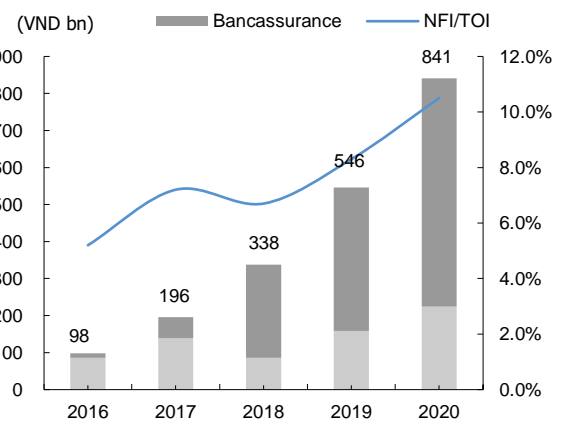
Source: Company data, KIS

Figure 6. TOI breakdown

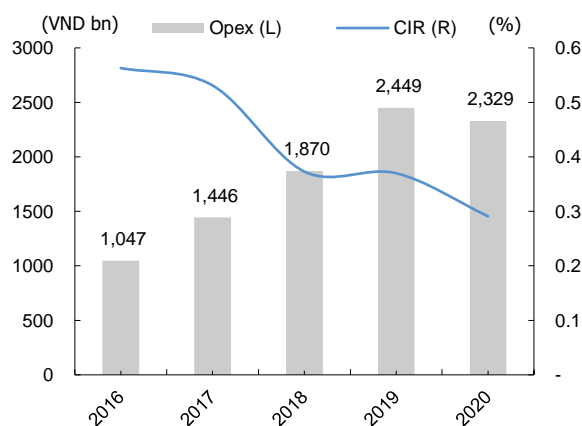
Source: Company data, KIS

Figure 7. NPL

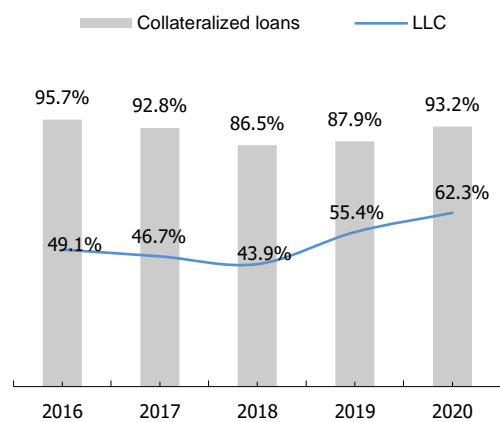
Source: Company data, KIS

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

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