



BTMU - Security Bank Corporation Strategic Partnership

January 18, 2016



This document contains forward-looking statements in regard to forecasts, targets and plans of Security Bank Corporation (“Security Bank”). These forward-looking statements are based on information currently available for us and are stated here on the basis of the outlook at the time that this document was produced. In addition, in producing these statements certain assumptions (premises) have been utilized. These statements and assumptions (premises) are subjective and may prove to be incorrect and may not be realized in the future. Underlying such circumstances are a large number of risks and uncertainties. Please see other financial disclosure and public filings made or will be made by Security Bank, for additional information regarding such risks and uncertainties. We has no obligation or intent to update any forward-looking statements contained in this document

In addition, information on companies and other entities outside the group that is recorded in this document has been obtained from publicly available information and other sources. The accuracy and appropriateness of that information has not been verified by us and cannot be guaranteed

The financial information used in this material was prepared in accordance with accounting standards generally accepted in Philippines

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1. Executive Summary

- This transaction is capital and business alliance between the Bank of Tokyo-Mitsubishi UFJ, Ltd. (“BTMU”) and Security Bank Corporation (“Security Bank”), a leading universal bank in the Philippines. BTMU will acquire approx.20% of Security Bank’s newly issued shares
- Pursuant to the transaction, BTMU will appoint two representatives to Security Bank’s Board of Directors. Security Bank will become an equity method affiliate of BTMU
- Security Bank is the 6th largest private domestic universal bank in the Philippines and is the one of the fastest growing banks with sector leading profitability and robust financial strength. A rarity among major banks in the Philippines, Security Bank operates as an independent bank and therefore does not operate under any local conglomerate
- Transaction Rationale
 1. Establish a comprehensive financial service platform including retail banking service to meet various customers’ needs in the Philippines, a market that has recently experienced significant economic growth
 2. Capture profit opportunities in the fast-growing Philippine market by expanding BTMU’s business platform indirectly through the investment in Security Bank, a bank with strong retail and SME business capabilities that are new business areas for BTMU
 3. BTMU’s investment will substantially accelerate Security Bank’s growth strategy, propelling the bank into the ranks of the top tier banks in the Philippines, resulting in further expansion of BTMU and MUFG’s presence in the Philippines and Asia
- This investment reinforces BTMU’s focus on Asia as its “second core market”, following BTMU’s successful expansion of its business platform in Asia through partnerships with Bank of Ayudhya (Krungsri) in Thailand and VietinBank in Vietnam. BTMU has made significant strides to enhance its capabilities to offer comprehensive financial services to a broad client base, which includes both Japanese and Non-Japanese clients
- This transaction is expected to be completed within the first half of 2016, subject to regulatory approval and conditions precedent.

2. Security Bank Overview (1)

Basic Information

- Name: Security Bank Corporation
- Established: 1951
- Representative: Mr. Alfonso L. Salcedo, Jr. (President and CEO)
- Listed: 1995 on the Philippine Stock Exchange
- Employees: 4,014*¹
- Branches: 262*²
- ATMs: 555*²
- Market Cap: PHP85,602MM*³ (US\$1,814MM*⁴)
- Rating: BB+ / BB (S&P / Fitch)*⁵

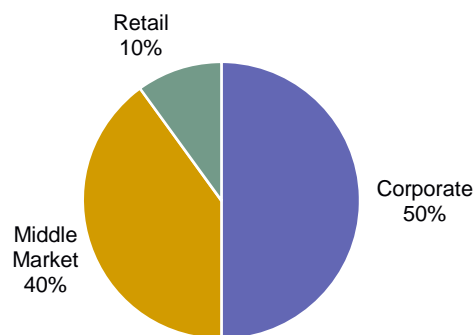
Key Financials

(US\$ MM)* ⁴	2014	2015 9M / Sep
PL		
Net Interest Income	236	192
Total Operating Income	355	304
Net Income	152	128
BS		
Net Loans	4,110	4,596
Deposits	5,229	5,828
Total Assets	8,415	10,216

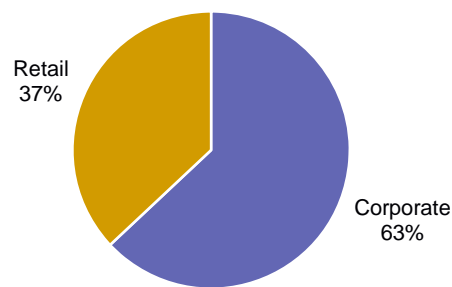
Loan & Deposit Portfolio

As of 30 Sep. 2015

Net Loans



Deposits



(Source) Company Filings

Excellent Award Winning Track Record

- **The Banker 2015**
 - Bank of The Year – Philippines
- **Finance Asia 2015**
 - One of the Best Mid-Cap Companies in the Philippines
- **Asiamoney Best Managed Companies Poll 2015**
 - Overall Best Managed Company in the Philippines (mid-cap category)
- **The Asian Banker 2015**
 - Best Branch Innovation Initiative in the Philippines
- **Global Banking & Finance Review 2015**
 - Best FOREX Bank Philippines

*1 As of 31 Dec. 2014 *2 As of 13 Jan. 2016 *3 As of 29 Dec. 2015

*4 Based on an exchange rate of US\$1.00 = PHP47.2 *5 Long term local issuer credit

2. Security Bank Overview (2)

Philippines Bank Market Overview (Top 10 by total assets, US\$MM*1)

#	Name	Total Assets ^{*2}	Net Income ^{*3}	ROA ^{*3}	ROE ^{*3}	Market Cap ^{*4}	PBR ^{*5}	# of Branches in PH ^{*6}
1	BDO	41,367	483	1.3%	13.4%	8,109	2.1x	1,018
2	Metrobank	35,123	426	1.4%	14.1%	5,423	1.3x	920
3	BPI	29,875	382	1.4%	13.8%	6,980	2.2x	820
4	LBP (state owned bank)	24,159	268	1.4%	17.2%	N/A	N/A	357
5	PNB	13,845	114	0.9%	6.1%	1,376	0.6x	662
6	RCBC	10,372	93	1.0%	9.2%	979	0.8x	448
7	Security Bank	10,216	152	1.9%	16.3%	1,814	1.6x	258
8	China Bank	10,002	108	1.1%	9.9%	1,461	1.2x	493
9	DBP (state owned bank)	9,853	96	1.0%	11.0%	N/A	N/A	98
10	Union Bank	8,343	178	2.1%	15.8%	1,279	1.1x	286

(Source) Company Filings, Capital IQ

*1 Based on an exchange rate of USD1.00=PHP47.2 *2 As of 30 Sep. 2015 *3 FY2014 *4 As of 29 Dec. 2015 *5 Based on close price as of 29 Dec. 2015 and shareholders equity as of 30 Sep. 2015 *6 As of 30 Sep. 2015 (Metrobank, BPI: as of 31 Dec. 2014, DBP: as of 30 Dec. 2015)

3. Transaction Highlights

<p>Transaction Overview</p>	<ul style="list-style-type: none"> ● BTMU will acquire 20.0% of Security Bank’s common shares and preferred shares with voting rights through a private placement of newly issued shares ● BTMU will become the second largest shareholder next to Dy Group*¹ ● BTMU to appoint two representatives to the Board of Directors of Security Bank, making the bank an equity method affiliate 												
<p>Subscription Price</p>	<ul style="list-style-type: none"> ● Common Shares: PHP 245 per share for 150,707,778 ● Preferred Shares: PHP 0.10 per share for 200,000,000 												
<p>Transaction Value</p>	<ul style="list-style-type: none"> ● PHP 36,943mn (USD783mn*²) 												
<p>Valuation</p>	<table border="1"> <thead> <tr> <th></th> <th>Sep 2015</th> <th>Pro-Forma</th> </tr> </thead> <tbody> <tr> <td>Number Common Shares</td> <td>602,831,109</td> <td>753,538,887</td> </tr> <tr> <td>Implied P/BV</td> <td>2.8x</td> <td>2.1x</td> </tr> <tr> <td>BVPS</td> <td>PHP 86.77</td> <td>PHP 118.42</td> </tr> </tbody> </table>		Sep 2015	Pro-Forma	Number Common Shares	602,831,109	753,538,887	Implied P/BV	2.8x	2.1x	BVPS	PHP 86.77	PHP 118.42
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Number Common Shares	602,831,109	753,538,887											
Implied P/BV	2.8x	2.1x											
BVPS	PHP 86.77	PHP 118.42											
<p>Schedule</p>	<ul style="list-style-type: none"> ● Expected transaction completion within the first half of 2016, subject to regulatory approvals in the Philippines and conditions precedent 												

*1 The largest shareholder group in Security Bank (a shareholders group led by Mr. Frederick Y Dy, Chairman Emeritus of Security Bank)

*2 USD = PHP47.2

4. Strategic Rationale (1)

Strengthen BTMU's Service Capability for our Clients

- The Philippines has in the recent years achieved solid economic growth and is expected to experience substantial growth. With a sizable approx. 100MM population
- BTMU expects the Philippines banking sector to become even more competitive due to recent relaxation of foreign ownership requirements that have lifted the FDI cap
- Provided these circumstances, BTMU has focused its efforts on enhancing its capabilities in the country by expanding its business platform in broad areas, including the retail sector through the investment in Security Bank

Capture Benefits from the Fast Growing Philippines Market

- As financial services in the Philippines are relatively underpenetrated, we see significant potential for further business expansion in its banking sector
- Both retail banking and wholesale banking are expected to experience significant growth, as the Philippines' economic development progresses
- Security Bank is an independent universal bank that offers diversified financial services to both individuals as well as corporates. This transaction will allow BTMU to benefit from anticipated growth in both the Philippines economy as well as the banking sector

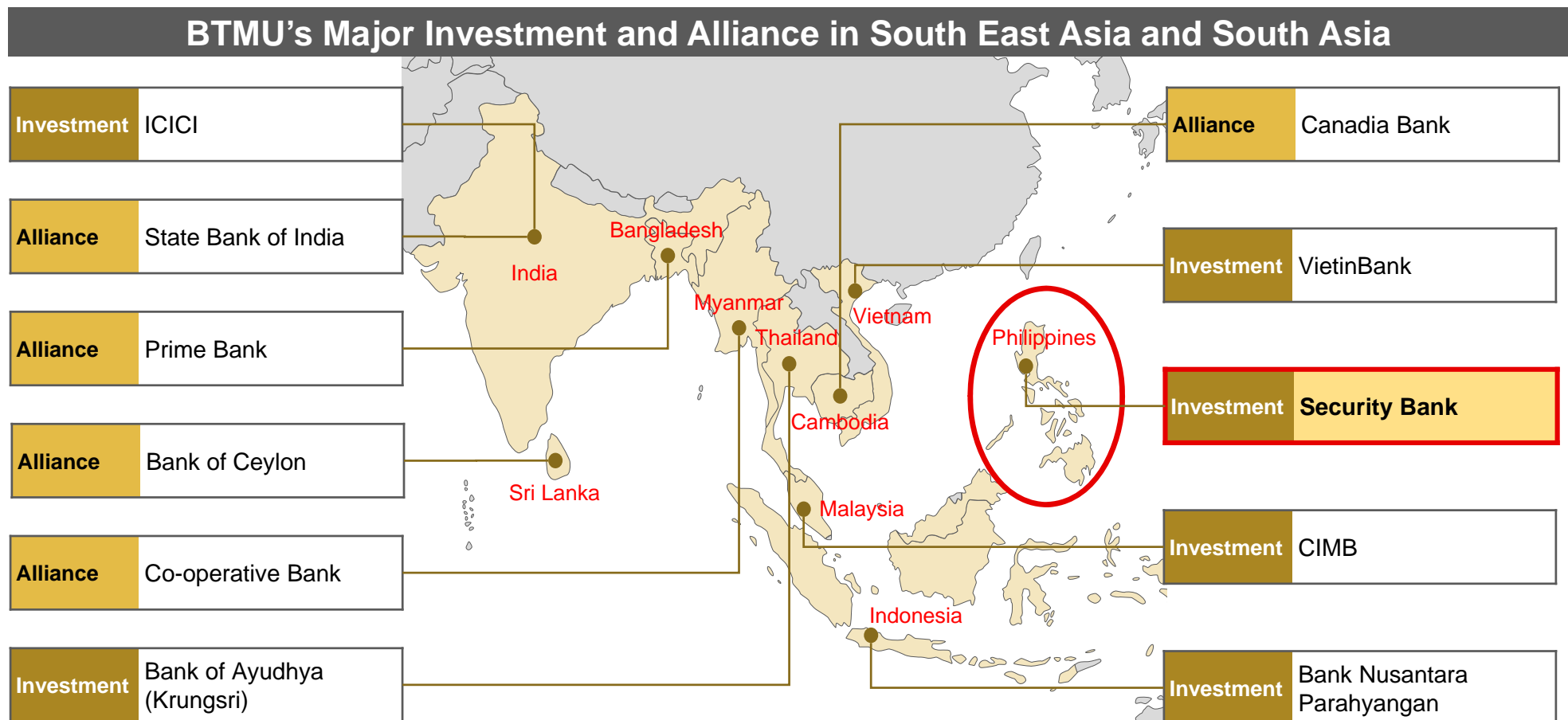
Expansion of BTMU and MUFG's Presence through Accelerated Growth of Security Bank

- Leveraging strategic partnership with BTMU, Security Bank will propel them into one of the top banks in the Philippines
- Furthermore, BTMU will enhance presence in the Philippines and Asia by providing BTMU's capital, appointing board of directors and secondees and providing BTMU and MUFG's global banking know-how to Security Bank accelerating their growth strategy and propelling them to become one of the top banks in the Philippines

4. Strategic Rationale (2)

BTMU's Investment and Alliance Strategy in Asia

- Along with our extensive branch network, BTMU has formed capital and business alliances with major financial institutions in Asia
- We pursue investments and alliances to participate in growth in Asia, expand services through making use of the regional network and strengthen ties with authorities in each country
- The strategic partnership with Security Bank allows us to establish a solid business platform in the Philippines, one of the most attractive markets in Asia, and allows us to further strengthen our regional network

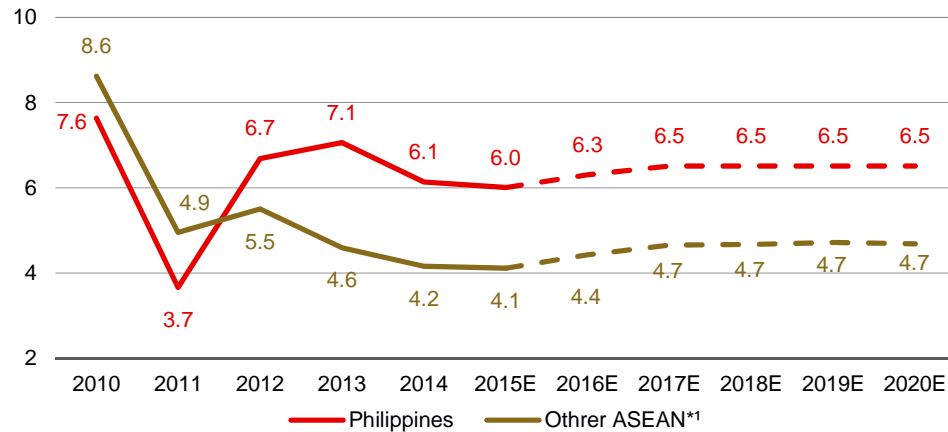


5. Attractive Philippine Market (1)

High sustainable economic growth driven by private consumption. Great potential with the 2nd largest population in ASEAN

Solid Economic Growth

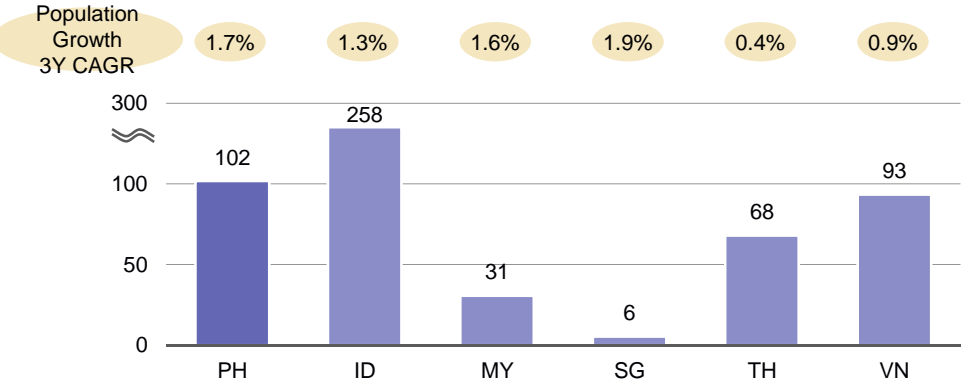
Real GDP Growth (%)



(Source) IMF

2nd Largest Population in Southeast Asia*2

2015E Population (million)

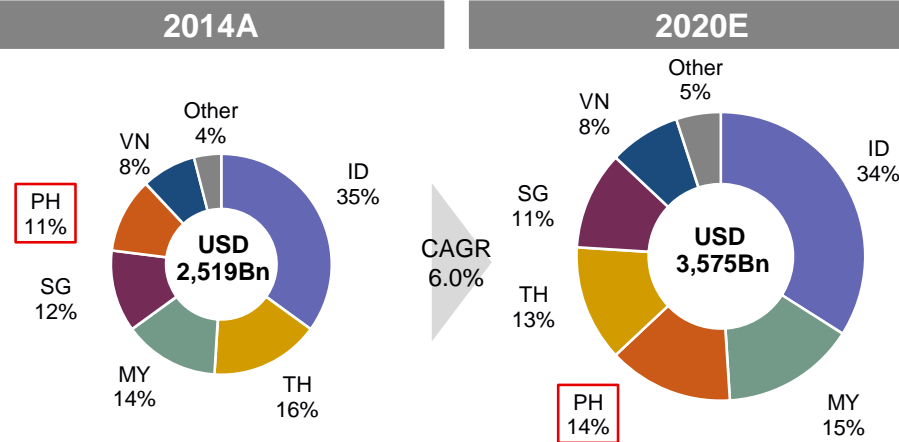


2014 Median Age (Years)	PH	ID	MY	SG	TH	VN
	23	29	28	36	36	30

(Source) Global Insight, Euromonitor

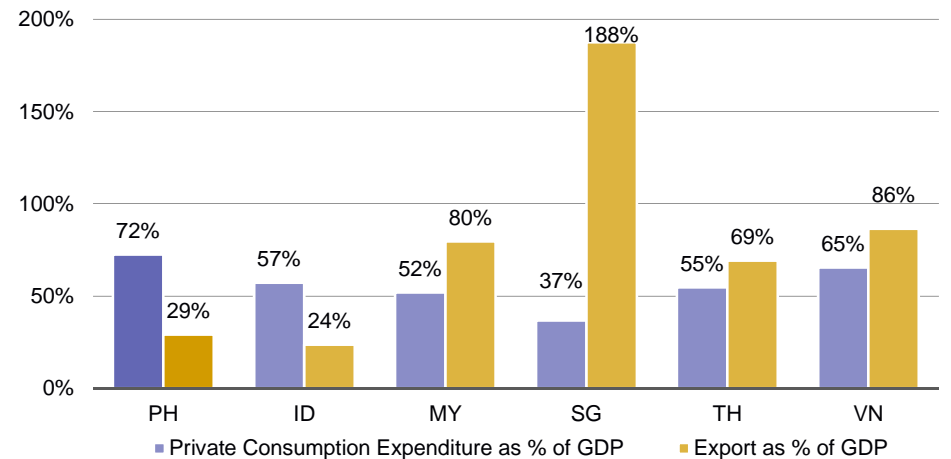
Expected to grow to 3rd Largest Economy in South East Asia*2

Nominal GDP



(Source) IMF

Economic Structure driven by Private Consumption*2



(Source) Euromonitor

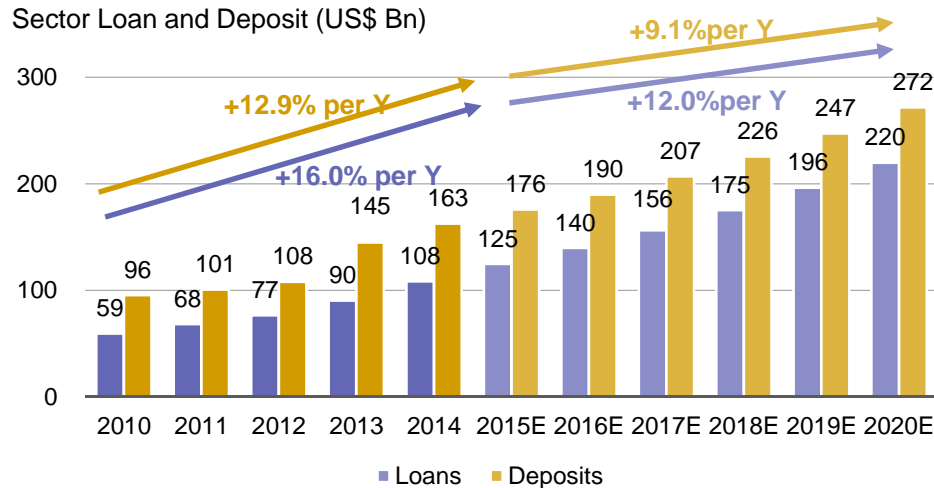
*1 Average of Indonesia, Malaysia, Singapore, Thailand and Vietnam

*2 PH: Philippines, ID: Indonesia, MY: Malaysia, SG: Singapore, TH: Thailand, VN: Vietnam

5. Attractive Philippine Market (2)

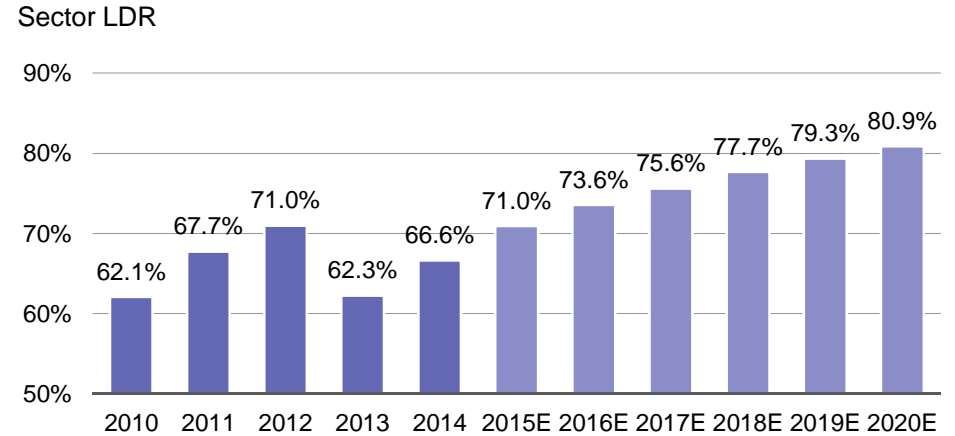
Low Penetration Rate Translates into Healthy Growth for Loans and Deposits

Loan and Deposit Growing Steadily



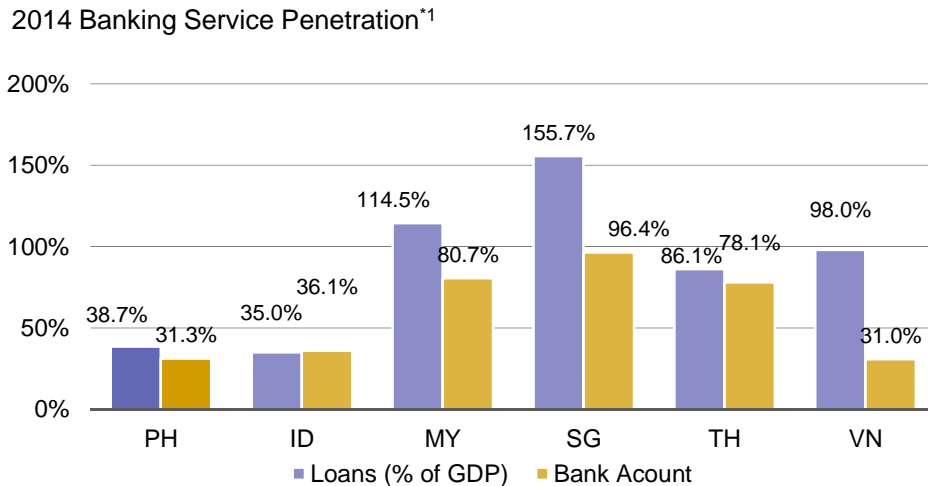
(Source) Bangko Sentral ng Pilipinas, BMI

Low LDR Provides Ample Capacity for Loan Growth



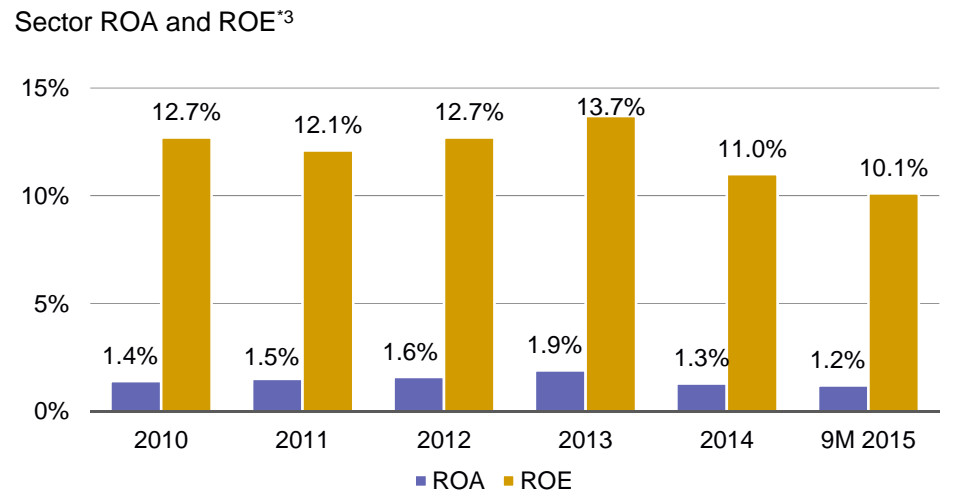
(Source) Bangko Sentral ng Pilipinas, BMI

Low Banking Service Penetration*1



(Source) BSP, BMI

Stable Profitability



(Source) Company filings

*1 PH: Philippines, ID: Indonesia, MY: Malaysia, SG: Singapore, TH: Thailand, VN: Vietnam

*2 Loan Penetration: Loan to GDP, Bank Account Penetration: # of bank accounts to the population above age of 15

*3 Industry data for universal and commercial banks from Bangko Sentral ng Pilipinas, as of 30 Sep 2015

6. Why Security Bank (1)

Security Bank's Strength

Management/ Employees

- **Owner-chairman with sound business policies in-place**
- **Track record of turning around Security Bank's franchise**
- **Strong commitment towards achieving goals**

Business

- **Large corporates**
 - Rare independent status offers the ability to access a broad client base without limitations from a conglomerate parent
- **Middle Markets / SMEs**
 - Dominant presence in fast growing Filipino-Chinese corporates, a deeply localized sector
- **Retail**
 - Establish a solid business platform of scale through branch network expansion. Expected expansion in the retail business will be led by Security Bank's CEO, who has substantial experience in retail

Financials

- **Highly profitable:** ROE of 16.3^{*1}% (vs. sector avg.^{*2} of 11.0%)
- **Low-cost operations:** Cost-to-Income ratio of 47.3^{*1}% (vs. sector avg. of 61.2%)
- **High Quality Assets:** Maintain net NPL ratio below 1%

*1 FY2014

*2 Average of "Universal Bank" and "Commercial Bank" categorized by Bangko Sentral ng Pilipinas (as of 30 Sep. 2015. Source: Bangko Sentral ng Pilipinas)

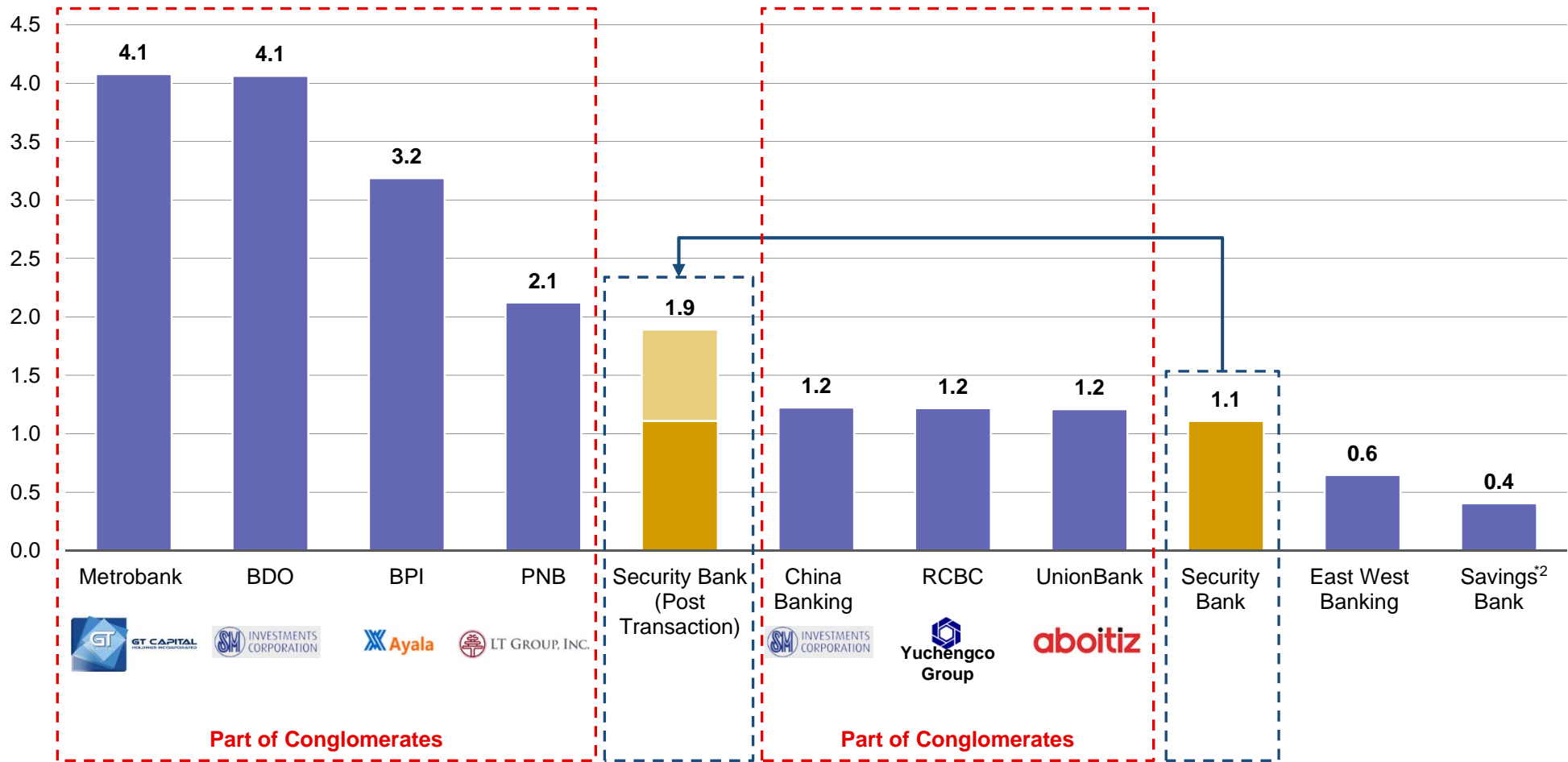
6. Why Security Bank (2)

Rare Opportunity in the Philippines Banking Industry to Acquire an Independent Banking Platform

Propels Security Bank into a Scalable Contender in the Industry

Pro Forma Total Equity*1 (As of 30 Sep. 2015)

US\$ Bn

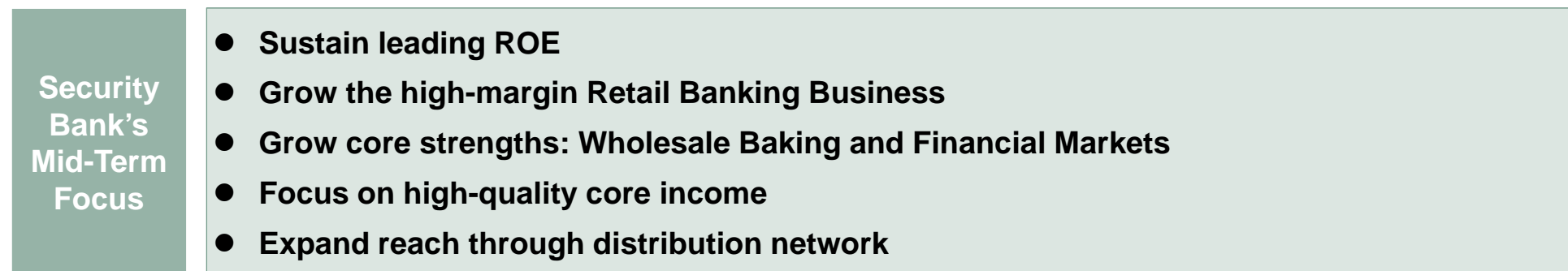
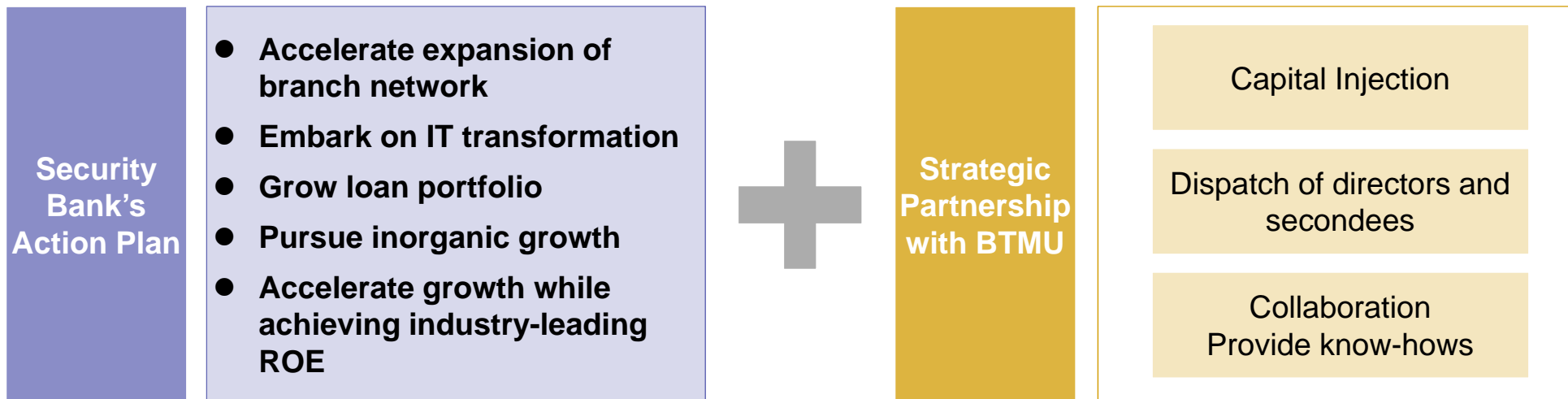


*1 Based on an exchange rate of US\$1.00 = PHP47.2

*2 As of 30 Jun 2015

6. Why Security Bank (3)

Acceleration of Growth Strategy by Leveraging the Strategic Partnership with BTMU



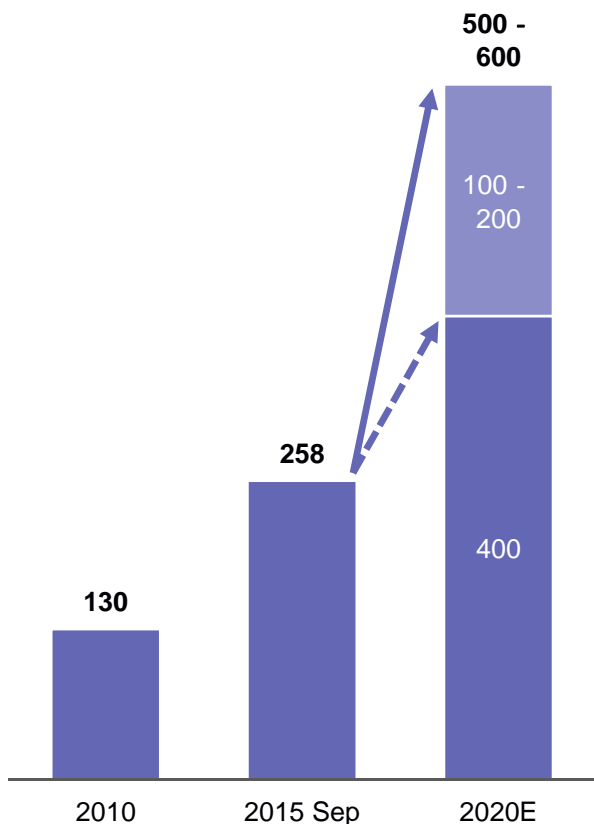
Leveraging This Partnership to Propel
into a Large Independent Bank among Top Tier Banks in the Philippines

6. Why Security Bank (4)

Security Bank's Mid-Long Term Targets

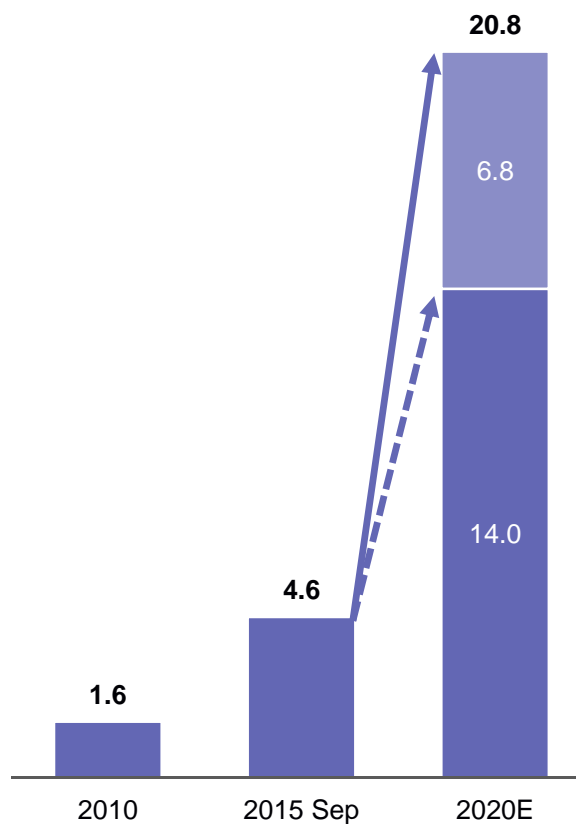
Branch Expansion

of Branches



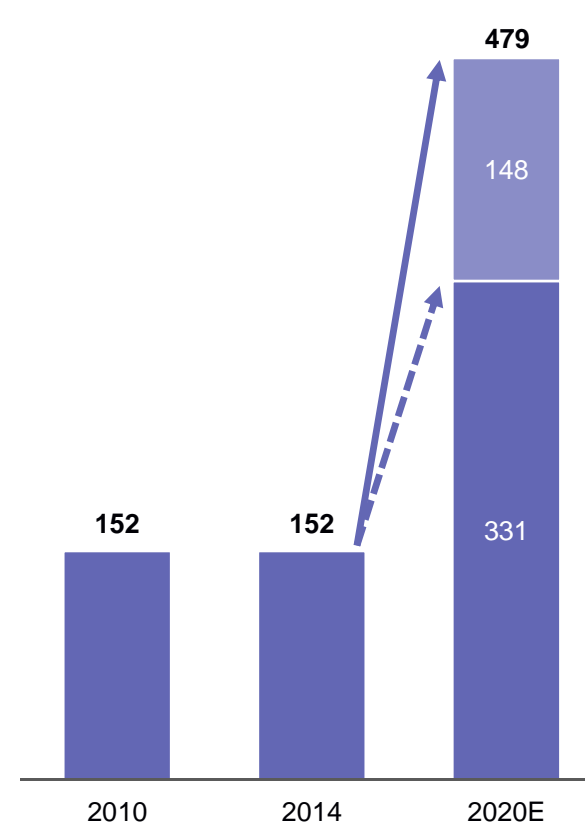
Net Loans Growth

US\$ Bn*1



Net Income Growth

US\$ MM*1



■ Pre-Transaction ■ Post-Transaction

ROE is expected to be gat back to mid-teens in 3-4 years

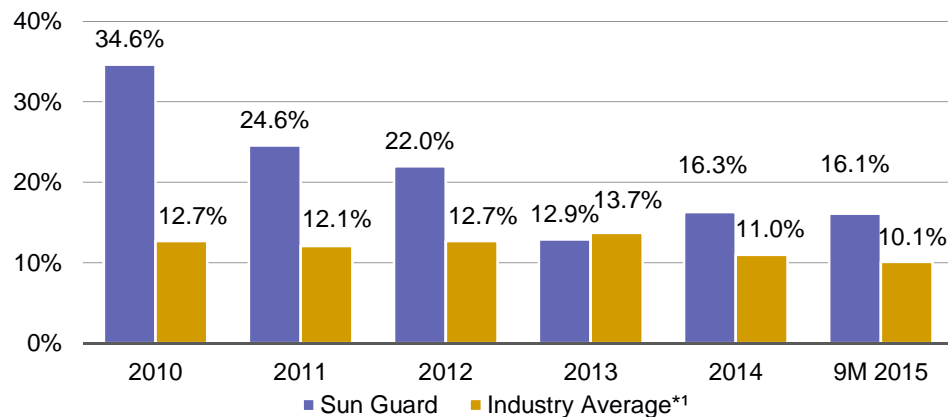
*1 Based on an exchange rate of US\$1.00 = PHP47.2

6. Why Security Bank (5)

Established Track Record at Robust Loans Deposits Growth

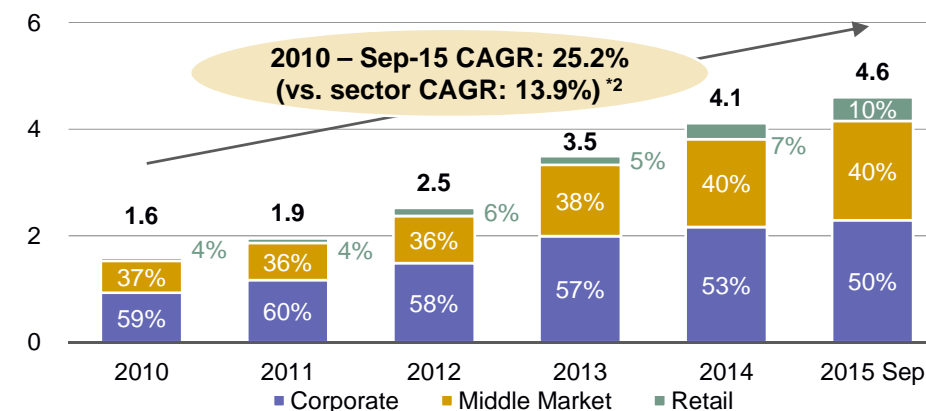
Sector-Leading Return on Equity

Return on Equity



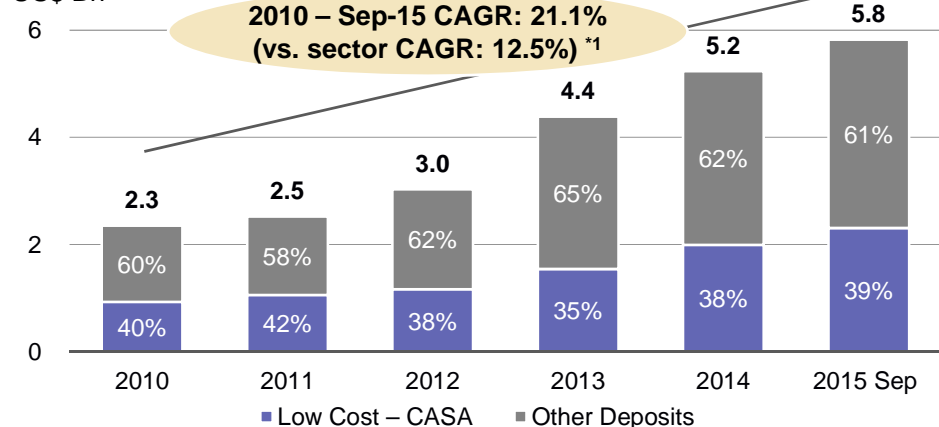
Sector Leading Loan Growth with Increasing Retail Business

Net Loans
US\$ Bn²



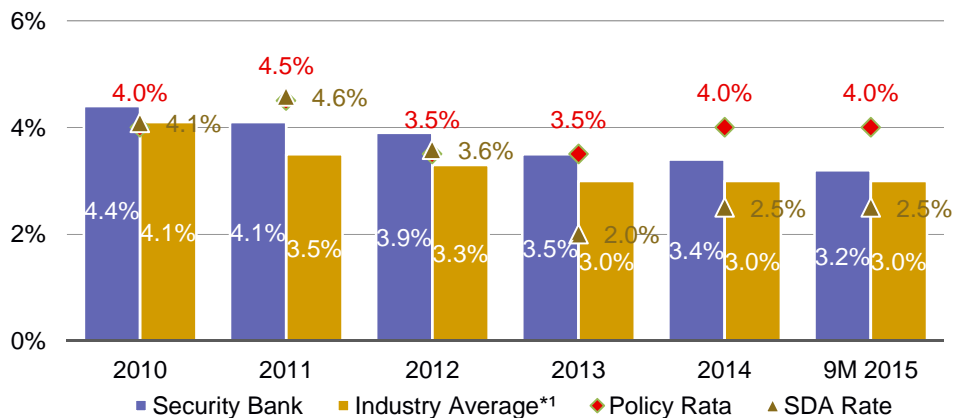
Sector Leading Deposit Growth with Increasing CASA

Deposits
US\$ Bn²



Attractive Net Interest Margins

Net Interest Margin



(Source) Company Filings, BSP

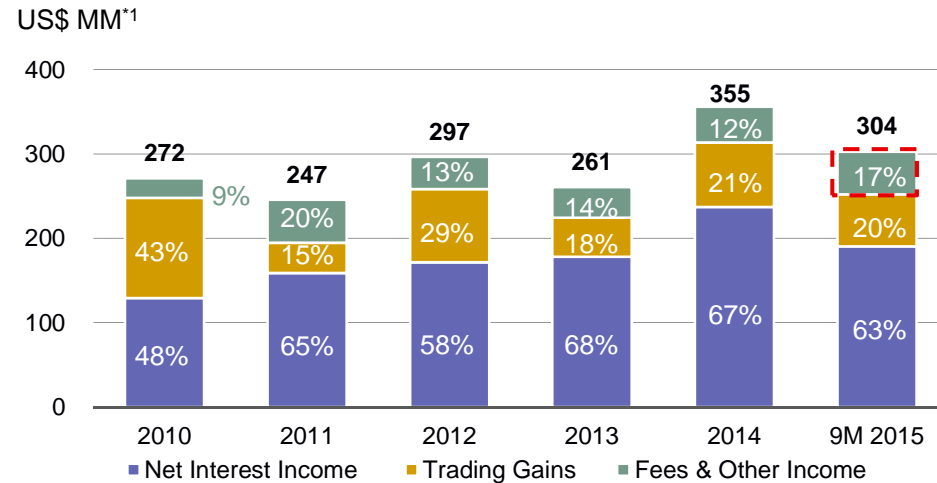
*1 Industry data for universal and commercial banks from Bangko Sentral ng Pilipinas, as of 30 Sep 2015

*2 Based on an exchange rate of US\$1.00 = PHP47.2

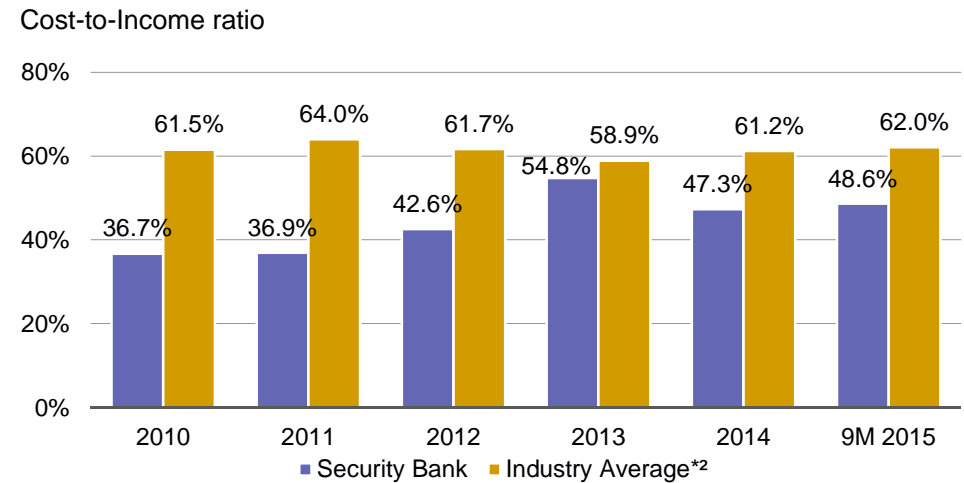
6. Why Security Bank (6)

High Asset Quality and High Profitability

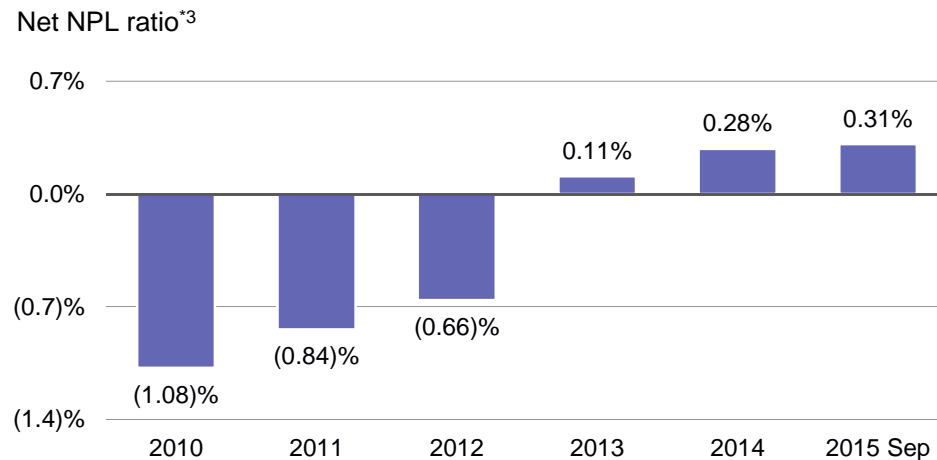
Increasing Fee-Based Contribution



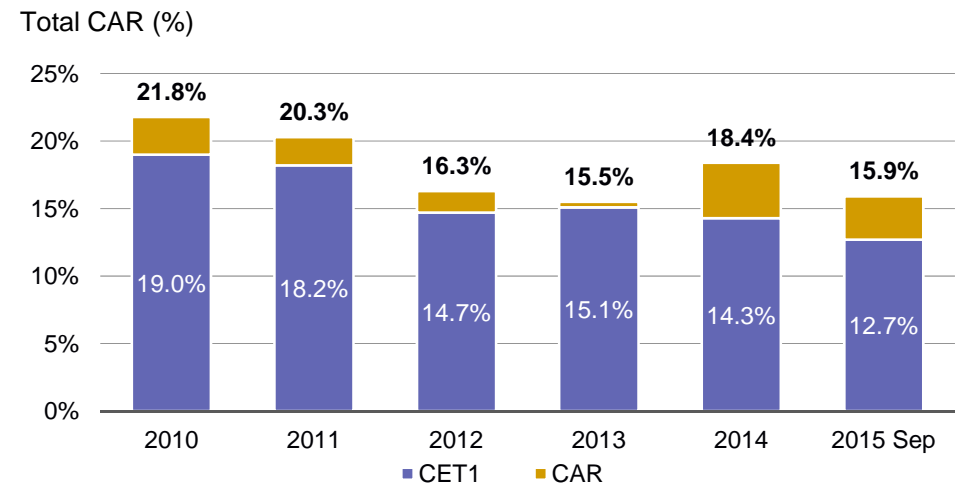
Efficient Cost Structure



Stellar Asset Quality Levels



Stable Capital Strength



(Source) Company Filings, BSP

*1 Based on an exchange rate of US\$1.00 = PHP47.2

*2 Industry data for universal and commercial banks from Bangko Sentral ng Pilipinas, as of 30 Sep 2015

*3 BSP introduced in January 2013 the Net Non-Performing Loan (Net NPL) Ratio (defined as gross NPLs less specific allowance for credit losses, over total gross loans) as a complementary measure to computing NPLs

Appendix

Security Bank – Selected Financial Data

US\$MM ^{*1}	2010	2011	2012	2013	2014	2015 9M/Sep	CAGR 10-14
Income Statement							
Net Interest Income	129	160	172	178	236	192	16.3%
Non-interest Income	143	87	126	83	119	112	(4.5)%
Total Operating Income	272	247	297	261	355	304	6.9%
Net Income	152	142	159	106	152	128	0.0%
Balance Sheet							
Net Loans	1,578	1,948	2,537	3,501	4,110	4,596	25.2%
Deposits	2,343	2,528	3,017	4,363	5,229	5,828	21.1%
Shareholders Equity	521	637	781	863	993	1,110	17.2%
Total Assets	3,527	4,560	5,493	7,363	8,415	10,216	25.1%
Key Ratios							
Net Interest Margin	4.4%	4.1%	3.9%	3.5%	3.4%	3.2%	-
Non Int Inc. to Total Inc.	52.5%	35.3%	42.3%	31.9%	33.4%	36.9%	-
Cost-to-Income Ratio	36.7%	36.9%	42.6%	54.8%	47.3%	48.6%	-
Loan-to-Deposit Ratio	67.4%	77.1%	84.1%	80.2%	78.6%	78.9%	-
ROAA	4.9%	3.5%	3.3%	1.8%	1.9%	1.9%	-
ROAE	34.6%	24.6%	22.0%	12.9%	16.3%	16.1%	-
Net NPL Ratio	(1.08)%	(0.84)%	(0.66)%	0.11%	0.28%	0.31%	-
NPL Coverage Ratio	302%	303%	209%	195%	200%	179%	-
CET1 Ratio	19.0%	18.2%	14.7%	15.1%	14.3%	12.7%	-
Capital Adequacy Ratio	21.8%	20.3%	16.3%	15.5%	18.4%	15.9%	-
Others							
# of Branches	130	136	208	244	256	258	-
# of Employees	N/A	N/A	3,220	3,591	4,014	N/A	-

Business Collaboration

- Leverage BTMU's global relationships to access Japan-related business opportunities
- Access Japanese corporate client's employee base for retail banking expansion
- Provide high value financial services to a broader range of customers by leveraging Security Bank's local network and BTMU's global network

