

08 May 2014



THE PHILIPPINE STOCK EXCHANGE, INC.

Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Ms. Janet A. Encarnacion**
Head – Disclosure Department

Dear Ms. Encarnacion:

Please be advised that the attached information will be made available to the press and major newspapers. This is in relation to EastWest Banking Corporation's (PSE: EW) results of operations for the period ended March 31, 2014.

Thank you

Very truly yours,



Aerol Paul B. Banal
Corporate Planning Officer

> EAST WEST BANKING CORPORATION

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A member of the [FILINVEST](#) Group

PRESS RELEASE

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EASTWEST POSTS DOUBLE-DIGIT GROWTH IN CORE INCOME, BUT INCOME DROPS 38% DUE TO LOWER TRADING

EastWest Bank reported a 38% drop in Net Income to P455.7 million due to a P756 million drop in trading income. The bank reported that its lower trading revenues were offset by the strong gains on its core banking businesses for the first quarter of 2014. Its customer loans increased by 37.1% to end the period at P102.0 billion, with both corporate and consumer lending businesses posting double-digit growth of 47.8% and 28.4%, respectively. Total deposits stood at P122.9 billion, or a growth of 41.8% as compared to the same period last year, with low-cost deposits (CA/SA) growing by 50.5% on account of its expanded branch network.

The bank also maintained its industry-leading net interest margin of 8.0% for the first three months of the year, driven by its significant consumer portfolio and improvement in its funding costs. EastWest has the highest proportion of consumer loans among universal banks, with 52% of its loan portfolio in consumer. It also reported that its net interest income increased by 23.7% to P2.3 billion, as interest income grew by 14.5% while interest expense declined by 23.9%, even as total deposits were 41.8% higher.

Non-interest income, excluding trading, went up by 22.9% to P800.1 million. These are largely recurring fee-income, driven by the growth in consumer loans business and transactional income from the branches. However, the Bank was not spared by the industry wide decline in trading gains as interest rates started to move higher and volatility increased in both fixed income and currency markets.

Total operational expenses, including provision for loan losses, remained flat at P2.9 billion. The Bank reported that expenses would have increased by double digits if the higher than normal expenses booked last year were taken into account. The bank said that it is feeling the full impact of the 178 branches opened in 2012 and 2013. EastWest opened another 29 new branches this year bringing its total network to 376. The bank expects to end the year with total branches, which it now refers to as stores, of at least 400.

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“As we have said in the past, our branch expansion will cost dearly, especially in 2014. The costs are upfront as we hire more people and spend on infrastructure, while revenues will be built over time. But we need to do these necessary investments to build our future revenue base and ensure we remain competitive. We are happy and thankful to note that core revenues are growing faster than we initially expected. This is most helpful to offset the costs of expansion and lower trading revenues. This is not a year for trading. Interest should go a bit higher and volatility will be a little more pronounced as the world economy recovers and the Philippines sustains its growth momentum. Fortunately, we have good core banking businesses. Overall, we still think business will be good in the coming years,” said EastWest President & CEO Antonio C. Moncupa, Jr.

EastWest's annualized Return on Assets (ROA) and Return on Equity (ROE) stood at 1.2 percent and 9.3 percent, respectively, for Q1 2014. Its total assets also went up by 29.6% to P153.8 billion versus the same period last year. Meanwhile, its Capital Adequacy Ratio (CAR) and Tier 1 were 12.2% and 11.3%, respectively, for the first quarter of 2014.

EastWest is a subsidiary of the Filinvest Development Corporation (FDC), one of the largest and well established business conglomerates in the Philippines. FDC, established in 1955, is identified with the Gotianun family and aside from banking, its business interest include real estate, sugar, hospitality and tourism, and power generation.

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