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Security Bank 2014 Net Income Up 43% to Php 7.2 Billion for 16.3% ROE

10 February 2015, Makati, Philippines – Security Bank Corporation (PSE: SECB) achieved Php 7.2 billion in net income in 2014, representing 43% year-on-year increase resulting to a 16.3% return on shareholders' equity (ROE).

Deposits rose by 20% year-on-year to Php 247 billion as loans likewise increased by 17% to Php 194 billion. These resulted in the Bank's total assets increasing by 14% to Php 397 billion by the end of 2014. Shareholders' capital increased by 15% to Php 47 billion. The loan-to-deposit ratio was 78%.

Asset quality remained firm and healthy with net non-performing loans (NPL) ratio at 0.28% -- among the lowest in the Philippine banking industry. NPL reserve cover stood at 200% as of December 31, 2014, likewise among the highest in the industry.

Despite the challenges of margin compression, net interest income increased by 33% year-on-year to Php 11.2 billion. Net interest margin (NIM) was 3.4%. Core revenues – comprised of net interest income, fee-based income, and trading gains attributable to customer flows – grew by 26% to Php 13.6 billion. Fee-based income was Php 1.7 billion, 8% higher versus previous year. Over-all trading gains were at Php 3.6 billion.

Security Bank's total operating income increased by 36% year-on-year to Php 16.8 billion. Operating expense growth (excluding provision for probable credit losses and impairments) was 17% due to investments in people, branches, re-branding and retail bank transformation. The cost-to-income ratio was 47%.

During the year, Security Bank launched its BetterBanking re-branding initiatives in conjunction with its retail bank transformation. The Bank opened twelve new Security Bank branches in Metro Manila and key cities in the provinces which increased total network to 256 branches as of December 31, 2014, including 39 branches of thrift bank subsidiary Security Bank Savings; launched the operating lease business through SB Rental Corporation, wholly owned subsidiary of SB Capital; and entered into bancassurance partnership with FWD Life, which was subsequently approved by BSP in January 2015. In October 2014, Standard & Poor's assigned to Security Bank a credit rating of BB+.

On January 27, 2015, Security Bank completed its inaugural offshore issuance of USD 300 million senior unsecured notes, oversubscribed almost 6 times. The proceeds will be used to extend term liabilities and expand the foreign currency deposit unit funding base.

"We are extremely delighted with the Bank's 2014 business results. All-in, the Bank turned in a solid and well-orchestrated, balanced performance: Earnings results and return on shareholders' equity remain among the industry's highest; our balance sheet is even healthier, attributable mainly to asset quality

and proven capital strength; and, most importantly, our core businesses have outperformed themselves in demonstrating growth in their respective franchises. Wholesale Bank continues to grow robustly in terms of deposits, loans, and earnings while our Retail Bank is well on track in its strategic direction towards becoming a significant contributor to the Bank's businesses. We have evidently started to realize the benefits of our re-branding campaign as we gain recognition from our target market. And we thank once again our customers and business partners for their strong trust and support," Security Bank President and Chief Executive Officer Mr. Alberto S. Villarosa said.

"The Bank's capital remains strong with Basel III Common Equity Tier 1 (CET 1) of 14.3% and total Capital Adequacy Ratio (CAR) of 18.4% at the end of 2014, well above BSP's minimum requirements of 8.5% and 10%, respectively. The Bank issued in July 2014 Php 10 billion Basel III compliant Tier 2 Notes," Security Bank Chief Financial Officer Mr. Joselito E. Mape said.

About Security Bank

Security Bank is among the eight largest private domestic universal banks in the Philippines with total assets of Php 397 billion, loan portfolio of Php 194 billion, and total capital of Php 47 billion as of December 31, 2014.

Security Bank has been a recipient of various awards, among which, in 2014, the Bank was **Best Bank in the Philippines** by *Global Financial Market Review*; **Best Investor Relations Companies-Philippines** by *Finance Asia*; **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*; and **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.