



Stock Snippet – MBSB

9MFY2011 results surpassed market expectations

MBSB 9MFY2011's net profit soared 81% y-o-y and on an annualised basis, its net profit would be RM322mil which is ~19% outstripping consensus forecast of RM270mil. The higher profit was driven by 1) robust loan growth in personal financing which upped 98% for the 9MFY2011, 2) vigorous growth from its Islamic banking operation which has skyrocketed 207% y-o-y and 3) stronger fee-based income (+72% y-o-y) which was aided by product bundling of will writing and Takaful products.

Stronger than expected net interest margin (NIM)

MBSB recorded another stronger than expected NIM of 5.36% for 3QFY2011 (5.11% for 2Q FY2011) underlines by the high margin personal financing business.

Expansion plans remain intact

In tandem with management's intention to have a greater reach to its customers, MBSB has set up additional full-fledged branch and 2 representative offices in Selangor, Johor and Perak.

Bullish stance on MBSB by investment banks

Investment banks that have coverage on MBSB retain their bullish stance on the company with all the 6 investment banks reiterated their outperformance or buy call for the stock on the back of strong fundamentals of the company.

Takeover target?

MBSB's share price has recently rallied substantially on rumours that the company is subject to takeover by one of the largest banks in Malaysia. A price of RM2.00 was mentioned as the takeover price. However, to-date no filing has been made by MBSB to Bursa Malaysia pertaining to any takeover bid. Nonetheless, we believe that the fundamentals of the company remains solid as evident in the consistently above expectations results announcements and hence, the company together with its share price will continue to outperform in the absence of any takeover bid.

Maintain a BUY

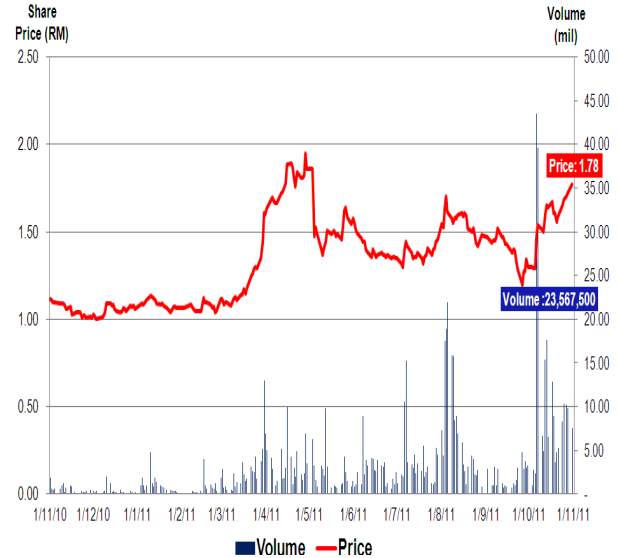
We remain our Buy call on MBSB for its continued solid loan growth to be further driven by the recent perks announced for civil servants with regard to better pay increase, higher promotion increment, additional bonus and extended retirement age. More importantly, MBSB derives all its revenue domestically i.e. loan for civil servants and contract financing for projects awarded by the government which are of higher margins and yet with lower default risk. As such, its earnings are rather resilient amidst global economic uncertainties.

Valuation wise, it is trading at 8.5x FY11 PER to its fully diluted EPS and compelling PE/Growth ratio of 0.37x FY2013F which is way below the banking industry average.

Summary

Share Price (RM)	1.78
52-Week Low/ High (RM)	0.985/ 1.97
Market Value (RM mil)	RM2,163.1mil
Shares Outstanding (RM1.00 par)	1,215.4mil
Dividend Yield	3.6%
Return on Equity	39.0%
FY2011F EPS – fully diluted (sen)	20.9
P/E	8.5x

Price and Volume (1 Year)



Financial

	2007	2008	2009	2010	2011F*
Revenue (RM mil)	356	416	538	770	1,337
EPS (sen)	8.0	6.7	8.2	21.0	22.3**
Dividend (sen)	3.0	2.3	3.0	6.8	7.5

*Annualised 9M FY2011

** Adjusted for right issue & warrant

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