

EastWest income at ₱5.1 billion, ROE at 11.7%

Gotianun-led EastWest Bank (EW) posted ₱5.1 billion in net income in the first nine months of 2021 as trading gains normalize and the impact of lower loan demand shows. This is 14% lower than last year's ₱5.9 billion. Return on equity (ROE) was at 11.7%.

EW's revenues for the first nine months was lower by 18% to ₱21.8 billion due to lower net interest income (NII) and lower trading gains. NII or the difference between interest income and interest expense, was down by 18% to ₱16.4 billion, from weak loan demand, faster run-offs of the higher yielding consumer loans, particularly auto and personal loans and the interest rate cap in credit cards. Fixed income securities' volumes and yields were also lower from the substantial sales in 2020 and the first half of this year. Lower interest rates on deposits partly cushioned the lower asset volume. As a result, while its net interest margin (NIM) remained at an industry leading 6.9%, it dropped from last year's 8.3%.

Trading gains of ₱2.3 billion was 33% or ₱1.1 billion lower than last year as the drop in interest rates started to taper in 2021. Fee income, meanwhile, was lower by 4% to ₱2.8 billion from the lower loan releases and transaction levels.

Meanwhile, provisions for losses were lower by 72% to ₱2.1 billion as most of the pandemic-induced provisions have been recognized in 2020 and expected loan losses started to stabilize. The lower bookings of new consumer loans since the pandemic started also contributed to the lower provisions. "Consumer loans provisions are typically heavy upfront. We believe that we are way past the peak of the pandemic-induced higher loan losses, and provisions will continue to be at lower levels until the next cycle of recovery and higher consumer loan bookings" said EW Chief Lending Officer, Jackie Fernandez.

Taxes, on the other hand, increased mainly from the one-time adjustment as a result of the CREATE bill that reduced the corporate income tax rate from 30% to 25%. Deferred tax assets (DTA) from its accumulated provisions booked under the old tax rate of 30% had to be adjusted down by ₱640.9 million to reflect the new tax rate.

EW's total loans were lower by 10% to ₱220.9 billion mostly from the consumer segments weak demand. Deposits, meanwhile, had a slight decline of 2% to ₱318.6 billion as funding needs declined. The decline was mainly from the higher-cost time deposits, which decreased by 23%. CASA deposits, however, increased by 9% to ₱231.5 billion. CASA ratio improved to 73%, from the previous year's 65%.

The Bank's capital position continues to improve due to limited opportunities to deploy additional capital from earnings. As a result, capital adequacy ratio (CAR) and common equity tier 1 (CET1) ratio now stands at 15.1% and 14.0%, respectively, well above regulatory requirements.

"The pandemic had not been easy. While EW remained profitable through the pandemic, this is not the way we wish to do our business. We are looking forward to deploying more capital and recoup lost loan volumes. We want to get back to the business of supporting businesses and households. We join the nation in the hope that indeed, the good Covid statistics we see everyday signals the tail-end of the pandemic." Tony Moncupa, EW CEO said.

About East West Banking Corporation

East West Banking Corporation (EastWest) is a universal bank catering to the financial needs of mid-sized businesses, consumers, and the mass affluent. Since 2012, EastWest has been trading under the symbol "EW" on the Philippine Stock Exchange. EastWest 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, power generation, and sugar. For more information, go to ewbanker.com.