PhilRatings
PHILIPPINE RATING SERVICES CORPORATION

RATING REPORT

EAST WEST BANKING CORPORATION

Date: July 24, 2026
Analysts: Patrisha Mae P. Concepcion
Clyde Jillian W. Uy

5th Floor, ALGO Center
162 Leviste St., Salcedo Village
Makati City, Metro Manila
1227 PHILIPPINES

(632) 8812 3210
(632) 8812 3215
www.philratings.org

ISSUER CREDIT RATING

Year	Assigned Rating and Outlook
2026	PRS Aa plus (corp.) Stable Outlook

An Issuer Credit Rating is a measure of the general creditworthiness of a company over a one-year period. A company rated '**PRS Aa**' differs from the highest rated corporates only to a small degree and has a strong capacity to meet its financial commitments relative to that of other Philippine corporates. The 'plus' further qualifies the rating.

A **Stable Outlook**, on the other hand, indicates that the rating is likely to be maintained or to remain unchanged in the next 12 months.

RATIONALE

1. **Ability to compete in its chosen market**

   Amid increased competition given most banks' foray into the consumer market, East West Banking Corporation (EastWest) leverages on its own understanding of and experience in the consumer lending market as its main competitive strength. It ranked sixth among peer banks in terms of total consumer loan portfolio, as of end-2025, unchanged from the previous year.

   The bank's loan portfolio remained largely composed of consumer loans which accounted for 83.9% of total gross loans as of end-2025, and reflecting its continued strategic focus on this segment. Corporate loans comprised the remaining 16.1%. While the portfolio reflects a strategic concentration in consumer lending, management believes the associated risks are mitigated by its granular borrower base, diversified consumer loan products, and a mix of secured and unsecured exposures. It likewise intends to gradually rebalance the portfolio toward more secured lending, including residential mortgages, auto, and business loans, as part of its strategy to improve risk-adjusted returns while maintaining a prudent risk profile.

2. **Strong shareholders and highly experienced management**

As of April 2026, Filinvest Development Corporation (FDC) effectively owned 77.85% of EastWest. FDC is a holding company that has diversified interests across property, banking, power, sugar and infrastructure. In July 2025, FDC was assigned an Issuer Credit Rating of PRS Aaa by PhilRatings and maintained the same rating on its outstanding bonds. PhilRatings assigned an Issuer Credit Rating of PRS Aaa, with a Stable Outlook, to FDC in relation to its planned offering of up to ₱8.0 billion preferred shares. The preferred shares were subsequently issued as scheduled in August 2025. It likewise maintained its Issue Credit Rating of PRS Aaa, with a Stable Outlook, for FDC's total outstanding bonds amounting to ₱10.0 billion.

EastWest shares several Directors and officers with other companies in the Filinvest Group. Jonathan T. Gotianun serves as Chairman of both FDC and EastWest, indicating the bank's important strategic role in the Group.

At the management level, Jacqueline S. Fernandez has been EastWest's President since July 2022. Ms. Fernandez has over 33 years of banking experience. Jerry G. Ngo has been Chief Executive Officer (CEO) since January 2023 and has more than two decades of experience in banking, finance, and related fields. Daniel L. Ang Tan Chai serves as the bank's Chief Financial Officer (CFO) and has over 30 years of experience in finance and information technology.

3. Improved profitability on account of loan portfolio expansion

EastWest's interest income recorded consistent growth in the past three years, rising from ₱34.6 billion in 2023 to ₱50.4 billion in 2025, reflecting a compound annual growth rate (CAGR) of 20.7%. Key contributors to the growth include credit cards, teachers' loans, personal loans and auto loans. Despite higher funding volumes and elevated cost of funds, the bank managed to grow its net interest margin (NIM) from 7.6% in 2023 to 8.5% in 2025. This supported the 20% CAGR in net interest income, from ₱28.2 billion to ₱40.6 billion over the same period.

Non-interest income steadily rose, from ₱7.4 billion in 2023 to ₱10.4 billion in 2025, reflecting a CAGR of 18.1%. Such was driven mainly by service charges, fees and commissions, and reflected higher loan- and deposit-related fees. The bank's total operating income expanded by a CAGR of 19.6%, from ₱35.7 billion in 2023 to ₱51.0 billion in 2025.

Operating expenses, excluding provisions, rose from ₱20.3 billion in 2023 to ₱25.4 billion in 2025, translating to a CAGR of 11.8%. Key contributors to this growth include compensation and fringe benefits, service charges, fees, and commissions, and higher taxes such Gross Receipt Tax (GRT) and Documentary Stamp Tax (DST) resulting from increased transaction volumes.

Provisioning for losses significantly expanded by a CAGR of 36.0%, from ₱7.7 billion in 2023 to ₱14.2 billion in 2025. According to management, the significant growth in its provision for impairment and credit losses which is anchored on the growth of its unsecured consumer lending. PhilRatings also notes that the bank's elevated provisioning during the period primarily reflects portfolio seasoning and proactive risk management measures.

EastWest's net income steadily increased from 2023 to 2025, rising from ₱6.1 billion to ₱9.2 billion, representing a CAGR of 23.1%. Return on average assets (ROAA) likewise improved from 1.4% in 2023 to 1.7% in 2025.

BUSINESS RISK

Company Profile

EastWest is a domestic universal bank that provides a broad range of financial products and services to both consumer and corporate clients. Its offerings include deposit products, cash management services, corporate and consumer loans, treasury and trust products, credit cards, and corporate credit facilities. The bank also delivered allied financial services, including non-life insurance brokerage and bancassurance. These products and services cater to a diversified client base comprising individual consumers, middle-market corporates, and small and medium enterprises (SMEs).

EastWest positions itself as a key participant in the domestic consumer lending market, with consumer finance accounting for 83.9% of its gross loan portfolio as of end-December 2025.

The bank also provides financial services through its subsidiaries and affiliates. As of December 31, 2025, it had six subsidiaries, as presented in Table 1.

Table 1 Subsidiaries

Name	Principal Activity	Effective Ownership
East West Rural Bank, Inc. (EWRB)	Consumer Banking	100.0%
East West Insurance Brokerage, Inc. (EWIB)	Non-Life Insurance Brokerage	100.0%
East West Leasing and Finance Corporation (EWLF)*	Finance and Leasing	100.0%
Quest Marketing and Integrated Services, Inc. (QMIS)	Sales and Marketing	100.0%
Assurance Solutions Insurance Agency (ASIA)*	General Insurance and Marketing	100.0%
East West Ageas Life Insurance Corporation (EWAL)	Life Insurance	50.0%

**Non-operational since 2017*

EastWest remained as the country's eleventh largest bank—unchanged since the last credit rating review—based on total assets of ₱534.6 billion, as of December 31, 2025. Table 2 shows the bank's ranking among universal and commercial banks in the Philippines, based on Bangko Sentral ng Pilipinas (BSP) data.[1] EastWest accounted for 1.9% of the total assets of the country's universal and commercial banks, 2.4% of its total capital, 1.9% of its total deposit liabilities, and 2.1% as of total loans and receivables (net). Despite its relatively high ranking, the bank's market share was still considered minimal, as the sector's resources continued to be dominated by the top five banks in the country, and which accounted for more than half of the total assets of commercial and universal banks. These are: BDO Unibank, Inc. (BDO), Bank of the Philippine Islands (BPI), Metropolitan Bank & Trust Company (Metrobank), Land Bank of the Philippines (Land Bank), and China Banking Corporation (Chinabank). PhilRatings notes that EastWest's total assets represented approximately one-tenth of BDO's total assets of ₱5.27 trillion, as of December 31, 2025.

Table 2 Ranking of EastWest (Universal and Commercial Bank Group)

	Rank	% Share
Total Assets	11	1.9%
Total Shareholders' Equity	11	2.4%
Total Deposit Liabilities	11	1.9%

[1] https://www.bsp.gov.ph/SitePages/Statistics/BSFinancialStatements.aspx?TabId=3

Total Loans and Receivables, net	11	2.1%

As the banking arm of the Gotianun-owned and controlled Filinvest Group, EastWest was 77.85% owned by FDC, as of April 2026. FDC is one of the largest and most diversified conglomerates in the Philippines, with interests in banking, real estate, hospitality and tourism, power generation, sugar and infrastructure. Both FDC and EastWest are listed on the Philippine Stock Exchange (PSE) with a market capitalization of ₱37.6 billion and ₱27.5 billion, respectively, as of June 10, 2026.

Operations

The bank's main operating businesses are organized into the following segments: Retail, Corporate, Consumer, and Treasury and Trust. Each segment represents a strategic business unit that caters to the bank's identified markets. Tables 3 and 4 present the operating income and net income contributions of each business segment from 2023-2025 and 3M2026.

Table 3 Breakdown of Operating Income According to Business Segment

Business Segment	2023		2024		2025		3M2026	
	Amount	%Share	Amount	%Share	Amount	%Share	Amount	%Share
Retail	11,762	33.1	12,869	30.3	14,192	27.9	3,396	25.5
Corporate	3,121	8.8	3,154	7.4	3,452	6.8	827	6.2
Consumer	19,689	55.4	23,422	55.1	29,263	57.6	7,697	57.9
Treasury & Trust	1,100	3.1	1,666	3.9	1,914	3.8	877	6.6
Elimination Items	(163)	(0.5)	1,407	3.3	2,018	4.0	505	3.8
TOTAL	**35,509**	**100.0**	**42,518**	**100.0**	**50,839**	**100.0**	**13,303**	**100.0**

**Amounts in Millions PHP*

Table 4 Breakdown of Net Income According to Business Segment

Business Segment	2023		2024		2025		3M2026	
	Amount	%Share	Amount	%Share	Amount	%Share	Amount	%Share
Retail	2,163	35.6	2,339	30.7	2,754	29.9	489	26.3
Corporate	1,876	30.8	1,622	21.3	1,747	18.9	335	18.0
Consumer	3,223	53.0	3,436	45.2	3,608	39.1	(50)	(2.7)
Treasury & Trust	259	4.3	467	6.1	554	6.0	610	32.9
Elimination Items	(1,437)	(23.6)	(256)	(3.4)	558	6.1	472	25.4
TOTAL	**6,084**	**100.0**	**7,608**	**100.0**	**9,221**	**100.0**	**1,856**	**100.0**

**Amounts in Millions PHP*

Consumer and Retail Banking continued to be the bank's primary earnings drivers from 2023 to 2025, collectively accounting for an average share of 86.5% of total operating income. The Consumer Banking segment remained the largest contributor, consistently generating more than half of total operating income, while Retail Banking also provided a significant share of earnings. In the first three months of 2026 (3M2026), the combined share of the Consumer and Retail segments remained high at 83.4% of total operating income.

By net income contribution, Consumer Banking was likewise the largest contributor to the bank's bottom line from 2023 to 2025, accounting for an average share 45.8% of total. Retail Banking and Corporate Banking also made significant contributions to the bank's earnings. In 3M2026, however, the Consumer

Banking segment recorded a net loss of ₱50.0 million. Management attributed this to upfront provisioning as part of its credit-risk management approach, consistent with the faster growth in unsecured lending. Management also noted that the reported segment loss may have been affected by its internal funds transfer pricing framework, which allocates a larger share of revenues to deposit-generating units amid higher interest rates. On an economic perspective, consumer lending remained profitable, consistent with the bank's ₱1.9 billion net income for the quarter.

Consequently, Treasury and Trust emerged as the largest contributor to consolidated earnings during the period, generating net income of ₱610.0 million or 32.9% of total net income.

The bank's products and services are delivered through a diversified distribution network comprising of branches, automated teller machines (ATMs), digital banking platforms, and customer service channels. EastWest maintained a network of 468 branches as of June 30, 2023. The branch network subsequently declined to 465 branches as of end-2024 and further to 436 branches as of end-2025. The number of branches has since remained unchanged, as of March 31, 2026.

The reduction in the branch network reflects the bank's continued efforts to optimize its physical footprint while aligning its distribution strategy with the growing adoption of digital banking channels. During the period mentioned, EastWest consolidated selected adjacent branches to improve network efficiency and resource utilization while maintaining service accessibility. The bank also strengthened its digital capabilities through initiatives, such as paperless account opening, which are designed to streamline operations and improve the customers onboarding experience.[2] The bank also continued to provide digital banking services through the EasyWay/Komo platform. In 2025, the platform recorded 921,000 registered users, up from 604,000 in the previous year. More than 143,000 EastWest Rural Bank teacher accounts were linked to Komo, and over ₱296 million in salary loans were approved through the application.[3]

As of March 31, 2026, EastWest operated a network of 525 ATMs, consisting of 443 on-site ATMs and 82 off-site ATMs. The bank likewise provides internet banking services for retail and corporate customers, mobile banking applications, and a 24/7 customer service hotline.

<u>Retail Banking</u>

The Retail Banking segment serves as the bank's primary physical and digital distribution and service platform. It encompasses the bank's branch network, ATMs, internet and mobile banking channels, and related transaction processing infrastructure. The segment supports a broad client base, including retail customers, middle-market clients, and high-net-worth individuals.

Retail Banking activities include the generation of deposit funding and cross-selling of banking products and services such as deposits, loans, investment products, cash management solutions, and alternative investment offerings. The segment also supports a wide range of cash management services, including collections, disbursements, payroll services, and other transaction banking solutions.

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[2] EastWest Annual Report 2025
[3] https://www.eastwestbanker.com/sites/default/files/pdf/secfilings/sec_form-17-a_2025.pdf
https://www.komo.ph/about-us

Consumer Lending

The Consumer Banking segment primarily caters to lending activities for individual customers. Its product suite includes credit cards, auto loans, residential mortgage loans, and personal loans. Loan products are structured based on borrower risk profile, financial capacity, loan purpose, collateral (where applicable), and relationship with the bank.

Consumer lending products are distributed through multiple channels, including the bank's branch network, digital platforms, third-party sales agents, and partner channels. The segment places emphasis on credit evaluation, portfolio quality, and pricing discipline, while taking into account funding costs, delinquency experience, and target risk-adjusted returns.

Corporate Banking

The Corporate Banking segment manages the bank's relationships with mid-market enterprises and large corporate clients. It primarily provides working capital financing, term loans, trade finance, and project-related funding, on both secured and unsecured bases depending on credit risk assessment.

In addition to lending, Corporate Banking offers a full suite of transactional and fee-based services, including cash management, foreign exchange, deposit products, and investment solutions. In line with the bank's strategic direction, the segment has increasingly focused on ecosystem-based banking, developing relationships with anchor clients and extending financing solutions across their supplier, distributor, and customer networks through structured and supply chain financing solutions.

Treasury and Trust

The Treasury function is responsible for managing the bank's liquidity, funding, interest rate, and foreign exchange exposures. It actively manages the bank's balance sheet through monitoring of cash flows, debt maturity profiles, and available credit lines, and participates in money markets and capital markets through trading of government securities, bonds, and foreign exchange instruments to support both liquidity management and income generation. The bank is also an accredited Government Securities Eligible Dealer.

The Trust function provides fiduciary and investment-related services, including fund and investment management, custodianship, safekeeping, escrow and agency services, and employee benefit trust services. It also offers Unit Investment Trust Funds (UITFs) in both peso and U.S. dollar denominations, providing retail and institutional clients with alternative investment opportunities across diversified portfolios.

Ownership and Management

As of April 2026, FDC effectively owned 77.85% of EastWest. The balance was held by the public (20.78%), as well as the bank's Directors and principal officer (1.37%).

FDC is a holding company for the various businesses owned by the Gotianun Family. Established by Andrew Gotianun, Sr. and his wife, Mercedes Gotianun (both deceased) in 1955, FDC evolved from a small-scale financing company for second-hand cars into one of the country's leading conglomerates, with interests in property, banking services, power, sugar, and infrastructure. PhilRatings assigned an Issuer

Credit Rating of PRS Aaa, with a Stable Outlook, to FDC in relation to its planned offering of up to ₱8.0 billion preferred shares. The preferred shares were issued in August 2025. It likewise maintained its Issue Credit Rating of PRS Aaa, with a Stable Outlook, for FDC's total outstanding bonds amounting to ₱10.0 billion.

The bank's incorporation in 1994 marked the Filinvest Group's re-entry into the banking sector, building on its earlier experience in financial services through its ownership of Family Bank and Trust Company and Insular Bank of Asia and America during the 1970s and 1980s.

EastWest shares common directors and officers with other companies under the Filinvest Group. Jonathan T. Gotianun, Chairman of FDC, also serves as Chairman of EastWest. Lourdes Josephine Gotianun-Yap is Vice-Chairman of the bank, while Isabelle Therese Gotianun-Yap serves as Director and Chief Strategy & Transformation Officer and is also a member of the Executive Committee. These individuals maintain close familial ties: Jonathan T. Gotianun and Lourdes Josephine Gotianun-Yap are siblings, while Isabelle Therese Gotianun-Yap is the daughter of Lourdes Josephine.

Jonathan T. Gotianun has served as Chairman of EastWest since April 2007 and previously held the position of Vice Chairman from 1994 to 2007. He concurrently holds directorships across various Filinvest Group companies. He earned a Bachelor of Science in Commerce degree from Santa Clara University, USA, a Management Engineering degree from Ateneo de Manila University, and a Master in Management from Northwestern University, USA.

Jacqueline S. Fernandez has been President and Director of EastWest since July 2022 and has over 33 years of banking experience. Prior to her appointment, she served as Chief Lending Officer of EastWest and Head of Consumer Credit at Standard Chartered Bank Philippines. She holds a Bachelor of Arts in Economics (cum laude) degree and a Master of Business Administration degree from the University of the Philippines.

Jerry G. Ngo has served as CEO of EastWest since January 2023 and has more than 20 years of experience in banking, finance consultancy, and digital transformation. He previously held senior roles including Group CFO and Board Director of PT Saratoga Investama Sedaya Tbk, as well as advisory and executive positions in investment and consulting firms. He holds a Master of Business Administration (with honors) degree from the University of Chicago Booth School of Business, a Master in Management (with distinction) degree from the University of San Jose-Recoletos, a Bachelor of Science in Medical Technology (cum laude) degree from Velez College, and completed the Advanced Management Program of Harvard Business School.

Daniel L. Ang Tan Chai, Senior Vice President and CFO of EastWest, has over 30 years of experience in finance and information technology. Prior to his current role, he served as Deputy CFO of FDC and CFO of FDC Utilities, Inc. He also previously held the position of CFO of Metrobank Card Corporation. He holds a Bachelor of Science in Industrial Engineering degree and a Master of Business Administration degree, both from the University of the Philippines.

Based on the bank's audited financial statements as of end-2025, EastWest Bank remained fully compliant with BSP's regulations regarding lending by banks to directors, owners, shareholders and other related interests (DOSRI).

The bank had a total manpower complement of 8,606 employees as of end-March 2026. There is no existing collective bargaining agreement between EastWest and any of its employees, and the bank's employees are not represented by any labor union.

Strategy[4]

EastWest is positioning itself for sustainable profitability and resilience through a strategy anchored on digital-led growth, ecosystem expansion, and operating model simplification.

Going forward, the bank aims to accelerate digital adoption by scaling fully digital onboarding and servicing capabilities, expanding product penetration via mobile channels, and leveraging artificial intelligence (AI) to enhance customer engagement and service efficiency. As of March 2026, online banking penetration stood at 53%, while online transactions accounted for approximately 28–29% of total bank transactions, reflecting the continued adoption of the bank's digital channels. Digital channels are expected to remain the primary driver for customer acquisition, transaction growth, and overall usage.

A key strategic priority is the continued expansion of ecosystem partnerships, with the bank embedding its payment and credit solutions into everyday consumer spending environments such as retail, transport, food, fuel, and travel. This approach is aimed at increasing the bank's customer relevance and transaction volumes.

EastWest also remains focused on improving the customer experience by streamlining end-to-end processes, reducing friction points, shortening turnaround times, and increasing automation across its operations.

For 2026, management's strategic priorities include improving risk-adjusted returns through portfolio rebalancing toward more secured lending, enhancing operational efficiency via process redesign and technology enablement, and continuing investments in core systems and talent to support scalable and resilient growth. Prior to the onset of the Middle East conflict in February 2026, the bank's strategy was already focused on gradually rebalancing risk toward more secured asset classes, including mortgage, auto, business loans, and securities, while allowing the unsecured portfolio to season. The geopolitical developments accelerated this planned rebalancing, with the bank adopting a more cautious approach and setting aside additional credit provisions as a prudent measure.

According to management, the ongoing Middle East conflict and elevated oil prices have prompted the bank to adopt a more prudent and selective lending approach in the near term. As a result, loan growth expectations have been moderated, alongside efforts to adjust portfolio composition to mitigate risk. Nevertheless, the bank emphasized that its medium- to long-term strategic direction remains intact, with current measures reflecting prudent risk management amid heightened market uncertainty and supporting the bank's broader 2026–2027 objective of building a more resilient and balanced portfolio.

Environmental, Social and Governance (ESG)[5]

In 2025, EastWest established a dedicated Sustainability Office to oversee the implementation of its sustainability strategy and ESG-related initiatives.

[4] EastWest Annual Stockholders' Meeting 2026
[5] EastWest 2025 Annual and Sustainability Report

During the year, the bank conducted a double materiality assessment, which identified six key ESG priorities: data privacy, financial inclusion, employee development, corporate governance, ESG risk management, and sustainable economic value creation. These priorities are reflected in the bank's ESG framework, which integrates environmental and social risk management into its lending and risk processes, alongside governance and compliance structures at both the Board and management levels. Within this framework, key social focus areas include financial inclusion, employee development, and customer data protection, while environmental considerations are addressed through the incorporation of environmental and social risk assessment in financing activities.

The bank also participates in sustainable finance initiatives, including financing activities that support environmental sustainability objectives and contribute to broader economic development goals.

Asset Quality[6]

The bank's gross loans increased by 12.6% ₱334.3 billion in 2024, and further increased by 14.4% to ₱382.4 billion in 2025.

Gross Non-Performing Loans (NPLs) declined by 7.9% to ₱15.1 billion in 2024, before increasing by 11.6% to ₱16.8 billion in 2025. Management attributed the increase in gross NPLs in 2025 to the natural seasoning of the loan portfolio following the loan growth recorded in the previous three years. It noted that the increase was in line with the bank's total loan growth at 14.4%.

Gross NPL ratio improved from 5.5% in 2023 to 4.4% in 2025. While this remained above the universal and commercial banking industry gross NPL ratio of 3.08% as of end-December 2025, it should be noted that EastWest's consumer loan NPL ratio improved to 4.5% in 2025 from 4.7% in 2024, outperforming the industry averages of 5.4% and 5.3%, respectively.

The bank also maintained relatively strong consumer NPL coverage, which increased to 77% in 2025 from 64% in 2024, above the industry averages of 59% and 57%, respectively.

EastWest's net NPL ratio stood at 2.6% in 2025, and is projected to improve further over the forecast period. Meanwhile, the bank's gross NPL ratio is expected to remain broadly stable over the same period. Management anticipates its NPL performance to improve in the short to medium term as the unsecured consumer loan portfolio matures, while the impact of rebalancing the portfolio toward secured loans are expected to materialize over the longer term.

Asset Composition

EastWest's loan portfolio continued to be largely comprised of consumer loans, with its 83.9% share of the total portfolio, as of December 31, 2025. This was in line with the bank's continued focus on consumer financing, where it considers itself to have a strong competitive position, which is supported by its understanding of and experience in the market. Specifically, the share of consumer loans to total gross loans has been on an uptrend. Corporate loans accounted for the remaining 16.1% of the portfolio, as of end-December 2025. While the portfolio reflects a strategic concentration in consumer lending, management believes the associated risks are mitigated by its granular borrower base, diversified

[6] https://businessmirror.com.ph/2026/02/13/despite-low-non-performing-loans-ratio-banks-seen-to-remain-cautious/
https://www.psbank.com.ph/media/9588/psbank-registers-php35b-in-profits-on-sustained-loan-growth-in-2025.pdf

consumer loan products, and a mix of secured and unsecured exposures. It likewise intends to gradually rebalance the portfolio toward more secured lending, including residential mortgages, auto, and business loans, as part of its strategy to improve risk-adjusted returns while maintaining a prudent risk profile.

As of December 31, 2025, the bank's top ten loan exposures, when combined, accounted for a minimal portion of its total loan portfolio. Individually, the respective shares of these borrowers to the total loan portfolio were similarly minimal.

The bank's top ten NPL exposures, when combined, likewise represented a minimal share of the bank's total NPLs as of end-December 2025. Individually, the respective shares of these borrowers to total NPL were also minimal.

EastWest's loan portfolio remained heavily concentrated on personal consumption, which amounted to ₱291.6 billion, representing 76.3% of the total portfolio, as of December 31, 2025. Following was Real Estate, Renting and Business Services at ₱24.2 billion, translating to a 6.3% share. The respective shares of other industries in the bank's loan portfolio were below 10.0%. It should be noted that the BSP considers that loan concentration exists when total loan exposure to a particular industry or economic sector exceeds 30.0% of the total loan portfolio.

The bank's loan portfolio was 33.6% secured, as of end-December 2025, and continuing the declining trend in the proportion of secured loans to total loans from 48.7% in 2021, 41.6% in 2022, 40.3% in 2023 and 37.7% in 2024. The decline was mainly driven by the faster growth of unsecured lending, as the bank sought to expand its revenue-generating capacity amid a rising interest rate environment and margin compression. This strategy was also consistent with the broader industry trend, as BSP data showed sustained growth in unsecured loans since 2021. Portfolio breakdown as to collateral was as follows: chattel mortgage, 23.7%; real estate, 7.3%; hold-out on deposits, 1.5%, and others, 1.1%. The balance of 66.4% represented unsecured loans.

The bank's exposure to borrowers directly affected by the ongoing Middle East tensions remains minimal, accounting for less than 1% of its total loan portfolio as of May 2026. Borrowers operating in industries that may be indirectly affected, including Energy & Power, Transport & Logistics, Tourism, selected Retail & Consumption segments, and Agriculture & Food, comprised slightly over 1% of the portfolio.

Within the consumer loan portfolio, exposures to Overseas Filipino borrowers based in affected Middle East countries accounted for less than 10% of total consumer loan exposures as of May 2026. While a prolonged disruption to remittance flows could adversely affect the repayment capacity of certain borrowers, management does not expect a material impact on the bank's overall asset quality given the limited exposure.

The bank may also extend relief measures to affected borrowers in accordance with BSP Monetary Board Resolution No. 296. These measures may include temporary payment grace periods of up to six months for loan payments and up to one year for agricultural loans.

ECONOMY

Gross Domestic Product (GDP)[7]

The country's GDP growth slowed to 4.4% in 2025, missing the government's target range of 5.5%–6.5% and marking the third consecutive year that it has fallen short of the target. Department of Economy, Planning, and Development (DEPDev) Secretary Arsenio Balisacan cited the impact of weather-related disturbances for the year and the corruption scandal surrounding flood control projects as reasons for the missed growth target. The latter reportedly dampened investments and eroded consumer confidence in the first half of 2025 (1H2025).

On the supply side, full-year growth was anchored by Services (+5.9%) and a modest recovery in Agriculture, Forestry, and Fishing (AFF, +3.1%), while Industry lagged behind at 1.5%.

On the demand side, Household Final Consumption Expenditure (HFCE) slowed to 4.6% in 2025 (from 4.9% in 2024), while Government Final Consumption Expenditure (GFCE) accelerated to 9.1% (up from 7.3% in 2024). Gross capital formation (GCF) contracted by 2.1% in 2025, a sharp reversal from the 7.7% growth in 2024, driven by the government's aggressive freeze on project disbursements and a strict anti-corruption clampdown in the last quarter of the year following the flood control scandal.

In 1Q2026, Philippine GDP expanded by 2.8%. This was a marginal slowdown from the 3.0% growth recorded in the 4Q2025 and a sharp decline from the 5.4% registered in 1Q2025. Excluding the contractions experienced during the height of the COVID-19 pandemic, this marks the country's slowest quarterly growth since 3Q2011. According to the DEPDev, the deceleration was due to the lingering effects of the flood control controversy, delays in both the passage of the national budget and the release of funding for infrastructure spending, as well as the impact of the Middle East conflict on global oil prices.[8]

On the supply side, the Services sector remained the primary driver of the country's economy, with a year-on-year (YoY) growth of 4.5%. AFF and Industry, on the other hand, posted YoY contractions of 0.2% and 0.1%, respectively.

On the demand side, HFCE grew by 3.0% YoY in 1Q2026, slower than the 5.3% growth in the same period in 2025. GFCE posted a growth of 4.8%, a notable slowdown from the 18.7% surge in 1Q2025. GCF, on the other hand, contracted by 3.3% in 1Q2026, reversing the 4.0% growth in 1Q2025, driven by the slump in the construction sector.[9]

Inflation[10]

Inflation averaged 1.7% in 2025, marking the slowest annual pace of price growth since 2016 and remaining below the BSP's 2–4% target range. The low inflation outturn was driven by easing rice prices

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[7] Philippine Statistics Authority
https://business.inquirer.net/571342/philippine-gdp-growth-down-to-3-in-q4-2025
https://www.abs-cbn.com/news/business/2026/5/7/gdp-growth-skids-to-2-8-percent-in-first-quarter-of-2026-1007
https://psa.gov.ph/statistics/national-accounts
[8] https://www.abs-cbn.com/news/business/2026/5/7/gdp-growth-skids-to-2-8-percent-in-first-quarter-of-2026-1007
[9] https://psa.gov.ph/system/files/nap/Q1%202026%20NAP%20Publication.pdf
[10] https://business.inquirer.net/567690/philippine-2025-inflation-slows-to-1-7-a-9-yr-low
https://www.abs-cbn.com/news/business/2026/6/5/inflation-eases-to-6-8-percent-in-may-0907

and generally stable commodity costs, although food prices edged up toward year-end due to weather-related supply disruptions and stronger holiday demand.

Headline inflation eased to 6.8% in May 2026 from 7.2% in April 2026, though it remained significantly higher compared to 1.3% a year ago. This brings the year-to-date inflation to 4.5%, still above the government's 2-4% inflation target. The slowdown was driven by softer price increases in transport, food, and housing, water, electricity, gas and other fuels. Notwithstanding such, domestic fuel costs remained elevated due to lingering external pressures, including Middle East-related supply disruptions and peso depreciation risks.

Interest Rates

Considering the subdued inflationary environment in 2025, the BSP implemented a series of 25-basis-point (bps) cuts during the year that brought the key policy rate down from 5.75% to 4.50% by December 2025.

In 2026, however, the BSP shifted its monetary policy stance from easing to tightening. After lowering the policy rate to 4.25% in February, the central bank made two consecutive 25-bps rate hikes that brought the policy rate to 4.75% in June 2026. The BSP attributed the June rate hike to mounting inflationary pressures due to rising oil and fertilizer prices, faster-than-expected second-round inflation effects, and the projected sluggish economic activity in the near-term. While inflation moderated in May, the BSP maintained a cautious stance, citing persistent upside risks from food supply constraints, elevated transport costs, and external shocks arising from geopolitical tensions in the Middle East.

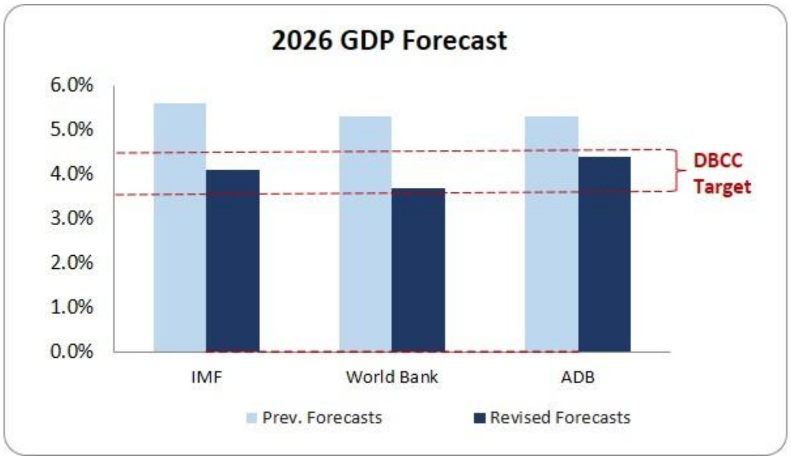
Outlook[11]

In June 2026, the Development Budget Coordination Committee (DBCC) cut the country's 2026 growth target to 3.5%–4.5% (from 5.0%–6.0%), following the economic slowdown brought about by the conflict in the Middle East, rising oil prices, and weaker-than-expected government spending. Similarly, institutions such as the International Monetary Fund (IMF), World Bank (WB), and the Asian Development Bank (ADB), among others, downgraded their Philippine GDP growth forecasts.

The following charts summarize the downward revisions made in the second quarter of 2026 to their growth forecasts for the country for 2026 and 2027. These adjustments were made in response to the following: (1) the impact of the Middle East conflict on the Philippine economy; (2) the lingering confidence issues from the flood corruption scandal; (3) the continued delays in public investment; (4) the added impact of severe weather events; (5) higher import bills; and (6) the depreciation of the peso. As illustrated, current growth forecasts for 2026 were lower than the previous forecasts. Nonetheless, the downgraded economic forecasts fell within DBCC's latest target of 3.5%–4.5%. Heading into 2027, the growth outlook for the Philippines is mixed among the institutions.

[11] https://www.bworldonline.com/top-stories/2026/04/09/741674/world-bank-slashes-phl-growth-forecast-to-3-7/
https://www.adb.org/news/philippine-gdp-growth-remain-subdued-amid-global-uncertainty
https://manilastandard.net/business/314726875/imf-moodys-cut-2026-philippine-growth-outlook
https://www.pna.gov.ph/articles/1272350
https://www.abs-cbn.com/news/business/2026/4/9/s-p-downgrades-philippine-outlook-to-stable-from-positive-amid-middle-east-war-1449
https://tribune.net.ph/2026/04/21/fitch-cuts-philippines-outlook-to-negative-govt-responds

Figure 1 Economic Growth Outlook



S&P Global Ratings (S&P) meanwhile downgraded the Philippines' outlook from 'Positive' to 'Stable', signaling that while the country's 'BBB+' investment-grade rating remains secure, a near-term upgrade is unlikely due to compounding external and fiscal risks. Fitch Ratings, on the other hand, revised its outlook for the Philippines from 'Stable' to 'Negative', while affirming the country's' long-term foreign-currency issuer default rating (IDR) at 'BBB'. It cited the potential negative impact of the ongoing crisis in the Middle East on the country's growth moving forward and on the gradual public capex recovery as the reason for outlook revision. Fitch Ratings projected the Philippine economy to grow by 4.6% in 2026, while S&P significantly lowered its 2026 growth forecast to 4.1% from 5.6%. For 2027, S&P expects the country's GDP growth to rebound to 5.8%, although such remains below its initial 6.2% forecast.[12]

Domestic Impact of the Ongoing Middle East Conflict[13]

The US-Israel-Iran conflict and maritime transit constraints at the Strait of Hormuz led to a declaration of State of National Energy Emergency by President Ferdinand Marcos Jr. in March 2026.

While the initial ceasefire deal between the U.S. and Iran in early April and its ongoing extension lowered global oil prices, the two-month tension between the two countries—marked by maritime friction and elevated logistics and insurance costs—will keep domestic fuel prices elevated, weighing heavily on the country's manufacturing output, household consumption, and fiscal buffers.

On June 17, 2026, U.S. and Iran Presidents signed a Memorandum of Understanding (MOU) declaring the immediate and permanent termination of the war. The MOU includes the reopening of the Strait of Hormuz and the easing of certain financial restrictions on Iran. It also commits both parties to reach a final deal within 60 days, including arrangements related to Iran's nuclear program. As of report-writing date, negotiations on the final agreement remain ongoing.

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[12] https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3542352
[13]https://psa.gov.ph/price-indices/cpi-ir
https://www.gmanetwork.com/news/money/economy/984266/diesel-prices-liter-gasoline-week
https://www.aljazeera.com/news/2026/4/18/iran-closes-strait-of-hormuz-again-over-us-blockade-of-its-ports
https://www.gmanetwork.com/news/money/economy/982088/pump-price-increase-middle-east-war/story
https://bworldonline.com/editors-picks/2026/05/25/751701/remittances-from-mideast-likely-to-remain-resilient/
https://tribune.net.ph/2026/05/19/ofw-remittance-risks-rise-amid-middle-east-conflict-ilo

Foreign Exchange Rate[14]

As of early June 2026, the Philippine Peso was trading within a tight range of ₱61.5 to ₱61.7 per US dollar. This represents a marginal depreciation from the May average daily rate of ₱61.4 per US dollar and a substantial weakening from the ₱56.4 per US dollar level in June 2025.

According to MUFG Global Markets Research's baseline forecast, the Philippine Peso is seen to trade between ₱60.5 and ₱61.5 over time. Given external pressures such as the possible prolonged Middle East conflict and the delayed rate cuts by the US Federal Reserve, however, the local currency could further weaken to the ₱62 to ₱64.5 range.

In its latest Asia Economic Outlook (dated June 25, 2026), ANZ Research said that the peso could weaken to 63-per-dollar by the end of 2026 as support for the currency declines. While acknowledging that a possible US-Iran deal boosted the peso, ANZ Research believes that the gains would be temporary on account of the Philippines' external deficit. Other factors weighing on investor confidence and the peso include domestic political uncertainty and a more hawkish US federal Reserve.

As it is, a weaker peso bring mixed effects. Remittances from overseas Filipino workers stretch further in peso terms, thus supporting consumption. Also, exporters gains price competitiveness. A weaker peso, however, may stoke imported inflation and raise the peso cost of servicing foreign-currency debt.

BSP Governor Eli Remolona Jr. earlier stated the peso's depreciation could fuel inflation, but also boost exports and narrow the trade deficit. He further added that the central bank does not target a specific exchange level, and lets market forces determine the peso's value.

INDUSTRY[15]

The Philippine banking sector operated under stable regulatory conditions in 2025, according to the Financial Stability Coordination Council (FSCC) 2025 Financial Stability Report. Banks continued to comply with capital adequacy requirements and maintain loan loss provisions under BSP supervision, with credit growth broadly aligned with economic activity.

Bank lending growth increased to 11.4% year-on-year in April, driven by business loans, which grew 10.7% (from 9.7% in March). Consumer lending continued to expand although growth moderated to 19.6% (from 20.5%), reflecting slower growth in credit card and motor vehicle loans. Real estate-related lending also contributed to business loan expansion.

Consumer lending remained a key driver of credit growth, with consumer loans increasing by 17.1% to ₱3.8 trillion as of end-2025 and accounting for 22.2% of total loans. Demand was supported by household consumption, although the BSP noted that risks from unsecured consumer lending warrant continued monitoring.

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[14] https://www.bsp.gov.ph/statistics/external/day99_data.aspx
https://business.inquirer.net/593227/peso-at-risk-of-hitting-641-level-mufg
https://business.inquirer.net/597213/peso-seen-weakening-to-631-by-end-2026
[15] https://insiderph.com/ph-banking-sector-stable-despite-headwinds-says-bdo-exec
https://www.pna.gov.ph/articles/1276790
https://asianbankingandfinance.net/lending-credit/news/ph-bank-lending-accelerates-114-in-april-business-demand
BSP Report on the Philippine Financial System for the second semester of 2025

Asset quality indicators remained stable, with NPL ratios below 3% as of 1Q2026. Liquidity conditions remained elevated, with approximately ₱1.8 trillion placed in BSP facilities. Loan growth among large banks was reported at 9%–13% in early 2026.

Against this backdrop, the FSCC cited continued monitoring of rising leverage across sectors, elevated property prices, increased exposure to selected corporate groups, and growth in unsecured consumer lending, including credit card receivables. Residential real estate exposures remained a component of consumer lending portfolios.

The FSCC also highlighted risks arising from corporate sectors sensitive to energy and interest rate movements. Higher fuel and commodity costs linked to geopolitical tensions, including developments in the Middle East, may affect debt servicing capacity in exposed industries. Cybersecurity risk was also noted amid ongoing digitalization in financial services.

Policy priorities identified by the FSCC include a countercyclical capital buffer framework, strengthened oversight of large conglomerates, expanded coverage of non-bank financial institutions, and development of a systemic crisis management framework.

Fitch Cites Rising Near-Term Risks for Philippine Banking Sector

Fitch Ratings stated that Philippine banks are expected to face higher asset quality risks and lower profitability in the near term due to slowing economic growth, elevated inflation, higher energy prices, disruptions in public investments, and increased macroeconomic uncertainty. The ratings agency noted that these conditions could lead to higher credit impairments and increased provisioning, particularly as banks manage growing risks from unsecured consumer lending.

According to Fitch, the rapid expansion of unsecured consumer loans, particularly credit card receivables, represents a key vulnerability for the banking sector. Credit card loans have tripled since the end of 2020 and accounted for around 8% of total banking system loans by end-2025. Fitch expects the deterioration in credit quality to be reflected primarily through higher write-offs and credit costs rather than a significant increase in reported impaired loan ratios, partly due to regulatory relief measures implemented by the BSP. As a result, banks are expected to increase provisions in anticipation of higher defaults, which could weigh on earnings in 2026.

Fitch also revised its outlook on the Philippine banking sector to “deteriorating” from “neutral” and lowered its forecast for system-wide loan growth in 2026 to 9% from 12%, citing macroeconomic uncertainty, higher long-term interest rates, and weaker demand for credit. Despite these challenges, Fitch noted that the country’s major private banks are expected to maintain adequate capital buffers, stable funding profiles, and sufficient earnings capacity to absorb higher credit costs.

In response, the BSP acknowledged Fitch’s assessment and stated that it continues to closely monitor risks to credit quality, profitability, liquidity, and capital adequacy. The central bank emphasized that Philippine banks remain well-positioned to withstand potential shocks, supported by ample liquidity, adequate capital buffers, and manageable asset quality. While some pressure may emerge in specific borrower segments, the BSP stated that risks remain contained and that there is no evidence of broad-based deterioration in the banking sector.

The challenging macroeconomic environment may exert pressure on banks through slower credit growth, higher funding and operating costs, and potentially elevated credit risks. For EastWest, these headwinds are partly mitigated by its stable liquidity profile, supported by sustained deposit growth and liquidity buffers that remain above regulatory requirements. Management has also adopted a more selective lending approach, continued the rebalancing of its loan portfolio toward lower-risk secured lending, maintained a conservative provisioning approach, and strengthened underwriting standards. These measures are expected to support the bank's financial profile amid a more challenging operating environment.

The bank also reported sustained deposit growth of 14% YoY to ₱455.3 billion as of end-March 2026, a current and savings deposits (CASA) ratio of 78%. These measures are expected to mitigate risks arising from slower economic growth, elevated credit costs, and higher operating pressures.

FINANCIAL RISK

Profitability

2024 vs. 2025

EastWest's interest income increased by 19.0% to ₱50.4 billion, driven by higher volumes of loans and receivables, which contributed ₱6.9 billion in additional interest income. Key contributors included credit cards (₱4.2 billion), teachers' loans (₱1.3 billion), personal loans (₱1.1 billion), and auto loans (₱0.3 billion). Interest income from investments also recorded double-digit growth, led by financial assets at fair value through other comprehensive income (FVOCI) (+15.4%), financial assets at fair value through profit or loss (FVPL) (+53.6%), and deposits with banks and other placements (+19.6%).

Interest expense rose by 10.1% to ₱9.7 billion, on account of higher interest expense on deposits liabilities amid increased funding volumes and elevated cost of funds. The bank managed to increase its net interest margin to 8.5%, resulting in a robust growth of 21.3% in net interest income.

Non-interest income was up by 16.2% to ₱10.4 billion, primarily due to the 21.2% growth in service charges, fees and commissions, reflecting higher loan- and deposit-related fees. The bank's total operating income amounted to ₱51.0 billion in 2025, up by 20.2% from ₱42.4 billion in 2024.

Operating expenses, excluding provisions, increased by 8.3% to ₱25.4 billion. Such was driven mainly by advertising, manpower, and higher taxes such GRT and DST resulting from increased transaction volumes.

Provisioning for losses was notably higher by 48.5% to ₱14.2 billion in line with the increase in loan volumes and latest portfolio credit profile. According to management, the significant growth in its provision for impairment and credit losses anchored on the growth of its unsecured consumer lending.

EastWest's net income jumped by 21.2% to ₱9.2 billion. ROAA was higher at 1.7%.

1Q2025 vs. 1Q2026

EastWest's interest income went up by 16.2% to ₱13.6 billion in 1Q2026, from ₱11.7 billion in 1Q2025. The growth was driven by higher volume of loans and fixed income securities. Total interest expense marginally grew by 2.2%, from ₱2.4 billion to ₱2.5 billion over the same period. NIM was higher at 8.6% from 8.1% in the same period last year. These favorable developments propped up interest income, which grew by 19.9% to ₱11.1 billion in 1Q2026.

The bank's non-interest income, however, slightly declined by 5.5% to ₱2.2 billion on account of trading and securities losses.

EastWest's total operating income rose by 14.8% to ₱13.3 billion.

Operating expenses, excluding provisions, was slightly up by 1.2% to ₱6.4 billion. Miscellaneous expenses grew by 11.6% primarily due to increase in advertising and service charges, fees and commissions. Taxes and licenses also expanded by 11.2% on account of higher GRT and DST from increased volume of both loans and deposits. Meanwhile, provision for losses jumped by 59.1% to ₱4.7 billion, in line with loan portfolio growth. PhilRatings notes that the bank's elevated provisioning during the period reflects its conservative approach to credit risk management amid near-term pressure from macroeconomic conditions.

As a result, EastWest posted a marginal growth of 1.1% in its net income to ₱1.9 billion in 1Q2026. ROAA was slightly lower at 1.3%.

Projected Period
Over the projected period, EastWest expects its profitability to further improve, with net interest income reaching its highest level since 2016. Interest income will remain as the main driver of the bank's revenue growth, supported by EastWest's target of sustaining strong loan portfolio growth. The bank also aims to rebalance its loan mix by accelerating growth in lagging businesses, particularly secured lending. The share of net interest income to total revenue, however, is projected to decline over the projected period, reflecting the bank's expectation of higher funding costs. The bank also foresees non-interest income to increase, on account of higher service fees and commissions income. As a result, total operating income is seen to post a healthy increase over the projected period.

Operating expense will remain well-controlled throughout the projected period, while provisioning is seen to rise, in line with the anticipated expansion of the loan portfolio.

Given the foregoing, EastWest anticipates continued growth in net income over the projected period, with ROAA expected to increase correspondingly.

Asset-Liability Management

2024 vs. 2025
EastWest continued to expand its balance sheet in 2025, with growth still largely funded by core deposits. Total deposits increased by 13.3% to ₱437.8 billion, accounting for 88.4% of total liabilities. Demand and savings deposits both recorded double-digit growth of 12.0% and 16.6%, respectively, resulting in a further improvement in the share of CASA to total deposits to 81.6%. Meanwhile, time deposits grew by a more modest 8.6%.

Deposit-to-liabilities ratio improved to 88.4% as of end-2025. EastWest's bills and acceptances payables, as well as SSURA, dropped significantly by 24.3% to ₱30.4 billion, due to a lower volume of repurchase agreements during the year.

Loans and receivables stood at ₱380.8 billion, an increase of 13.2%, driven mainly by continued growth in consumer lending, particularly credit cards and teachers' loans. The expansion of the credit card portfolio was supported by sustained consumer spending, which boosted both retail and installment billings.

Meanwhile, teachers' loans benefited from the Department of Education's (DepEd) decision to allow private lending institutions to offer five-year loans to teachers, extending the previous maximum term of three years. As a result, net loans-to-deposits ratio remained broadly stable at 87.0%, and which was slightly lower than the previous year's level.

1Q2025 vs. 1Q2026

Total deposits continued to expand by 4.0% to ₱455.3 billion, as of March 31, 2026. This was mainly driven by a 24.5% increase in time deposits, partially offset by the 5.1% decline in demand deposits. Nonetheless, EastWest continued to rely predominantly on CASA, which are cheaper sources of funding than time deposits, with a CASA to total deposits ratio of 78.0%.

There was a 21.0% decline in bills and acceptances payable and SSURA to ₱24.0 billion as of end-1Q2026, on account of lower volume of repurchase agreement borrowings and settlement/maturity of interbank call loans. Meanwhile, financial liabilities at FVPL posted a significant growth, rising from ₱88.0 million as of end-2025 to ₱1.6 billion as of end-March 2026, due to increase in the position and fair value of forwards.[16] Consequently, deposit-to-liabilities ratio was higher at 89.8% as of end-March 2026.

Loans and receivables posted a marginal growth of 1.3% to ₱385.8 billion. This was mainly driven by growth in credit card and teachers' loans. Net loans-to-deposit ratio stood at 84.7% as of end-March 2026.

EastWest also reallocated resources across different financial assets and investment securities during the period as part of its efforts to deploy funds into higher-yielding assets. The bank's financial assets at FVOCI jumped by 33.2% to ₱35.1 billion, while investment securities at amortized cost rose by 12.9% to ₱95.5 billion.

Projected Period

EastWest expects to keep its funding momentum by growing its core deposits. CASA will continue to account for most of deposits, albeit its share will gradually decline. Asset growth is assumed to be supported by a larger proportion of high-cost funds given the high interest rate environment.

Loans will continue to comprise bulk of the bank's earning assets over the projected period. EastWest will also reallocate its resources through the expansion of its investment securities portfolio.

Capital

2024 vs. 2025

As of December 31, 2025, EastWest's total assets was up by 10.0% to ₱577.1 billion. Total equity, on the other hand, posted a faster growth of 11.6% to ₱81.5 billion, on account of higher earnings retention. As such, equity-to-assets ratio improved to 14.1%. CAR remained more than adequate at 13.5%.

1Q2025 vs. 1Q2026

The bank's total equity posted an almost flat growth of 0.2% to ₱81.7 billion as of end-March 2026. Higher retained earnings continued to support equity growth. Total assets slightly grew by 2.0% to ₱588.9 billion as of end-March 2026, due to continued expansion in loans and financial assets. EastWest's equity-to-assets ratio stood at 13.9% in 1Q2026.

[16] A forward is a contract to buy or sell a currency (or another asset) at a predetermined price on a future date.

Projected Period (2026-2027)

Total equity is seen to gradually increase over the projected period, mainly supported by earnings retention. Equity-to-assets ratio, however, is expected to decline, given the faster clip of asset growth.

As of report writing, EastWest's planned capital-raising initiatives and proposed bond issuances remain subject to prevailing market conditions. The bank also expects its CAR to remain above the regulatory minimum for the projected period.