Equity Beat
midf RESEARCH
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28 March 2012 | Corporate Update

MBSB

Strengthening the credit process

***Maintain* NEUTRAL**

Target Price (TP): RM2.20

INVESTMENT HIGHLIGHTS

- MBSB has set a target of RM8b for personal financing-i (PF-i) in FY12. During the 1st two months of 2012, the group has already achieved 23% or close to RM2b of PF-i full year FY12 target.
- For the retail collection and management, MBSB will establish a regional collection centre and will be aggressive in its collection. The group intends to bring its net impaired loan ratio down from 8.5% to 6.5% in FY12 partly by resolving its legacy corporate loan issue. The issue arises from to its earlier JVs with other parties to develop properties, where it had given loans to the borrowers to develop the properties. This would be done by granting credits to white knights to revive the abandoned projects and end-financing to buyers to support the purchase of the developed properties.
- We understand that the credit approvals for retail loan have been strengthened with the availability of Central Credit Reference Information System (CCRIS). CCRIS will assist in establishing the customer's outstanding debt obligations and repayment history. In addition, the computations of debt servicing ratio are already consistent with the responsible lending guidelines which requires the repayment ability of retail loan borrowers to be determined based on the net disposable income of the borrowers.
- To strengthen its credit risk management, we understand that a credit scoring system has been put in place to assess loans, and for mortgages, approval of mortgage loans will need to go through a committee. We understand that its mortgage loans are priced at BLR-0.5%, higher than that offered by banks at BLR-2.4%, but the group has been able to capture business from the middle to upper class segment of the retail market due to its higher margin of advance.

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- Maintain **NEUTRAL** on the stock. We keep our target price (TP) unchanged as our TP has been revised upwards to RM2.20 from RM2.16 in our recent note. Our TP valuation is based on the average of the valuation derived from a PER of 8.0x on FY12 EPS and PBVR of 1.8x.
- **Note:** We gathered a feedback from MBSB that the group has no plans to invest in London properties with its major shareholder, contrary to our note dated 26 Mar 2012.

RETURN STATS	
Price (27 Mar 2012)	RM2.17
Target Price	RM2.20
Expected Share Price Return	+1.4%
Expected Dividend Yield	+3.2%
Expected Total Return	**+4.6%**

STOCK INFO	
KLCI	1588.10
Bursa / Bloomberg	1171 / MBS MK
Board / Sector	Main / Finance
Syariah Compliant	No
Issued shares (mil)	1,226.90
Par Value (RM)	1.00
Market cap. (RM'm)	2,633.40
Price over NA	2.4
52-wk price Range	RM1.17–RM2.49
Beta (against KLCI)	1.51
3-mth Avg Daily Vol	4.43m
3-mth Avg Daily Value	RM9.84m
Major Shareholders	
EPF	64.86%
PNB	7.13%

INVESTMENT STATISTICS

FYE Dec	FY10	FY11	FY12F	FY13F
Net interest inc (+Islamic banking inc) (RM'm)	350.4	603.4	802.5	889.7
Non-interest income (RM'm)	91.2	160.3	188.1	243.1
Total income (RM'm)	441.6	763.7	990.7	1,132.8
Pretax profit (RM'm)	207.4	428.3	481.1	573.7
Net profit (RM'm)	146.0	325.4	360.8	430.6
EPS (sen)	20.9	32.4	30.0	35.0
EPS (%)	155.2	55.0	-7.4	16.7
PER (x)	10.4	6.7	7.2	6.2
Net Dividend (sen)	5.0	9.0	7.0	8.3
Net Dividend (%)	2.3	4.1	3.2	3.8

Forecast by MIDFR

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DAILY PRICE CHART

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	*Negative* total return is expected, by -15% or more, over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.