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Security Bank Posts Php 4.3 Billion Profit in 1H-2018

07 August 2018, Makati, Philippines – Security Bank Corporation (PSE: SECB) posted Php 4.3 billion in net income in the first half of 2018. This is 18% or Php 951 million lower than year-ago level primarily due to the decrease in trading gains by 59% or Php 655 million and the increase in provision for income tax by 55% or Php 424 million. Loans grew 12% year-on-year while deposits increased 17%. Net interest income from customer loans and deposits increased by 34% or Php 1.8 billion to Php 7.4 billion. Interest income from financial investments decreased by 13% or Php 717 million to Php 4.8 billion on lower securities portfolio which likewise dropped by 13% year-on-year. As such, total net interest income grew by 8% to Php 10 billion. Service charges, fees and commissions increased by 16% to Php 1.3 billion. The growth in fee income was broad-based, led by bancassurance, credit card and loan fees.

Deposit growth accelerated to 17%, increasing by Php 63 billion from year-ago level to reach Php 443 billion as of June 30, 2018. Low-cost deposits increased by 15%. The loan-to-deposit ratio improved to 86% from 90% a year ago.

Loans grew 12% to Php 383 billion as of June 30, 2018 after a strong 27% increase a year ago in 1H-2017. Wholesale loans grew 7%. Consumer loans continued their strong growth trajectory at 50%. Consumer loans now account for 18% of total loan portfolio. Net interest spread on loans and deposits was 4.27% in Q2-2018, up 7 basis points quarter-on-quarter and 39 basis points year-on-year.

Asset quality remained healthy, with gross non-performing loan (NPL) ratio down to 0.6% from 0.7% a year ago. Provision for credit losses was Php 90 million in Q2-2018. The NPL reserve cover was at 261%, the highest in the industry.

Cost-to-income ratio was 54.6%. Operating expense growth was 12.9%, excluding provisions for credit and impairment losses, driven by the Bank's investment in digitalization and information technology transformation.

Security Bank's judicious use of capital resulted in sustained strong capital adequacy ratios. Common Equity Tier 1 Ratio was at 16.19% and Total Capital Adequacy Ratio was at 18.46% in Q2-2018 versus 16.63% and 18.95%, respectively, a year ago. Security Bank continued to be among the country's best capitalized private domestic universal banks with the highest capital adequacy ratios. Return on shareholders' equity was 8.1%. Shareholders' capital was Php 107 billion, up by 6% from year ago level. Total assets stood at Php 722 billion.

Summary

About Security Bank

Security Bank is among the six largest private domestic universal banks in the Philippines by total assets (at Php 703 billion) as of March 31, 2018.

Security Bank's major awards received in 2018 are: **The Best Retail Bank in the Philippines for 2018** by *The Asian Banker*; **Best Retail Bank in the Philippines 2018** by *Alpha Southeast Asia*; **Best Bank in the Philippines 2018** by *Global Finance*; and **Asia's Best CEO (Investor Relations, Philippines)** for Mr. Alfonso L. Salcedo, Jr., **Asia's Best CFO (Investor Relations, Philippines)** for Mr. Joselito E. Mape, and **Best Investor Relations Company Philippines** from *Corporate Governance Asia*.

Security Bank's awards 2017 were: *Alpha Southeast Asia's Best Bank in the Philippines*; *Asiamoney's Best Bank for SMEs–Philippines*; *Capital Finance International's Best Digital Bank–Philippines*; *The Asian Banker's Future of Finance in Philippines Awards Deposit Product of the Year (All Access Account)*; *The Asset Benchmark Research Awards Top Bank for Government Bonds, Top Bank for Corporate Bonds, and Top Investment House*; *The Asset Triple A Awards 2017 Best Regional Specialist (Public Sector), Philippines, and Best in Treasury and Working Capital (Public Sector), 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, Philippines)** for Mr. Alfonso L. Salcedo, Jr., **Asia's Best CFO (Investor Relations, Philippines)** 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; **Philippines' Best Bank** by *Euromoney*; **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*.

The Bank has been operating for 67 years since it was established in 1951.

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