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Security Bank 1H-2015 Net Income at Php 4.657 Billion, Up 29% for 19% ROE

29 July 2015, Makati, Philippines – Security Bank Corporation (PSE: SECB) posted Php 4.657 billion in net income in the first half of 2015, representing 29% year-on-year growth and 19% return on shareholders' equity (ROE).

This result was driven by healthy growth in the Bank's core businesses, with loan growth of 20% year-on-year to Php 207 billion and deposit growth of 18% to Php 257 billion, which fuelled a 15% year-on-year increase in Security Bank's total assets to Php 442 billion. Loan growth was broad-based, with corporate/commercial loans growing by 18% while consumer loans surged by 90%. The loan-to-deposit ratio was 81%. The return on assets (ROA) was 2.2%.

Interest income on loans increased by 17% year-on-year, which contributed to total interest income growth of 11% year-on-year. Interest expense increased by 46% year-on-year, reflecting the expected effect of the longer-term funding that the Bank issued such as the Php 10 billion Basel III compliant Tier 2 capital in July 2014 and the USD 300 million senior unsecured notes in February 2015. As a result, net interest income was at Php 5.8 billion, same level as year-ago. Net interest margin was 3.2% in 1H-2015, versus the 3.4% average in 2014.

Non-interest income increased by 69% to Php 4.4 billion, which included extraordinary trading gain of Php 2.1 billion. Excluding extraordinary trading gain, non-interest income was Php 2.3 billion, 58% increase year-on-year. Trading gains from trading portfolio and customer flows amounted to Php 906 million in 1H-2015. Fee-based income inclusive of asset management was Php 947 million, 11% increase year-on-year.

Security Bank's total operating income increased by 22% year-on-year to Php 10.2 billion. Operating expense (excluding provisions for credit losses and impairments) grew by 28% due to taxes incurred from the sale of securities in Q1-2015, and marketing and advertising expenses in support of the Bank's retail banking strategy. Security Bank had a network of 257 branches and 532 ATMs as of June 30, 2015.

For the three-month period ended June 30, 2015, Security Bank earned Php 1.3 billion in net income. Interest income on loans increased by 4% quarter-on-quarter which contributed to the 2% quarter-on-quarter growth in total interest income. Interest expense increased by 3% quarter-on-quarter. Net interest income during the quarter was Php 2.9 billion, up 1% quarter-on-quarter. Non-interest income was Php 998 million, which included trading gains of Php 315 million from trading portfolio and customer flows business. Operating expense (excluding provisions for credit losses and impairments) was down 10% quarter-on-quarter.

The Bank's asset quality remained healthy, with net NPL ratio at 0.14% as of June 2015 compared to 0.25% a year ago, among the lowest in the banking industry. The Bank provided Php 392 million in allowance for probable loan losses in 1H-2015. The NPL reserve cover was at 196%, among the highest in industry.

After the Php 1.00 per share in semestral cash dividends to shareholders in June 2015, Security Bank's shareholders' capital was at Php 51 billion, 16% increase year-on-year.

Security Bank President and Chief Executive Officer Mr. Alfonso L. Salcedo, Jr. said, *"We are focused on the execution of our strategy aimed at growing our retail banking business into a strong third pillar complementing our strengths in wholesale banking and financial markets businesses. Retail banking is a steady-growth, sustainable and higher margin business which is less volatile than cyclical businesses."*

Security Bank Chief Financial Officer Mr. Joselito E. Mape said, *"Our cost-to-income ratio is at 47% in 1H-2015. Our capital adequacy ratios under Basel III are sustained at healthy levels, with Common Equity Tier 1 (CET 1) at 13% and Total CAR at 16.5%."*

About Security Bank

Security Bank is among the eight largest private domestic universal banks in the Philippines with total assets of Php 442 billion, loan portfolio of Php 207 billion, and total capital of Php 52 billion as of June 30, 2015.

Security Bank has been a recipient of various awards, among which, in 2015, the Bank was one of the **Best Mid-Cap Companies in the Philippines** by *FinanceAsia*; **Asia's Leader in Merchant Partnerships for Sweep Card** by *IDC Financial Insights*; recipient of **Best CEO (Investor Relations)** for Mr. Alberto S. Villarosa (former President & CEO and now Chairman of the Board), **Best Investor Relations Company**, and **Best Corporate Social Responsibility** awards by *Corporate Governance Asia* of Hong Kong; **Bank of the Year, Philippines** by *M&A Today* of London; and **Best Foreign Exchange Bank, Philippines** by *Global Banking & Finance Review*. In 2014, the Bank was **Best Bank in the Philippines** by *Global Financial Market Review*; **Best Small Cap Equity Deal of the Year in Southeast Asia** for Xurpas' Php 1.36 billion (USD 30 million) IPO by *Alpha Southeast Asia Magazine*; **Best Overall Domestic Provider of FX Services in the Philippines** as voted by Corporates and Financial Institutions by *Asiamoney*; **Best Service Provider and e-Solutions Partner Bank in the Philippines** by *The Asset*. In 2013, the Bank was **Best Managed Bank in the Philippines** by *The Asian Banker* of Singapore. In 2012, Security Bank was **Bank of the Year in the Philippines** by *The Banker* of London, and the **Strongest Bank in the Philippines** by *The Asian Banker*. The Bank has been operating for 63 years since it was established in 1951.

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