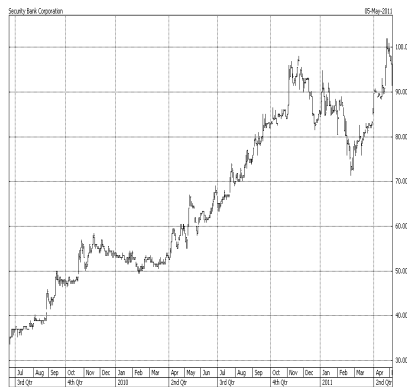


SECURITY BANK

Price	92.00	
Shares	418.63 M	
Market Cap	38,513.96 M	
	2010	2011
EPS	17.21	11.95
PE	5.35	7.70
Book Value	49.71	
PB	1.85	
ROE	34.62%	24.04%

Achieved a record high net income of P7.2 billion in 2010. Revenues increased to P12.9 billion in the same period. While revenue growth was a healthy 63%, net income growth was an impressive 134%. Main growth driver was the P4.8 billion in trading and securities gains.

P7.2 billion in net income translates to an EPS of P17.15 per share. At SECB's current price of P92.00, its 2010 PE is 5.36 times, which is the lowest in the industry. The record high net income also represents a Return on Equity of 35%, which is the highest in the industry. These two metrics indicate that SECB may be the most undervalued bank stock.



Aside from trading gains, SECB reached a record high net income by improving its margins. SECB was able to grow its loan portfolio by 6.6% to P74.5 billion. However, its main focus last year was improving its margins, which it was able to do. Net interest income improved to P6.1 billion in 2010.

SECB's loan portfolio quality shows in its NPL (Non-performing Loans) cover of 319%, which is among the highest in the industry. Its NPL ratio of 1.09% is also better than the industry average.

Among small cap corporations, SECB was recognized as the best managed company in the Philippines by AsiaMoney, a leading financial magazine. SECB's high ROE and enviable efficiency garnered it the award "The Best Managed Company in the Philippines – Small Cap Corporate of the Year".

Prince Anthony A. Yeung
Maria Arlysa E. Narciso
Equities Analysts

Moving forward, the trading gain of P4.8 billion will not be duplicated as this year's environment differs from that of last year. Most likely, SECB's net income will drop to around P5 billion in 2011.

Given SECB's high NPL coverage and low NPL ratio, it can take on a more aggressive stance in expanding its loan portfolio. This is an option that the company can take in order to mitigate the expected drop in trading gains this year.

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Whether one looks at its record high 2010 numbers or expected 2011 numbers, SECB is undervalued compared to its peers. SECB has strong fundamentals and its price has been moving well recently.

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SECB will become a component of the PSEI on Monday (May 9, 2011). This is a positive signal that makes SECB more attractive and more liquid moving forward.

From a technical perspective, SECB is currently retreating towards P90.00, which is a good entry price.

SECB is rated a buy with a target price of P120.00.