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Security Bank Posts Php 2.35 Billion Profit in Q1-2018 on Healthy Core Revenue Growth of 15%

02 May 2018, Makati, Philippines – Security Bank Corporation (PSE: SECB) posted Php 2.35 billion in net income in the first quarter of 2018. This is 16.6% or Php 468 million lower than year-ago level primarily due to the decrease in trading gains by 50% or Php 416 million and the increase in provision for income tax by Php 311 million. Core revenues -- comprising of net interest income, fee-based income, and trading gains attributable to customer flows -- were up by 15% or Php 797 million. Net interest income grew by 13% to Php 5 billion. The underlying customer business remained strong, with net interest income from customer loans and deposits increasing by 43% to Php 3.6 billion. Interest income from financial investments decreased as the Bank reduced its securities portfolio by 11% year-on-year through securities sale. Service charges, fees and commissions grew by 45% to Php 683 million. The growth in fee income was broad-based, led by bancassurance, credit card and loan fees.

Loans grew by 20% year-on-year to Php 367 billion. Corporate loan growth was 16% and middle market loan growth was 13%. Consumer loan growth accelerated to 54% year-on-year. With the roll-out of Small Business Loans and Personal Loans in early 2017, Security Bank now has a full plate of consumer loan products consisting of home, auto, credit card, personal and small business loans, which helped net interest margin to be sustained at 3.3% in Q1-2018. This is higher than the 3.1% a year ago and same level as quarter ago. Consumer loans as a percent of total loans increased to 17%.

Deposits grew by 11% year-on-year to Php 420 billion. Low-cost deposits increased by 20%. Total assets stood at Php 703 billion. Asset quality remained healthy, with gross non-performing loan (NPL) ratio at 0.7%, lower than the 0.9% a year ago and same level as quarter ago. The net NPL ratio was 0.27%. The NPL reserve cover increased to 269%.

Cost-to-income ratio was 53%. Operating expense growth was 14%, excluding provisions for credit and impairment losses. The Bank's manpower is now bigger -- 5,500 in Q1-2018, up by 500 from January 2017 level -- supporting the growth in consumer finance, branches, digitalization and information technology transformation to serve the Bank's client base better.

Security Bank's capital position was stronger, with Common Equity Tier 1 Ratio at 16.5% and Total Capital Adequacy Ratio at 18.8%, an improvement from 15.5% and 17.7%, respectively, in the previous quarter. Security Bank continued to be the best capitalized bank with the highest capital adequacy ratios among the top ten private domestic universal banks in the country by total assets. Return on shareholders' equity was 8.9%. Shareholders' capital was Php 106 billion, up by 6% from year ago level.

Summary

About Security Bank

Security Bank is among the five largest private domestic universal banks in the Philippines by total assets (at Php 757 billion) as of December 31, 2017.

Security Bank's major awards received in 2018 are: **The Best Retail Bank in the Philippines for 2018** by *The Asian Banker*, and **Best Bank in the Philippines 2018** by *Global Finance*.

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*; *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 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) 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.