



# THE WEALTH VAULT

A Product of Wealth Securities, Inc.

## SECURITY BANK CORPORATION (SECB)

BUY

11 November 2011

### Company Update

#### Company Snapshot

Price (P)	91.45
Price Target (P)	98.00
Shares O/S (million)	502
Market Cap (P million)	45,941
52-week High (P)	97.80
Low (P)	59.50
12-mo Avg. Value T/O (P'm)	51.730
2011E BVPS (P)	55.79
2011E P/BV	1.64x
2011E ROE	14.4%
Upside potential, %	7.1%

#### Financial Highlights

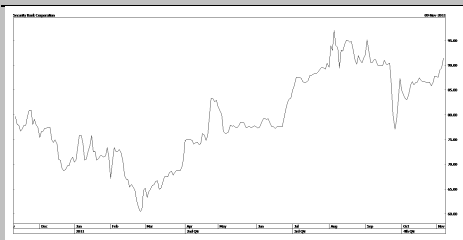
in P'million	2010A	2011E	2012E
Net Int. Income	6,100	7,473	9,797
Other Income	6,751	2,406	2,567
Net Revenues	12,850	9,879	12,364
PPOP	8,140	5,151	7,538
Net income	7,160	3,921	5,830
PBV (x)	1.5	1.6	1.4
PE (x)	5.0	10.6	7.9

A = Actual calendar/fiscal year results; C = Bloomberg consensus; I = Annualized interim results; E = Wealth Securities estimates

#### Price Performance

	1m	6m	12m
SECB	8.2%	16.5%	12.9%
PSEi	7.8%	2.0%	1.8%

#### 1-Year Price Chart



Source: Technistock

#### Corporate Announcement

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### Leading the Pack

- Consistently the Best.** SECB again delivered stellar earnings of P4.0B (+21% YOY) for 9M2011, resulting to an industry-best Return on Equity (ROE) of 20%. While the strong performance of the bank's core businesses have contributed to its healthy results, lower than expected provisions and income taxes have also caused the bank's bottomline to exceed our estimates.

	9M2011	9M2011A*	2011E
Net Interest Income	5,549	7,398	7,473
Non-Interest Income	2,126	2,834	2,406
Operating Expenses	3,259	4,345	4,728
Provisions for Losses	-	-	250
Provision for Income Tax	398	530	980
Net Income	4,018	5,357	3,921
*Annualized for 12 months			
Amounts in millions			
Sources: Company data, Wealth Securities estimates			

- Steady Growth.** On top of consistent above average profitability, SECB has also managed to steadily grow its assets and loans. The integration of newly-acquired Premiere Development Bank is expected to contribute in SECB's growth initiatives by providing more sources of low-cost deposits and expanding the bank's distribution network. We expect SECB to breach the P200B asset milestone within the next few quarters, bringing it closer in size to listed peers such as CHIB, RCB and UBP.

	2006	2007	2008	2009	2010	3Q2011
Assets	122,042	128,649	137,843	146,250	166,626	196,805
Loans	33,579	52,022	67,372	69,901	74,505	84,471
Amounts in millions						
Sources: Company data, Wealth Securities estimates						

- Strong Capital Base.** SECB also reported that its Capital Adequacy Ratio was at a healthy 18.3%, well above the 10.0% required by the Bangko Sentral ng Pilipinas. Further, SECB's leverage is only at 6.8x. This means that the bank can pursue its growth targets without having to raise additional capital over the medium term.
- Buy SECB.** We have a BUY recommendation on SECB, with a target price of P98.00, implying a 2011E P/BV multiple of 1.8x and 2012E P/BV of 1.4x. We like SECB for its consistency in delivering high levels of profitability and growth. We view SECB as a strong candidate for re-rating once the overhang of the European debt crisis eases.

#### Please Read!

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