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Security Bank 1H-2016 Net Income at Php 4.9 Billion

08 August 2016, Makati, Philippines – Security Bank Corporation (PSE: SECB) posted Php 4.9 billion in net income in the first half of 2016. Up 4% year-on-year, this result was driven by a 28% growth in net interest income equivalent to a Php 1.6 billion increase. This offset a Php 1.4 billion decrease in securities trading gains from a high of Php 3 billion in the first half of 2015 to Php 1.6 billion in the first half of 2016.

For the second quarter alone from April 1 to June 30, 2016, Security Bank's net income grew 42% year-on-year to Php 1.85 billion. This was on the back of a 34% year-on-year increase in net interest income to Php 3.9 billion, a 41% rise in service charges, fees and commissions, and a three-fold increase in foreign exchange income.

In the first half of 2016, the increase in net interest income to Php 7.4 billion was spurred by a 29% loan growth to Php 268 billion and a 17% deposit growth to Php 301 billion. Low-cost deposit growth was 23%. Corporate/commercial loans jumped 27%. Key consumer loan portfolios composed of home and auto loans and credit card receivables grew 61%. Net interest margin improved to 3.2% in the second quarter from 3.1% the previous quarter.

Service charges, fees and commissions rose 25% to Php 1.1 billion, propelled by bancassurance, credit cards, loan fees and advisory. Foreign exchange income increased two-fold to Php 422 million.

Operating expense growth, excluding provisions for probable credit losses and impairments, was 8%. The cost-to-income ratio was 48%.

The Bank provided Php 408 million in allowance for probable credit losses in 1H-2016, 4% higher than that of 1H-2015. Asset quality remained strong as net non-performing loan ratio (NPL) decreased to 0.27% from 0.29% the previous quarter. As a result, NPL reserve cover increased to 188% from 171% the previous quarter.

Security Bank President and Chief Executive Officer Mr. Alfonso L. Salcedo, Jr. said, *"We are pleased with the quality of our earnings because it is coming from recurring income and core businesses. Growth has been balanced with both wholesale and retail banking registering encouraging results. With the Php 37 billion equity investment by The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU) in Security Bank in April 2016,*

we now have Php 94 billion in capital to fuel the Bank's expansion plans. Our medium-term objective is to grow our way back to market-leading return on shareholders' equity (ROE)."

Security Bank Chief Financial Officer Mr. Joselito E. Mape said, *"We deployed the additional capital to accelerate the growth in our loan portfolio in the second quarter. This increased our loan-to-deposit ratio to 89%. Our capital adequacy ratios increased, with Common Equity Tier 1 (CET 1) at 18.6% and Total CAR at 21.2%. Our book value per share increased 34% to Php 124.61 as of June 30, 2016 from Php 92.86 as of March 31, 2016. We paid Php 1.00 per share in semestral cash dividends to shareholders in May 2016. Security Bank's market capitalization was at Php 145 billion as of June 30, 2016. Total assets amounted to Php 613 billion, reflecting a 39% growth year-on-year."*

Security Bank currently has 277 branches and 582 ATMs nationwide.

Summary

Security Bank is among the five largest private domestic universal banks in the Philippines by total assets (at Php 613 billion) as of June 30, 2016.

Security Bank has been a recipient of various awards, among which, in 2016, the Bank was named as **Philippines' Best Bank** by *Euromoney* of London; **Best Improved Retail Bank in Asia Pacific, Central Asia, Africa and the Gulf Region** by *The Asian Banker*; **Highly Commended as Best Bancassurance** by *Retail Banker International*; received an **Award for Excellence for the Better Banking Campaign** from the *Philippine Quill Awards*; **Best Electronic Bank for the Philippines** by *The Asset*; and **Best Cash Management and Treasury and Working Capital Bank** by *The Asset*. In 2015, Security Bank was **Bank of the Year in the Philippines** by *The Banker* of London; **Overall Best Managed Company in the Philippines – Medium Cap** by *Asiamoney*; **Best Branch Innovation in the Philippines** by *The Asian Banker*; **Best Overall for Corporate Governance in the Philippines, Best for Responsibilities of Management and the Board of Directors, and Best for Investor Relations** by *Asiamoney*; and one of the **Best Mid-Cap Companies in the Philippines** by *FinanceAsia*. The Bank has been operating for 65 years since it was established in 1951.

More information is available on our website: www.securitybank.com.