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Security Bank Posts Php 5.2 Billion Net Income in 1H-2017, Up 8%

01 August 2017, Makati, Philippines – Security Bank Corporation (PSE: SECB) posted Php 5.2 billion in net income in the first half of 2017, up 8% from year-ago level. This result was driven by a 26% or Php 1.9 billion increase in net interest income to Php 9.3 billion. Non-interest income including trading gains was Php 2.9 billion, a 15% or Php 0.5 billion decrease.

For the second quarter alone from April 1 to June 30, 2017, net income grew 32% from year-ago level to Php 2.43 billion, keyed by a 24% rise in net interest income to Php 4.9 billion.

In the first half of 2017, the increase in net interest income was driven by a 27% growth in the loan portfolio to Php 340 billion and a 26% growth in deposits to Php 380 billion. Low-cost deposits increased 21%. Wholesale loans grew 25%, of which corporate loan growth was 23% and middle market loan growth was 27%. Consumer loans increased 49%. Net interest margin was 3.2% in the second quarter of 2017, up from 3.1% in Q1-2017. Service charges, fees and commissions grew 4% to Php 1.1 billion.

Operating expense, excluding provisions for probable credit losses and impairments, was up 16%. This was driven by manpower cost growth of 23% as new branches, retail lending and e-commerce platforms were staffed. 25 new branches were opened in the last 12 months to June 2017. Information technology both hardware and software and branch network expansion costs were reflected in the 44% increase in depreciation and amortization and software costs. Security Bank is in the midst of upgrading its core banking systems to enable the Bank to roll out new products and services. The cost-to-income ratio was 49%.

Asset quality remained healthy with net non-performing loan ratio (NPL) of 0.10% versus 0.14% in Q1-2017. NPL reserve cover was 220% versus 197% in the previous quarter.

Security Bank's total assets increased 26% year-on-year to Php 775 billion. Shareholders' capital was Php 101 billion, up 7%. Return on shareholders' equity (ROE) was 10.6%. Common Equity Tier 1 ratio was 16.6% and total Capital Adequacy Ratio was 19%. The Bank paid Php 1.50 per share in semestral cash dividends to common shareholders in May 2017. The book value per share is Php 133.94 as of June 30, 2017, up 7% from year-ago level.

Security Bank currently has a network of 296 branches and 667 ATMs.

Summary

About Security Bank

Security Bank is among the five largest private domestic universal banks in the Philippines by total assets (at Php 729 billion) as of March 31, 2017.

Security Bank has been a recipient of various awards, among which, in 2017: from **Asiamoney** -- **Best Managed Company in the Philippines (Mid-Cap)**, **Best Executive in the Philippines** (Mr. Alberto S. Villarosa, Chairman), and **Best for Investor Relations in the Philippines**; from **The Asset** -- **Best e-Bank Philippines**; from **KAPATID 2017 Awards** of the **Employers Confederation of the Philippines** -- **Special Citation Award on Industrial Peace and Harmony**; from **Corporate Governance Asia** -- **Asia's Best CEO (Investor Relations)** for Mr. Alfonso L. Salcedo, Jr., **Asia's Best CFO (Investor Relations)** for Mr. Joselito E. Mape, and **Best Investor Relations Company Philippines**; from **15th Philippine Quill Awards** -- three **Merit Awards** for Security Bank's **Economic Forum**, **The Bankers' Bond** (corporate magazine), and **Security Bank Foundation, Inc.**; from **Asian Banking and Finance** -- **Advertising Campaign of the Year-Philippines**, **Credit Card Initiative of the Year-Philippines**, and **Mortgage and Home Loan Product of the Year-Philippines**.

In 2016, the Bank was named **Bank of the Year – Philippines** by **The Banker** of London, and **Philippines' Best Bank** by **Euromoney**. The Bank was also recipient of the following awards in 2016: **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**; **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 – 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**; and **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**. The Bank has been operating for 66 years since it was established in 1951.

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