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Security Bank 2016 Profit at Php 8.55 Billion, Up 11% Driven By Core Income

01 February 2017, Makati, Philippines – Security Bank Corporation (PSE: SECB) posted a record-high Php 8.55 billion in net profit in 2016, up 11%. This result was driven by strong growth in core recurring income. Net interest income increased 28% to Php 15.9 billion, which more than offset the Php 1.1 billion decrease in trading gains. Gains on sale of securities were lower at Php 1.8 billion from Php 2.9 billion in 2015. Net interest margin was steady at 3.1%.

For the fourth quarter 2016, Security Bank's net income increased 18% year-on-year to Php 1.9 billion, driven by a 30% increase in net interest income to Php 4.4 billion.

Total loans and investments in corporate bonds increased 25% to Php 317 billion. Corporate, commercial and retail customer loans increased 20% to Php 289 billion. Deposits likewise grew 20% to Php 347 billion, with low-cost deposits increasing 20%. Loan growth continued its trajectory by segment with corporate and commercial loans growing 20% and total consumer loans increasing 56%. Credit card receivables decreased by 5% due to the sale of the Diners Club franchise. Retail loans account for 13% of total loan portfolio, up from 10% in 2015. Total assets increased 31% to Php 695 billion.

Asset quality remained healthy, with net non-performing loan (NPL) ratio at 0.44%, which is among the lowest in the industry. Gross NPL ratio was 0.8%, same as in 2015. NPL reserve cover stood at 170%. Notwithstanding the healthy asset quality, Security Bank increased its provision for probable credit losses by 52% to Php 953 million.

The cost-to-income ratio was 50%. Operating expense growth (excluding provisions for probable credit losses and impairments) was 11% as the Bank continued to invest in scalability of its business, making major investments in information technology, people and branches.

*"We are pleased with the quality of our earnings. Our 2016 results show steady progress in our core recurring income. The growth in our net interest income more than offset the lower trading gains. Notably, the growth in our net interest income has accelerated to 30% year-on-year in Q4-2016 from 28% in previous quarters. Our loans and deposits are growing robustly. Our asset quality and cost-to-income are in good shape. We continue to invest in growing the business. To cap our year, we are honoured to have been named **Bank of the Year – Philippines** back-to-back awardee by **The Banker**, having won the same award in 2015. We won this award three times in the past five years. We were also*

*named **Philippines' Best Bank** by **Euromoney** in 2016. We thank our client-partners who inspire us to be consistently better. We remain focused on delivering our promise of **BetterBanking**,"* said Security Bank President and Chief Executive Officer Mr. Alfonso L. Salcedo, Jr.

"Shareholders' capital increased 83% to Php 97 billion from Php 53 billion a year ago as a result of the Php 37 billion in capital investment by The Bank of Tokyo-Mitsubishi UFJ Ltd. (BTMU) and retained earnings. Security Bank is currently among the country's five largest private domestic universal banks by capital. Due to our larger capital resulting from BTMU's investment, our return on shareholders' equity is 10.4% and our return on assets is 1.4% in 2016. Our Common Equity Tier 1 ratio is at 18% and Total CAR is at 20.5%, well above the regulatory minimum of 8.5% and 10%, respectively," said Security Bank Chief Financial Officer Mr. Joselito E. Mape.

Security Bank has 292 branches and 622 ATMs to-date, having added 30 new branches through 2016 up to January 2017.

Summary

Security Bank is among the five largest private domestic universal banks in the Philippines by total assets (at Php 680 billion) as of September 30, 2016.

Security Bank has been a recipient of various awards, among which, in 2016, the Bank was named as **Bank of the Year – Philippines** by *The Banker* of London, and **Philippines' Best Bank** by *Euromoney* of London. Security 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 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*; 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 65 years since it was established in 1951.

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