

# PSE SPOTLIGHT

## FEATURING:



East West Banking Corporation is the 9th largest privately-held bank in the Philippines with a unique consumer retail franchise, poised to leverage on the consumption-driven economy of the Philippines. It is a subsidiary of Filinvest Development Corporation (FDC), one of the country's leading conglomerates with a diverse range of interests including real estate, banking, hospitality & tourism, infrastructure, power generation, and sugar.

## East West Banking Corporation

<b>Stock Code</b>	EW
<b>Listing Board</b>	Main Board
<b>Sector – Subsector</b>	Financials - Banks
<b>Listing Date</b>	May 07, 2012
<b>Outstanding Shares</b>	2,249,975,411
<b>Free Float Level</b>	19.15%
<b>Market Capitalization</b>	P21,104,769,355
<b>P/E Ratio</b>	3.40x
<b>Dividend Yield</b>	5.76%

As of 12 July 2024  
Source: PSE Data

[Company Profile](#)

### 1. What makes EastWest Bank an attractive investment for potential investors?

EastWest Bank is one of the most pure-play consumer bank in the Philippines. Our consumer loan mix of 82% to its total loan portfolio is the highest among the top 10 private banks in the country. As such, EW is a good proxy for investors who want to participate in the Philippine economic expansion.

The Philippine economy is primed for sustained growth, being one of the fastest in the ASEAN region, bolstered by its favorable demographics with a population of 118 million people (the 2nd largest in ASEAN) and an average age of 26. The country is expected to achieve upper middle-income status within the next two years, with approximately 30 million Filipinos reaching peak income age over the next decade. This is expected to fuel consumption and underscore the growing demand for consumer banking services. Our unique business model of the highest consumer loan portfolio mix of more than 80%, directly opposite of the industry, allows us to benefit from the expanding middle-class.

In addition, we are committed towards delivering value to our stockholders. In 2023, we delivered P6.1 billion in net income, a 32% increase from the previous year. Furthermore, we declared P1.2 billion in cash dividends this year, representing 20% of its net income for 2023 and our third consecutive year of cash dividend declarations.

Lastly, our price-to-book of around 0.30 is a unique undervalued opportunity for investors to undertake given our earnings and growth potential.

### 2. What challenges has EastWest Bank encountered, and what strategies were employed to overcome them effectively?

The high interest rate environment brought by the tight monetary policy of the BSP to contain inflation resulted in a relatively slower growth and higher funding costs for banks.

To adapt, EastWest Bank doubled-down on growing higher-yielding consumer loans while continuously developing its stable funding base by offering competitive cash management and transaction banking services. However, the prolonged tight monetary policy and intense competition among banks will still affect us.

Alternatively, EastWest Bank is expected to be one of the stronger beneficiaries of rate cuts in the near future as consumer loans are generally fixed-rate. When funding costs go down, margins will widen and our earning capacity becomes larger.

**3. What sustainability initiatives does EastWest Bank have in place? How do they align with your long-term goals?**

Being a leading consumer bank in the country, our focus is towards increasing the rate of financial inclusion while balancing security and economic considerations. We envision to be a consumer's first bank when they ascend to the formal banking sector.

**4. How is the company doing in terms of its market position vis-à-vis its competitors in the industry? What are the key initiatives or programs being undertaken by the company to increase market share or gain an advantage over the competition?**

Being the 9th largest listed universal bank in the country with over P400 billion in assets, EastWest Bank ranks 5th in total consumer loan portfolio or an almost 9% market share. We hold market-leading positions across different products we choose to focus on --- 3rd in auto, personal and salary loans, and 6th in credit cards.

Our initiatives are focused on the following key segments:

- a. For the Mass Market and Mass Affluent - our focus is towards enabling end-to-end digital acquisition and underwriting. We will also maximize our cross-selling activities to optimize our share of our customer's wallet.
- b. For the Affluent and Businesses – we are strengthening our value proposition by offering localized and services that are relevant to their needs. We recently launched Business Class which is targeted toward entrepreneurs

**5. What digital transformation initiatives has the company taken or are currently undertaking? Can you describe how these will be able to contribute to your business and overall competitiveness?**

For a cohesive and strategic view on IT implementations, we ensure that our approach is aligned with our IT architecture and roadmap.

In contrast to digital banking players, we plan to still leverage on both our physical and digital infrastructure. We are in the process of implementing a digital-first approach where we move our low-value transactions to our digital channels and enhance them to allow for end-to-end servicing starting with digital acquisitions.

**PSE Spotlight** is a short feature about listed companies that are part of PSE STAR Investor Day. The report, which offers a quick overview of a company, includes a description of its business, stock information, as well as answers to five interview questions provided by the company's management team. The interview questions typically revolve around the company's value proposition, business operations and landscape, challenges and opportunities, and strategic initiatives.

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