

EAST WEST BANCORP INC
Form 10-Q
August 09, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Mark One

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number 000-24939

EAST WEST BANCORP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-4703316
(I.R.S. Employer
Identification No.)

135 N. Los Robles Ave, 7th Floor, Pasadena, California 91101
(Address of principal executive offices) (Zip Code)

(626) 768-6000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer and accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares outstanding of the issuer's common stock on the latest practicable date: 147,977,287 shares of common stock as of July 31, 2010.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION		4
Item 1.	Condensed Consolidated Financial Statements (Unaudited)	4-7
	Notes to Condensed Consolidated Financial Statements (Unaudited)	8-43
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	44-73
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	73
Item 4.	Controls and Procedures	73
PART II - OTHER INFORMATION		74
Item 1.	Legal Proceedings	74
Item 1A.	Risk Factors	74
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	74
Item 3.	Defaults Upon Senior Securities	75
Item 4.	(Removed and Reserved)	75
Item 5.	Other Information	75
Item 6.	Exhibits	75
SIGNATURE		76

Forward-Looking Statements

Certain matters discussed in this Quarterly Report may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “1933 Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and as such, may involve risks and uncertainties. These forward-looking statements relate to, among other things, expectations of the environment in which the Company operates and projections of future performance including future earnings and financial condition. The Company’s actual results, performance, or achievements may differ significantly from the results, performance, or achievements expected or implied in such forward-looking statements. Such risk and uncertainties and other factors include, but are not limited to, adverse developments or conditions related to or arising from:

- our ability to integrate the former acquired institutions’ (through FDIC assisted acquisitions) operations and to achieve expected synergies, operating efficiencies or other benefits within expected time frames, or at all, or within expected cost projections;
 - our ability to integrate and retain former depositors and borrowers of the acquired institutions;
- our ability to manage the loan portfolio acquired from these institutions within the limits of the loss protection provided by the Federal Deposit Insurance Corporation (“FDIC”);
 - changes in our borrowers’ performance on loans;
 - changes in the commercial and consumer real estate markets;
 - changes in our costs of operation, compliance and expansion;
 - changes in the economy, including inflation;
 - changes in government interest rate policies;
 - changes in laws or the regulatory environment;
 - changes in critical accounting policies and judgments;
- changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies;
 - changes in the equity and debt securities markets;
 - changes in competitive pressures on financial institutions;
 - effect of additional provision for loan losses;
 - effect of any goodwill impairment;
 - fluctuations of our stock price;
 - success and timing of our business strategies;

- impact of reputational risk created by these developments on such matters as business generation and retention, funding and liquidity;
 - changes in our ability to receive dividends from our subsidiaries; and
- political developments, wars or other hostilities may disrupt or increase volatility in securities or otherwise affect economic conditions.

For a more detailed discussion of some of the factors that might cause such differences, see the Company's 2009 Form 10-K under the heading "ITEM 1A. RISK FACTORS" and the information set forth under "RISK FACTORS" in this Form 10-Q. The Company does not undertake, and specifically disclaims any obligation to update any forward-looking statements to reflect the occurrence of events or circumstances after the date of such statements except as required by law.

PART I - FINANCIAL INFORMATION
EAST WEST BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	June 30, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	\$ 1,185,944	\$ 835,141
Short-term investments	447,168	510,788
Securities purchased under resale agreements	230,000	227,444
Investment securities available for sale, at fair value (with amortized cost of \$2,073,239 at June 30, 2010 and \$2,563,043 at December 31, 2009)	2,077,011	2,564,081
Loans held for sale, at fair value	159,158	28,014
Loans receivable, excluding covered loans (net of allowance for loan losses of \$249,462 at June 30, 2010 and \$238,833 at December 31, 2009)	8,018,808	8,218,671
Covered loans	5,275,492	5,598,155
Total loans receivable, net	13,294,300	13,816,826
FDIC indemnification asset	947,011	1,091,814
Other real estate owned, net	16,562	13,832
Other real estate owned covered, net	113,999	44,273
Total other real estate owned	130,561	58,105
Accrued interest receivable	79,515	82,370
Due from customer acceptances	44,320	40,550
Investment in affordable housing partnerships	120,743	84,833
Premises and equipment, net	134,158	59,099
Premiums on deposits acquired, net	86,106	89,735
Goodwill	337,438	337,438
Other assets	693,888	732,974
TOTAL	\$ 19,967,321	\$ 20,559,212
LIABILITIES AND STOCKHOLDERS' EQUITY		
Customer deposit accounts:		
Noninterest-bearing	\$ 2,396,087	\$ 2,291,259
Interest-bearing	12,522,607	12,696,354
Total deposits	14,918,694	14,987,613
Federal Home Loan Bank advances	1,022,011	1,805,387
Securities sold under repurchase agreements	1,051,192	1,026,870
Notes payable and other borrowings	53,607	74,406
Bank acceptances outstanding	44,320	40,550
Long-term debt	235,570	235,570
Accrued interest payable, accrued expenses and other liabilities	302,963	104,157

Total liabilities	17,628,357	18,274,553
COMMITMENTS AND CONTINGENCIES (Note 10)		
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized; Series A, non-cumulative convertible, 200,000 shares issued and 85,741 shares outstanding in 2010 and 2009;		
Series B, cumulative, 306,546 shares issued and outstanding in 2010 and 2009; Series C, cumulative convertible, 335,047 issued and outstanding in 2009	369,695	693,803
Common stock, \$0.001 par value, 200,000,000 shares authorized; 154,954,876 and 116,754,403 shares issued in 2010 and 2009, respectively; 147,938,847 and 109,962,965 shares outstanding in 2010 and 2009, respectively	155	117
Additional paid in capital	1,424,213	1,091,047
Retained earnings	650,617	604,223
Treasury stock, at cost - 7,016,029 shares in 2010 and 6,791,438 shares in 2009	(108,018)	(105,130)
Accumulated other comprehensive income, net of tax	2,302	599
Total stockholders' equity	2,338,964	2,284,659
TOTAL	\$ 19,967,321	\$ 20,559,212

See accompanying notes to condensed consolidated financial statements.

EAST WEST BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands,