



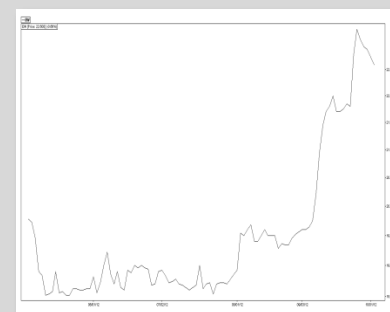
EastWest Bank (EW)

Hold

WEDNESDAY, 3 OCTOBER 2012

Company Snapshot

Price (P)	22.60
Price Target (P)	24.80
Shares O/S (million)	1,128
Market Cap (P million)	25.502
52-week High (P)	23.50
Low (P)	18.50
12-mo Avg. Value T/O (P'm)	40.003
Shareholders	
FDC	75.0%
Free float	25.0%



Price Performance

	1m	6m	12m
EW	+15.5%	-	-
PSEi	+2.9%	+4.7%	+33.7%

Winds of Change

- **Never Too Late.** We initiated coverage of EW when the company made its stock market debut last May 7, 2012. The market had high expectations for the company's stock price considering the bank's impressive track record. However, instead of flying high after its IPO, the company's stock consolidated in the P18.5 to P20.0 range for almost 4 months after its IPO, testing the patience of most traders and investors. Exactly 4 months after its IPO, the stock broke past P20.0 and is now trading near P23.0 after reaching a recent high of P23.5.
- **Foreign Flows Reverse.** The stock experienced Net Foreign Selling worth P211.8M from its IPO date up to July 31, 2012. However, from August 1, 2012 until yesterday, the stock experienced Net Foreign Buying worth P223.8M.
- **Senior Officers Buying.** Aside from strong foreign buying, EW's stock price was also buoyed by buying from its own senior officers. Although there has been incremental selling from some key officers, the net effect has been strong buying from its President, an EVP and an SVP. We view this as a sign of confidence from its senior officers that the bank can deliver on its growth targets.
- **Acquisitions Continue.** EW recently completed its acquisitions of 2 rural banks – Green Bank and Finman Rural Bank. These recent acquisitions will allow EW to further expand its asset base and establish a separate subsidiary for its rural banking operations.

Financial and Valuation Highlights

in P'million	2009A	2010A	2011A	2012E	2013E
Net Revenues	5,451	7,394	7,304	9,130	11,802
Opex	3,544	4,063	4,459	5,501	6,855
PPOP	1,907	3,332	2,845	3,630	4,948
Net Income	622	1,811	1,732	1,701	2,343
ROE	10.3%	20.2%	16.5%	11.8%	12.5%
ROA	1.0%	2.3%	1.9%	1.5%	1.6%
EPS	-	-	-	1.6	2.1
BVPS	-	-	-	15.5	17.6
PE	-	-	-	14.0	10.9
P/BV	-	-	-	1.5	1.3

Sources: Company data, Wealth Securities estimates

A = Actual calendar/fiscal year results; C = Bloomberg consensus; I = Annualized interim results; E = Wealth Securities estimates

ND Fernandez

T: 634.5038 local 8152

E: nd.fernandez@wealthsec.com



- **Undemanding Valuation.** Despite the rosy prospects for EW, the stock only trades at 1.28x 2013E P/BV. This is lower than the industry average of 1.54x 2013E P/BV and is also significantly lower than the P/BV multiples of the more actively traded banks such as BDO, BPI, MBT and SECB.

Listed Local Banks - P/BV									
	BDO	BPI	MBT	SECB	CHIB	RCB	PNB	UBP	EW
Prices as of 10/2/12	65.90	80.10	92.95	166.40	53.25	46.00	73.00	105.00	22.60
2012E PE	16.56	18.64	16.14	11.99	12.00	12.71	24.34	9.89	14.04
2013E PE	15.38	15.18	14.38	10.65	10.94	11.33	21.03	8.96	10.88
2012E P/BV	1.71	2.89	1.81	2.27	1.66	1.45	0.93	1.46	1.46
2013E P/BV	1.57	2.50	1.63	1.89	1.47	1.31	0.89	1.28	1.28

Sources: Technistock, Wealth Securities estimates

- **Winning Strategy.** We believe that EW will continue to execute its unique strategy of expanding consumer loans while expanding its branches in restricted areas. This will allow them to benefit from economies of scale and higher levels of profitability as they expand their asset and revenue bases.
- **Delivering Results.** We have a HOLD rating on EW, as our target price of P24.8 only provides a 9.7% upside from current prices. Notwithstanding, we are confident that the bank can reach or even surpass our FY2012E Net Income of P1.7B based on their 1H2012 results. We will be closely monitoring the bank's 2H2012 results to see if the bank can maintain its strong growth trajectory. We expect the bank to deliver Net Income of P2.5B and P3.3B for FY2013 and FY2014, respectively, translating to 47% and 32% earnings growth for the said years.

Please Read!

The information and opinions in this report were prepared by Wealth Securities, Inc. The information herein is believed to be reliable and has been obtained from public sources believed to be reliable. Wealth Securities makes no representation as to the accuracy or completeness of such information.

Wealth Securities may engage in securities transactions, on a proprietary basis or otherwise, in a manner inconsistent with the view taken in this research report. In addition, others within Wealth Securities, including traders and sales staff, may take a view that is inconsistent with that taken in this research report.

Opinions, estimates and projections in this report constitute the current judgment of the author as of the date of this report. They do not necessarily reflect the opinions of Wealth Securities and are subject to change without notice. Wealth Securities has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. Prices and availability of financial instruments are subject to change without notice. This report is provided for informational purposes only. It is not an offer or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy. Target prices are inherently imprecise and a product of the analyst judgment.

Jerome Gonzalez
Research Head
T: 634.5038 local 8127
jerome@wealthsec.com

Miguel Agarao
Mining & Property
T: 634.5038 local 8164
miguel.agarao@wealthsec.com

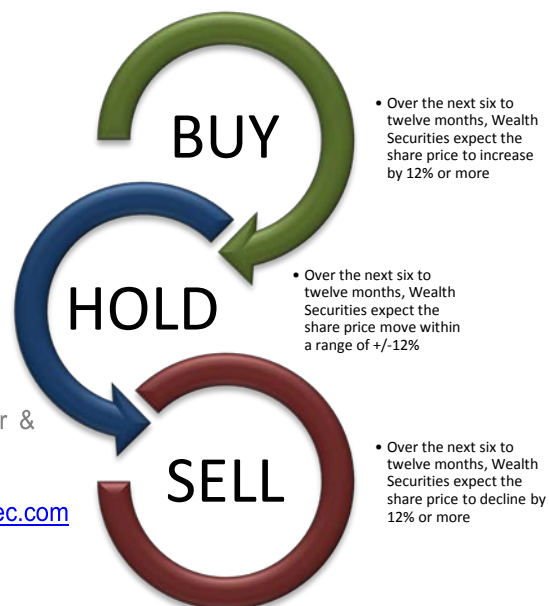
ND Fernandez
Banking, Telcos &
Transport
T: 634.5038 local 8152
ndfernandez@wealthsec.com

Bernard Aviñante
Conglomerates, Power &
Gaming
T: 634.5038 local 8121
bernardavinante@wealthsec.com

Nikki Yu
Consumer
T: 634.5038 local 8150
nikki.yu@wealthsec.com

Enrico Chua
Malls
T: 634.5038 local 8075
enrico.chua@philequity.net

RATINGS DEFINITION



Wealth Securities, Inc.
2103 East Tower, PSE Center,
Exchange Road, Ortigas Center,
Pasig City 1600
Telephone: 02.634.5038
Facsimile: 02 634 5043

www.wealthsec.com