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Security Bank Earnings Up 20% to Record-High Php 10.3 Billion in 2017

5 February 2018, Makati, Philippines – Security Bank Corporation’s (PSE: SECB) net income grew 20% to a record-high Php 10.3 billion in 2017. This was driven by a 22% or Php 3.5 billion increase in net interest income to Php 19.4 billion and a 15% growth in non-interest income to Php 5.7 billion. Trading gains amounted to Php 2.4 billion, up 36%. Service charges, fees and commission income was Php 2.2 billion, up 3%. Total revenues increased 20% to Php 25.1 billion.

For the fourth quarter 2017, net income increased 49% year-on-year to Php 2.9 billion, driven by a 16% growth in net interest income to Php 5 billion and gain on sale of securities of Php 1.3 billion.

Loans increased 28% to Php 369 billion. Wholesale loans grew 25%, of which corporate loan growth was 25% and middle market loan growth was 24%. Consumer loans continued with its trajectory, growing 49%. Consumer loans account for 16% of total loans, up from 13% in 2016. Deposits grew 19%, with low-cost deposits growing 18%. Net interest margin improved to 3.3% in the fourth quarter of 2017 from 3.2% of previous quarter and 3.1% a year ago.

Asset quality remained healthy with net non-performing loan ratio (NPL) at 0.02% at year-end 2017, an improvement from 0.11% of third quarter 2017. Provision for credit losses during the year was Php 656 million. NPL reserve cover increased to 239% at year-end 2017 from 220% of previous quarter.

The cost-to-income ratio was 49.8%. Operating expense growth, excluding provisions for credit and impairment losses, was 19% due to higher gross receipts taxes, a 14% growth in manpower cost, and a 48% increase in depreciation, amortization and software costs. Security Bank has been supporting the growth of its retail banking and core businesses with investments in manpower, digital platform, major I.T. upgrade and 13 new branches opened during the year. The Bank has 303 branches and 713 ATMs at year-end 2017.

Total assets grew 9% to Php 756 billion. Shareholders’ capital was Php 105 billion, up 8%. Return on average shareholders’ equity was 10.2%. Return on average assets was 1.5%. Capital adequacy ratios were healthy, with Common Equity Tier 1 ratio at 15.5% and Total Capital Adequacy Ratio at 17.7%. The book value per share was Php 139.31 as of December 31, 2017, up 8% from year-ago level. During the year, Security Bank paid cash dividends of Php 3.00 per common share, an increase from Php 2.00 per common share in 2016.

Summary

About Security Bank

Security Bank is among the five largest private domestic universal banks in the Philippines by total assets (at Php 796 billion) as of September 30, 2017.

Security Bank has been a recipient of various awards in 2017, among which are: **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**; **Asiamoney's 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**; **The Asset's 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; **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 66 years since it was established in 1951.

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