

EAST WEST BANCORP INC
Form 10-Q
May 09, 2011

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 March 31, 2011

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

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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 |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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: 148,719,355 shares of common stock as of April 30, 2011.

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Forward-Looking Statements

Certain matters discussed in this Quarterly Report contain or incorporate statements that we believe are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Exchange Act”), and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. They usually can be identified by the use of forward-looking language, such as “will likely result,” “may,” “are expected to,” “is anticipated,” “estimate,” “forecast,” “project,” “intends to,” or may include other similar words or phrases, such as “believes,” “plans,” “trend,” “objective,” “continue,” “renew,” or similar expressions, or future or conditional verbs, such as “will,” “would,” “should,” “could,” “might,” “can,” or similar verbs. You should not place undue reliance on these statements, as they are subject to risks and uncertainties, including, but not limited to, those described in the documents incorporated by reference. When considering these forward-looking statements, you should keep in mind these risks and uncertainties, as well as any cautionary statements we make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to us.

There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to:

- our ability to manage the loan portfolio acquired from FDIC-assisted acquisitions within the limits of the loss protection provided by the 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;
 - 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 2010 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.

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PART I – FINANCIAL INFORMATION

EAST WEST BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

(Unaudited)

| | March 31, 2011 | December 31, 2010 |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,492,922 | \$ 1,333,949 |
| Short-term investments | 140,585 | 143,560 |
| Securities purchased under resale agreements | 768,369 | 500,000 |
| Investment securities available-for-sale, at fair value (with amortized cost of \$2,950,106 at March 31, 2011 and \$2,900,410 at December 31, 2010) | 2,930,976 | 2,875,941 |
| Loans held for sale | 303,673 | 220,055 |
| Loans receivable, excluding covered loans (net of allowance for loan losses of \$220,402 at March 31, 2011 and \$230,408 at December 31, 2010) | 8,566,504 | 8,430,199 |
| Covered loans (net of allowance for loan losses of \$5,759 at March 31, 2011 and \$4,225 at December 31, 2010) | 4,599,757 | 4,800,876 |
| Total loans receivable, net | 13,166,261 | 13,231,075 |
| FDIC indemnification asset | 717,260 | 792,133 |
| Other real estate owned, net | 15,580 | 21,865 |
| Other real estate owned covered, net | 142,416 | 123,902 |
| Total other real estate owned | 157,996 | 145,767 |
| Investment in affordable housing partnerships | 161,788 | 155,074 |
| Premises and equipment, net | 133,794 | 135,919 |
| Accrued interest receivable | 83,628 | 82,090 |
| Due from customers on acceptances | 66,879 | 73,796 |
| Premiums on deposits acquired, net | 76,332 | 79,518 |
| Goodwill | 337,438 | 337,438 |
| Other assets | 609,125 | 594,222 |
| TOTAL | \$ 21,147,026 | \$ 20,700,537 |

LIABILITIES AND STOCKHOLDERS' EQUITY

Customer deposit accounts:

| | | |
|---|-------------------|-------------------|
| Noninterest-bearing | \$ 2,951,793 | \$ 2,676,466 |
| Interest-bearing | 13,484,805 | 12,964,793 |
| Total deposits | 16,436,598 | 15,641,259 |
| Federal Home Loan Bank advances | 793,643 | 1,214,148 |
| Securities sold under repurchase agreements | 1,081,019 | 1,083,545 |
| Notes payable and other borrowings | 80,031 | 60,686 |
| Bank acceptances outstanding | 66,879 | 73,796 |
| Long-term debt | 235,570 | 235,570 |
| Accrued expenses and other liabilities | 295,369 | 277,602 |
| Total liabilities | 18,989,109 | 18,586,606 |

COMMITMENTS AND CONTINGENCIES (Note 11)

STOCKHOLDERS' EQUITY

| | | |
|--|---------------|---------------|
| Preferred stock, \$0.001 par value, 5,000,000 shares authorized; Series A, non-cumulative convertible, 200,000 shares issued and 85,710 and 85,741 shares outstanding in 2011 and 2010, respectively. | 83,027 | 83,058 |
| Common stock, \$0.001 par value, 200,000,000 shares authorized; 155,904,133 and 155,743,241 shares issued in 2011 and 2010, respectively; 148,637,632 and 148,542,940 shares outstanding in 2011 and 2010, respectively. | 156 | 156 |
| Additional paid in capital | 1,424,440 | 1,434,277 |
| Retained earnings | 772,986 | 720,116 |
| Treasury stock, at cost -- 7,266,501 shares in 2011 and 7,200,301 shares in 2010 | (112,537) | (111,262) |
| Accumulated other comprehensive loss, net of tax | (10,155) | (12,414) |
| Total stockholders' equity | 2,157,917 | 2,113,931 |
| TOTAL | \$ 21,147,026 | \$ 20,700,537 |

See accompanying notes to condensed consolidated financial statements.

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EAST WEST BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

| | Three Months Ended March 31, | |
|--|---------------------------------|-----------|
| | 2011 | 2010 |
| INTEREST AND DIVIDEND INCOME | | |
| Loans receivable, including fees | \$227,526 | \$287,944 |
| Investment securities | 18,857 | 20,176 |
| Securities purchased under resale agreements | 4,270 | 6,263 |
| Investment in Federal Home Loan Bank stock | 233 | 122 |
| Investment in Federal Reserve Bank stock | 709 | 657 |
| Short-term investments | 2,740 | 3,541 |
| Total interest and dividend income | 254,335 | 318,703 |
| INTEREST EXPENSE | | |
| Customer deposit accounts | 25,982 | 33,448 |
| Federal Home Loan Bank advances | 5,778 | 9,005 |
| Securities sold under repurchase agreements | 12,017 | 12,541 |
| Long-term debt | 1,571 | 1,547 |
| Other borrowings | 153 | 438 |
| Total interest expense | 45,501 | 56,979 |
| Net interest income before provision for loan losses | 208,834 | 261,724 |
| Provision for loan losses | 26,506 | 76,421 |
| Net interest income after provision for loan losses | 182,328 | 185,303 |
| NONINTEREST INCOME (LOSS) | | |
| Gain on acquisition | — | 8,095 |
| Impairment loss on investment securities | (5,555) | (4,799) |
| Less: Noncredit-related impairment loss recorded in other comprehensive income | 5,091 | — |
| Net impairment loss on investment securities recognized in earnings | (464) | (4,799) |
| Decrease in FDIC indemnification asset and receivable | (17,443) | (43,572) |
| Branch fees | 7,754 | 8,758 |
| Net gain on sales of investment securities | 2,515 | 16,111 |
| Letters of credit fees and commissions | 3,044 | 2,740 |
| Ancillary loan fees | 1,991 | 1,689 |
| Income from life insurance policies | 984 | 1,105 |
| Net gain on sales of loans | 7,410 | — |
| Other operating income | 5,250 | 1,422 |
| Total noninterest income (loss) | 11,041 | (8,451) |
| NONINTEREST EXPENSE | | |
| Compensation and employee benefits | 38,270 | 50,779 |
| Occupancy and equipment expense | 12,598 | 11,944 |
| Amortization of investments in affordable housing partnerships | 4,525 | 3,037 |
| Amortization of premiums on deposits acquired | 3,185 | 3,384 |
| Deposit insurance premiums and regulatory assessments | 7,191 | 11,581 |

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| | | |
|--|----------|----------|
| Loan-related expenses | 3,099 | 2,997 |
| Other real estate owned expense | 10,664 | 18,012 |
| Legal expense | 4,101 | 2,907 |
| Prepayment penalty for FHLB advances | 4,022 | 9,932 |
| Data processing | 2,603 | 2,482 |
| Deposit-related expenses | 1,159 | 1,009 |
| Consulting expense | 1,626 | 2,141 |
| Other operating expenses | 13,746 | 18,705 |
| Total noninterest expense | 106,789 | 138,910 |
| INCOME BEFORE PROVISION FOR INCOME TAXES | 86,580 | 37,942 |
| PROVISION FOR INCOME TAXES | 30,509 | 13,026 |
| NET INCOME | 56,071 | 24,916 |
| PREFERRED STOCK DIVIDENDS AND AMORTIZATION OF PREFERRED STOCK DISCOUNT | 1,715 | 6,138 |
| NET INCOME AVAILABLE TO COMMON STOCKHOLDERS | \$54,356 | \$18,778 |
| EARNINGS PER SHARE AVAILABLE TO COMMON STOCKHOLDERS | | |
| BASIC | \$0.37 | \$0.17 |
| DILUTED | \$0.37 | \$0.13 |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING | | |
| BASIC | 146,837 | 109,961 |
| DILUTED | 153,334 | 146,865 |
| DIVIDENDS DECLARED PER COMMON SHARE | \$0.01 | \$0.01 |

See accompanying notes to condensed consolidated financial statements.

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EAST WEST BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND
COMPREHENSIVE INCOME
(In thousands, except share data)
(Unaudited)

| | Preferred Stock | Additional Paid In Capital Preferred Stock | Common Stock | Additional Paid In Capital Common Stock | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Income (Loss), Net of Tax | Comprehensive Income | Total Stockholders' Equity |
|--|--------------------|--|-----------------|---|----------------------|-------------------|---|-------------------------|----------------------------------|
| BALANCE, JANUARY 1, 2010 | \$— | \$693,803 | \$117 | \$1,091,047 | \$604,223 | \$(105,130) | \$599 | | \$2,284,659 |
| Comprehensive income: | | | | | | | | | |
| Net income | | | | | 24,916 | | | \$24,916 | 24,916 |
| Net unrealized gain on investment securities available-for-sale, net of taxes of \$1,075 and reclassification of \$6,561 net gain included in net income | | | | | | | 1,484 | 1,484 | 1,484 |
| Noncredit-related impairment loss on securities | | | | | | | — | — | — |
| Total comprehensive income | | | | | | | | \$26,400 | |
| Stock compensation costs | | | | 1,565 | | | | | 1,565 |
| Tax provision from stock compensation plans, net | | | | (341) | | | | | (341) |
| Issuance of 953,359 shares of common stock pursuant to various stock compensation plans and agreements | | | 1 | 576 | | | | | 577 |
| Conversion of 335,047 shares of Series C preferred stock into 37,103,734 shares of common | | (325,299) | 37 | 325,262 | | | | | — |

stock

| | | | |
|---|-----|----------|----------|
| Cancellation of 89,795 shares of common stock due to forfeitures of issued restricted stock | 539 | (539) | — |
| Purchase of 22,457 shares of treasury stock due to the vesting of restricted stock | | (419) | (419) |
| Amortization of Series B preferred stock discount | 591 | (591) | — |
| Preferred stock dividends | | (5,547) | (5,547) |
| Common stock dividends | | (1,105) | (1,105) |

| | | | | | | | |
|-------------------------|--------------|-------|-------------|-----------|-------------|---------|-------------|
| BALANCE, MARCH 31, 2010 | \$—\$369,095 | \$155 | \$1,418,648 | \$621,896 | \$(106,088) | \$2,083 | \$2,305,789 |
|-------------------------|--------------|-------|-------------|-----------|-------------|---------|-------------|

| | | | | | | | |
|--|-------------|-------|-------------|-----------|-------------|------------|-------------|
| BALANCE, January 1, 2011 | \$—\$83,058 | \$156 | \$1,434,277 | \$720,116 | \$(111,262) | \$(12,414) | \$2,113,931 |
| Comprehensive income: | | | | | | | |
| Net income | | | | 56,071 | | \$56,071 | 56,071 |
| Net unrealized gain on investment securities available-for-sale, net of taxes of \$4,304 and reclassification of \$3,611 net loss included in net income | | | | | | 5,944 | 5,944 |
| Noncredit-related impairment loss on securities, net of tax benefits of \$2,138 | | | | | (2,953) | (2,953) | (2,953) |
| Foreign currency translation adjustments, net of tax benefits of \$530 | | | | | (732) | (732) | (732) |
| Total comprehensive income | | | | | | \$58,330 | |
| Stock compensation costs | | | 2,287 | | | | 2,287 |
| Tax benefit from stock compensation | | | 43 | | | | 43 |

| | | | | | | | |
|--|-------------|-------|-------------|-----------|-------------|------------|-------------|
| plans, net | | | | | | | |
| Issuance of 158,878 shares of common stock pursuant to various stock compensation plans and agreements | | | 1,575 | | | | 1,575 |
| Conversion of 31 shares of Series A preferred stock into 2,014 shares of common stock | (31) | | 31 | | | | — |
| Cancellation of 42,524 shares of common stock due to forfeitures of issued restricted stock | | | 727 | (727) | | | — |
| Purchase of 23,676 shares of treasury stock due to the vesting of restricted stock | | | | (548) | | | (548) |
| Preferred stock dividends | | | | (1,715) | | | (1,715) |
| Common stock dividends | | | | (1,486) | | | (1,486) |
| Repurchase of 1,517,555 common stock warrants | | | (14,500) | | | | (14,500) |
| BALANCE, MARCH 31, 2011 | \$—\$83,027 | \$156 | \$1,424,440 | \$772,986 | \$(112,537) | \$(10,155) | \$2,157,917 |

See accompanying notes to condensed consolidated financial statements.

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EAST WEST BANCORP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

| | Three Months Ended March 31, | |
|---|---------------------------------|------------|
| | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$56,071 | \$24,916 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 15,429 | 16,077 |
| (Accretion) of discount and amortization of premiums, net | (45,236) | (96,692) |
| Decrease in FDIC indemnification asset and receivable | 17,443 | 43,572 |
| Gain on acquisition | — | (8,095) |
| Stock compensation costs | 2,287 | 1,447 |
| Deferred tax expense (benefit) | 26,901 | (2,874) |
| Provision for loan losses | 26,506 | 76,421 |
| Impairment on other real estate owned | 7,816 | 13,294 |
| Net gain on sales of investment securities, loans and other assets | (9,070) | (16,052) |
| Originations of loans held for sale | (6,150) | (6,382) |
| Proceeds from sale of loans held for sale | 7,235 | 13,695 |
| Prepayment penalty for Federal Home Loan Bank advances | 4,022 | 9,932 |
| Net proceeds from FDIC shared-loss agreements | 44,399 | — |
| Net change in accrued interest receivable and other assets | 26,138 | 46,065 |
| Net change in accrued expenses and other liabilities | (15,143) | 142,509 |
| Other net operating activities | (338) | 3,387 |
| Total adjustments | 102,239 | 236,304 |
| Net cash provided by operating activities | 158,310 | 261,220 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net (increase) decrease in loans | (8,348) | 458,384 |
| Net decrease (increase) in short-term investments | 2,975 | (10,811) |
| Purchases of: | | |
| Securities purchased under resale agreements | (268,369) | (300,000) |
| Investment securities available-for-sale | (590,045) | (712,031) |
| Loans receivable | (297,690) | (179,386) |
| Federal Reserve Bank stock | — | (10,500) |
| Premises and equipment | (1,021) | (79,872) |
| Investments in affordable housing partnerships | (8,828) | (14,720) |
| Proceeds from sale of: | | |
| Investment securities available-for-sale | 312,870 | 615,843 |
| Securities purchased under resale agreements | — | 150,000 |
| Loans receivable | 92,840 | 24,478 |
| Loans held for sale originated for investment | 143,244 | — |
| Other real estate owned | 33,612 | 31,195 |
| Repayments, maturity and redemption of investment securities available-for-sale | 228,320 | 482,270 |
| Redemption of Federal Home Loan Bank stock | 6,330 | 93 |
| Other net investing activities | 39 | 28 |
| Net cash (used in) provided by investing activities | (354,071) | 454,971 |

CASH FLOWS FROM FINANCING ACTIVITIES

Net increase (decrease) in:

| | | |
|---|--------------------|--------------------|
| Deposits | 795,971 | (380,911) |
| Short-term borrowings | (2,526) | (14,643) |
| Proceeds from: | | |
| Issuance of short-term borrowings | — | 5,641 |
| FHLB advances | — | 350,000 |
| Issuance of common stock pursuant to various stock plans and agreements | 1,575 | 695 |
| Payment for: | | |
| Repayment of FHLB advances | (420,887) | (389,064) |
| Repurchase of common stock warrants | (14,500) | — |
| Cash dividends on preferred stock | (1,715) | (5,547) |
| Cash dividends on common stock | (1,486) | (1,105) |
| Other net financing activities | (505) | (78) |
| Net cash provided by (used in) financing activities | 355,927 | (435,012) |
| Effect of exchange rate changes on cash and cash equivalents | (1,193) | — |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 158,973 | 281,179 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 1,333,949 | 1,099,084 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$1,492,922 | \$1,380,263 |

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid during the period for:

| | | |
|---|----------|----------|
| Interest | \$46,347 | \$54,396 |
| Income tax payments, net of refunds | 3,282 | (1,946) |
| Noncash investing and financing activities: | | |
| Transfers to other real estate owned/affordable housing investments | 68,534 | 76,552 |
| Conversion of preferred stock to common stock | 31 | 325,299 |
| Loans to facilitate sales of other real estate owned | 7,562 | — |
| Loans to facilitate sales of loans | 13,154 | — |
| Loans transferred to loans held for sale | 243,119 | — |

See accompanying notes to condensed consolidated financial statements.

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EAST WEST BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 — BASIS OF PRESENTATION

The condensed consolidated financial statements include the accounts of East West Bancorp, Inc. (referred to herein on an unconsolidated basis as “East West” and on a consolidated basis as the “Company”) and its wholly-owned subsidiaries, East West Bank and subsidiaries (“East West Bank” or the “Bank”) and East West Insurance Services, Inc. Intercompany transactions and accounts have been eliminated in consolidation. East West also has nine wholly-owned subsidiaries that are statutory business trusts (the “Trusts”). In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 810, the Trusts are not consolidated into the accounts of East West Bancorp, Inc.

The interim condensed consolidated financial statements, presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”), are unaudited and reflect all adjustments that, in the opinion of management, are necessary for a fair statement of financial condition and results of operations for the interim periods. All adjustments are of a normal and recurring nature. Results for the three months ended March 31, 2011 are not necessarily indicative of results that may be expected for any other interim period or for the year as a whole. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted. Events subsequent to the condensed consolidated balance sheet date have been evaluated through the date the financial statements are issued for inclusion in the accompanying financial statements. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2010.

Certain prior year balances have been reclassified to conform to current year presentation.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Standards

In January 2010, the FASB issued Accounting Standards Update (“ASU”) 2010-06, Improving Disclosures About Fair Value Measurements. ASU 2010-06 requires separate disclosure of the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and reasons for the transfers and separate presentation of information about purchases, sales, issuances, and settlements in the reconciliation for Level 3 fair value measurements. Additionally, ASU 2010-06 clarifies existing disclosures regarding level of disaggregation and inputs and valuation techniques. The new disclosures and clarifications of existing disclosures under ASU 2010-06 are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements which are effective for fiscal years ending after December 15, 2010 and for interim periods within those fiscal years. The adoption of the disclosure requirements did not have a material effect on the Company’s condensed consolidated financial statements.

In December 2010, the FASB issued ASU 2010-28, Intangibles—Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts, which modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an

entity should also consider whether there are any adverse qualitative factors indicating that an impairment may exist. The amendments in ASU 2010-28 are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. Upon adoption of the amendments, any resulting goodwill impairment should be recorded as a cumulative-effect adjustment to beginning retained earnings in the period of adoption. Any goodwill impairments occurring after the initial adoption of the amendments should be included in earnings. The adoption of this guidance did not have a material effect on the Company's condensed consolidated financial statements.

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In December 2010, the FASB issued ASU 2010-29, Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations, which specifies that if a public entity presents comparative financials, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. ASU 2010-29 also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments in ASU 2010-29 are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. The adoption of the disclosure requirements did not have a material effect on the Company's condensed consolidated financial statements.

In April 2011, the FASB issued ASU 2011-02, Receivables (Topic 310) A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring. ASU 2011-02 clarifies the guidance on the two conditions that must exist in evaluating whether a restructuring constitutes a troubled debt restructuring: that the restructuring constitutes a concession and that the debtor is experiencing financial difficulties. In addition, ASU 2011-02 clarifies that a creditor is precluded from using the effective interest rate test in the debtor's guidance on restructuring of payables (paragraph 470-60-55-10) when evaluating whether a restructuring constitutes a troubled debt restructuring. The amendments in ASU 2011-02 are effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. Additionally, ASU 2011-02 finalizes the effective date for the disclosures required by paragraphs 310-10-50-33 through 50-34, which were deferred by ASU 2011-01, for interim and annual periods beginning on or after June 15, 2011. Management is assessing the effect on the Company's condensed consolidated financial statements.

NOTE 3 — FAIR VALUE

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market and income approaches. Based on these approaches, the Company utilizes certain assumptions that market participants would use in pricing the asset or liability. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy noted below. The hierarchy is based on the quality and reliability of the information used to determine fair values. The hierarchy gives the highest priority to quoted prices available in active markets and the lowest priority to data lacking transparency. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices for identical instruments that are highly liquid, observable and actively traded in over-the-counter markets. Level 1 financial instruments typically include U.S. Treasury securities.

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- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable and can be corroborated by market data. Level 2 financial instruments typically include U.S. Government debt and agency mortgage-backed securities, municipal securities, single issue trust preferred securities, equity swap agreements, foreign exchange options, interest rate swaps and other real estate owned (“OREO”).
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category typically includes mortgage servicing assets, impaired loans, private-label mortgage-backed securities, pooled trust preferred securities and derivatives payable.

The Company records investment securities available-for-sale, equity swap agreements, derivatives payable, foreign exchange options and interest rate swaps at fair value on a recurring basis. Certain other assets such as mortgage servicing assets, impaired loans, other real estate owned, loans held for sale, goodwill, premiums on acquired deposits and private equity investments are recorded at fair value on a nonrecurring basis. Nonrecurring fair value measurements typically involve assets that are periodically evaluated for impairment and for which any impairment is recorded in the period in which the remeasurement is performed.

In determining the appropriate hierarchy levels, the Company performs a detailed analysis of assets and liabilities that are subject to fair value disclosure. The following tables present both financial and nonfinancial assets and liabilities that are measured at fair value on a recurring and nonrecurring basis. These assets and liabilities are reported on the condensed consolidated balance sheets at their fair values as of March 31, 2011 and December 31, 2010. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. There were no transfers in and out of Levels 1 and 2 during the first three months of 2011. There were also no transfers in and out of Levels 1 and 3 or Levels 2 and 3.

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| Assets (Liabilities) Measured at Fair Value on a Recurring Basis as of March 31, 2011 | | | | |
|---|--|--|---|--|
| | Fair Value Measurements March 31, 2011 | Quoted Prices in Active Markets for Identical Assets (Level 1) (In thousands) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investment securities available-for-sale: | | | | |
| U.S. Treasury securities | \$ 20,345 | \$ 20,345 | \$ — | \$ — |
| U.S. Government agency and U.S. Government sponsored enterprise debt securities | 1,429,312 | — | 1,429,312 | — |
| U.S. Government agency and U.S. Government sponsored enterprise mortgage-backed securities: | | | | |
| Commercial mortgage-backed securities | 24,397 | — | 24,397 | — |
| Residential mortgage-backed securities | 349,441 | — | 349,441 | — |
| Municipal securities | 15,857 | — | 15,857 | — |
| Other residential mortgage-backed securities: | | | | |
| Investment grade | — | — | — | — |
| Non-investment grade | — | — | — | — |
| Corporate debt securities: | | | | |
| Investment grade | 1,067,836 | — | 1,067,836 | — |
| Non-investment grade | 16,186 | — | 13,807 | 2,379 |
| Other securities | 7,602 | — | 7,602 | — |
| Total investment securities available-for-sale | \$ 2,930,976 | \$ 20,345 | \$ 2,908,252 | \$ 2,379 |
| Equity swap agreements | \$ 199 | \$ — | \$ 199 | \$ — |
| Derivative liabilities | (6,399) | — | (3,129) | (3,270) |
| Foreign exchange options | 4,823 | — | 4,823 | — |
| Interest rate swaps | 1,662 | — | 1,662 | — |

| Assets (Liabilities) Measured at Fair Value on a Recurring Basis as of December 31, 2010 | | | | |
|---|--|---|---|--|
| | Fair Value Measurements December 31, 2010 | Quoted Prices in Active Markets for Identical Assets (Level 1) (In thousands) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investment securities available-for-sale: | | | | |
| U.S. Treasury securities | \$ 20,454 | \$ 20,454 | \$ — | \$ — |
| U.S. Government agency and U.S. Government sponsored enterprise debt securities | 1,333,465 | — | 1,333,465 | — |

| | | | | |
|---|--------------|-----------|--------------|----------|
| U.S. Government agency and U.S. Government sponsored enterprise mortgage-backed securities: | | | | |
| Commercial mortgage-backed securities | 19,132 | — | 19,132 | — |
| Residential mortgage-backed securities | 306,714 | — | 306,714 | — |
| Municipal securities | — | — | — | — |
| Other residential mortgage-backed securities: | | | | |
| Investment grade | — | — | — | — |
| Non-investment grade | 6,254 | — | — | 6,254 |
| Corporate debt securities: | | | | |
| Investment grade | 1,056,867 | — | 1,056,867 | — |
| Non-investment grade | 38,730 | — | 35,957 | 2,773 |
| Other securities | 94,325 | — | 94,325 | — |
| Total investment securities available-for-sale | \$ 2,875,941 | \$ 20,454 | \$ 2,846,460 | \$ 9,027 |
| Equity swap agreements | \$ 206 | \$ — | \$ 206 | \$ — |
| Derivative liabilities | (3,463) | — | (14) | (3,449) |
| Foreign exchange options | 5,084 | — | 5,084 | — |
| Interest rate swaps | 13 | — | 13 | — |

Table of contentsAssets Measured at Fair Value on a Non-Recurring Basis
as of and for the Three Months Ended March 31, 2011

| | Fair Value Measurements as of March 31, 2011 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Gains (Losses) for the Three Months Ended March 31, 2011 |
|---|---|---|---|--|---|
| (In thousands) | | | | | |
| Non-covered impaired loans: | | | | | |
| Total residential | \$ 3,025 | \$ — | \$ — | \$ 3,025 | \$ (1,114) |
| Total commercial real estate | 35,837 | — | — | 35,837 | (8,497) |
| Total commercial and industrial | 4,997 | — | — | 4,997 | (11,722) |
| Total consumer | 1,114 | — | — | 1,114 | (799) |
| Total non-covered impaired loans | \$ 44,973 | \$ — | \$ — | \$ 44,973 | \$ (22,132) |
| Mortgage servicing assets (single-family, multifamily and commercial) | | | | | |
| | \$ 14,655 | \$ — | \$ — | \$ 14,655 | \$ (225) |
| Non-covered OREO | \$ 6,622 | \$ — | \$ 6,622 | \$ — | \$ (1,052) |
| Covered OREO(1) | \$ 45,877 | \$ — | \$ 45,877 | \$ — | \$ (6,255) |
| Loans Held for Sale | \$ 537 | \$ — | \$ — | \$ 537 | \$ (959) |

Assets Measured at Fair Value on a Non-Recurring Basis
as of and for the Three Months Ended March 31, 2010

| | Fair Value Measurements as of March 31, 2010 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Gains (Losses) for the Three Months Ended March 31, 2010 |
|-------------------------------------|---|---|---|--|---|
| (In thousands) | | | | | |
| Non-covered impaired loans: | | | | | |
| Total residential | \$ 12,687 | \$ — | \$ — | \$ 12,687 | \$ (6,317) |
| Total commercial real estate | 57,479 | — | — | 57,479 | (20,455) |
| Total commercial and industrial | 11,689 | — | — | 11,689 | (6,612) |
| Total consumer | 167 | — | — | 167 | (82) |
| Total non-covered impaired loans | \$ 82,022 | \$ — | \$ — | \$ 82,022 | \$ (33,466) |
| | \$ 12,154 | \$ — | \$ — | \$ 12,154 | \$ (34) |

Mortgage servicing assets
(single-family, multifamily and
commercial)

| | | | | | |
|---------------------|-----------|------|-----------|----------|--------------|
| Non-covered OREO | \$ 3,577 | \$ — | \$ 3,577 | \$ — | \$ (2,247) |
| Covered OREO(1) | \$ 17,232 | \$ — | \$ 17,232 | \$ — | \$ (11,046) |
| Loans Held for Sale | \$ 4,374 | \$ — | \$ — | \$ 4,374 | \$ (619) |

(1) Covered OREO results from the WFIB and UCB FDIC-assisted acquisitions for which the Company entered into shared-loss agreements with the FDIC whereby the FDIC will reimburse the Company for 80% of eligible losses. As such, the Company's liability for losses is 20% of the \$6.3 million in losses, or \$1.3 million, and 20% of the \$11.0 million in losses, or \$2.2 million, for the three months ended March 31, 2011 and 2010, respectively.

At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. The following tables provide a reconciliation of the beginning and ending balances for major asset and liability categories measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2011 and 2010:

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| | Investment Securities Available-for-Sale | | | | |
|---|--|----------------------|------------------|----------------------|---------------------|
| | Other Residential Mortgage-Backed Securities, Non-Investment Grade | | | | |
| | Corporate Debt Securities | | | | |
| | Total | Non-Investment Grade | Investment Grade | Non-Investment Grade | Derivatives Payable |
| | (In thousands) | | | | |
| Beginning balance, January 1, 2011 | \$9,027 | \$ 6,254 | \$— | \$ 2,773 | \$(3,449) |
| Total gains or (losses):(1) | | | | | |
| Included in earnings | (6,124) | (5,660) | — | (464) | 179 |
| Included in accumulated other comprehensive loss (unrealized)(2) | 8,835 | 8,763 | — | 72 | — |
| Purchases, issuances, sales, settlements (3) | | | | | |
| Purchases | — | — | — | — | — |
| Issuances | — | — | — | — | — |
| Sales | (9,357) | (9,357) | — | — | — |
| Settlements | (2) | — | — | (2) | — |
| Transfer from investment grade to non-investment grade | — | — | — | — | — |
| Transfers in and/or out of Level 3(4) | — | — | — | — | — |
| Ending balance, March 31, 2011 | \$2,379 | \$ — | \$— | \$ 2,379 | \$(3,270) |
| Changes in unrealized losses included in earnings relating to assets and liabilities still held at March 31, 2011 | \$464 | \$ — | \$— | \$ 464 | \$149 |

| | Investment Securities Available-for-Sale | | | | |
|--|--|----------------------|------------------|----------------------|---------------------|
| | Other Residential Mortgage-Backed Securities, Non-Investment Grade | | | | |
| | Corporate Debt Securities | | | | |
| | Total | Non-Investment Grade | Investment Grade | Non-Investment Grade | Derivatives Payable |
| | (In thousands) | | | | |
| Beginning balance, January 1, 2010 | \$15,671 | \$ 12,738 | \$978 | \$ 1,955 | \$(14,185) |
| Total gains or (losses):(1) | | | | | |
| Included in earnings | (4,750) | — | 3 | (4,753) | (3) |
| Included in accumulated other comprehensive loss (unrealized)(2) | 4,735 | (535) | 465 | 4,805 | — |
| Purchases, issuances, sales, settlements (3) | 84 | — | (6) | 90 | 8,233 |
| Transfer from investment grade to non-investment grade | — | — | — | — | — |
| Transfers in and/or out of Level 3(4) | — | — | — | — | — |

| | | | | | |
|---|------------|-----------|---------|-------------|------------|
| Ending balance, March 31, 2010 | \$15,740 | \$ 12,203 | \$1,440 | \$ 2,097 | \$(5,955) |
| Changes in unrealized losses included in earnings relating to assets and liabilities still held at March 31, 2010 | \$(4,799) | \$ — | \$— | \$ (4,799) | \$3 |

-
- (1) Total gains or losses represent the total realized and unrealized gains and losses recorded for Level 3 assets and liabilities. Realized gains or losses are reported in the condensed consolidated statements of income.
- (2) Unrealized gains or losses on investment securities are reported in accumulated other comprehensive loss, net of tax, in the condensed consolidated statements of changes in stockholders' equity and comprehensive income.
- (3) Purchases, issuances, sales, and settlements represent Level 3 assets and liabilities that were either purchased, issued, sold, or settled during the period. The amounts are recorded at their end of period fair values.
- (4) Transfers in and/or out represent existing assets and liabilities that were either previously categorized as a higher level and the inputs to the model became unobservable or assets and liabilities that were previously classified as Level 3 and the lowest significant input became observable during the period. These assets and liabilities are recorded at their end of period fair values.

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Valuation Methodologies

Investment Securities Available-for-Sale—The fair values of available-for-sale investment securities are generally determined by prices obtained from independent external pricing service providers who have experience in valuing these securities or reference to the average of at least two quoted market prices obtained from independent external brokers. In obtaining such valuation information from third parties, the Company has reviewed the methodologies used to develop the resulting fair values.

The Company's Level 3 available-for-sale securities include four pooled trust preferred securities. The fair values of these investment securities represent less than 1% of the total available-for-sale investment securities. The fair values of the pooled trust preferred securities have traditionally been based on the average of at least two quoted market prices obtained from independent external brokers since broker quotes in an active market are given the highest priority. However, as a result of the global financial crisis and illiquidity in the U.S. markets, the market for these securities has been inactive since mid-2007. It is the Company's view that current broker prices (which are typically non-binding) on certain pooled trust preferred securities are based on forced liquidation or distressed sale values in very inactive markets that are not representative of the fair value of these securities. As such, the Company considered what weight, if any, to place on transactions that are not orderly when estimating fair value.

For the pooled trust preferred securities, the fair value was derived based on discounted cash flow analyses (the income method) prepared by management. In order to determine the appropriate discount rate used in calculating fair values derived from the income method for the pooled trust preferred securities, the Company has made assumptions using an exit price approach related to the implied rate of return which have been adjusted for general changes in market rates, estimated changes in credit quality and liquidity risk premium, specific nonperformance and default experience in the collateral underlying the securities. The losses recorded in the period are recognized in noninterest income.

Equity Swap Agreements—The Company has entered into equity swap agreements to hedge against market fluctuations in a promotional equity index certificate of deposit product offered to bank customers. This deposit product, which has a term of 5 years, pays interest based on the performance of the Hang Seng China Enterprises Index ("HSCEI"). The fair value of these equity swap agreements is based on the income approach. The fair value is based on the change in the value of the HSCEI and the volatility of the call option over the life of the individual swap agreement. The option value is derived based on the volatility, the interest rate and the time remaining to maturity of the call option. The Company's consideration of its counterparty's credit risk resulted in a nominal adjustment to the valuation of the equity swap agreements for the three months ended March 31, 2011. The valuation of equity swap agreements falls within Level 2 of the fair value hierarchy due to the observable nature of the inputs used in deriving the fair value of these derivative contracts. The fair value of the derivative contracts is provided by a third party that the Company places reliance on.

Derivatives Payable—The Company's derivatives payable are recorded in conjunction with certain certificate of deposits ("host instrument"). These CDs pay interest based on changes in either the HSCEI or based on changes in the Chinese currency Renminbi ("RMB") as designated and are included in interest-bearing deposits on the condensed consolidated balance sheets. The fair value of these embedded derivatives is based on the income approach. The Company's consideration of its own credit risk resulted in a nominal adjustment to the valuation of the derivative liabilities for the three months ended March 31, 2011. The valuation of the derivatives payable falls within Level 3 of the fair value hierarchy since the significant inputs used in deriving the fair value of these derivative contracts are not directly observable.

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Foreign Exchange Options—The Company has entered into foreign exchange option contracts with major investment firms. The settlement amount is determined based upon the performance of the Chinese currency Renminbi (“RMB”) relative to the U.S. Dollar (“USD”) over the 5-year term of the contract. The performance amount is computed based on the average quarterly value of the RMB per the USD as compared to the initial value. The fair value of the derivative contract is provided by third parties and is determined based on the change in the RMB and the volatility of the option over the life of the agreement. The option value is derived based on the volatility of the option, interest rate and time remaining to the maturity. The Company’s consideration of the counterparty’s credit risk resulted in a \$0.2 million adjustment to the valuation of the foreign exchange options for the three months ended March 31, 2011. The valuation of the option contract falls within Level 2 of the fair value hierarchy due to the observable nature of the inputs used in deriving the fair value of this derivative contract.

Interest Rate Swaps—The Company has entered into pay fixed, receive variable swap contracts with institutional counterparties to hedge against interest rate swap products offered to bank customers. This product allows borrowers to lock in attractive intermediate and long-term interest rates by entering into a pay fixed, receive variable swap contract with the Company, resulting in the customer obtaining a synthetic fixed rate loan. The fair value of the interest rate swap contracts is based on a discounted cash flow approach. The Company’s consideration of the counterparty’s credit risk resulted in a nominal adjustment as of March 31, 2011. The valuation of the interest swaps falls within Level 2 of the fair value hierarchy due to the observable nature of the inputs used in deriving the fair value of the derivative contracts.

Mortgage Servicing Assets (“MSAs”)—The Company records MSAs in conjunction with its loan sale and securitization activities since the servicing of the underlying loans is retained by the Bank. MSAs are initially measured at fair value using an income approach. The initial fair value of MSAs is determined based on the present value of estimated net future cash flows related to contractually-specified servicing fees. The valuation for MSAs falls within Level 3 of the fair value hierarchy since there are no quoted prices for MSAs and the significant inputs used to determine fair value are not directly observable. The valuation of MSAs is determined using a discounted cash flow approach utilizing the appropriate yield curve and several market-derived assumptions including prepayment speeds, servicing cost, delinquency and foreclosure costs and behavior, and float earnings rate. Net cash flows are present valued using a market-derived discount rate. The resulting fair value is then compared to recently observed bulk market transactions with similar characteristics.

Impaired Loans—The Company’s impaired loans are generally measured using the fair value of the underlying collateral, which is determined based on the most recent valuation information received. The fair values may be adjusted based on factors such as the Company’s historical knowledge and changes in market conditions from the time of valuation. Impaired loans fall within Level 3 of the fair value hierarchy since they are measured at fair value based on the most recent valuation information received on the underlying collateral.

Other Real Estate Owned—The Company’s OREO represents properties acquired through foreclosure or through full or partial satisfaction of loans and are recorded at estimated fair value at the time of foreclosure and at the lower of cost or estimated fair value subsequent to acquisition. The fair values of OREO properties are based on third party appraisals, broker price opinions or accepted written offers. These valuations are reviewed and approved by the Company’s appraisal department, credit review department, or OREO department. OREO properties are classified as Level 2 assets in the fair value hierarchy. The non-covered OREO balance of \$15.6 million included in the condensed consolidated balance sheets as of March 31, 2011 is recorded net of estimated disposal costs. The covered OREO balance is \$142.4 million as of March 31, 2011.

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Fair Value of Financial Instruments

The carrying amounts and fair values of the Company's financial instruments as of March 31, 2011 and December 31, 2010 were as follows:

| | March 31, 2011 | | December 31, 2010 | |
|--|---|-------------------------|---|-------------------------|
| | Carrying Notional or Contract Amount | Estimated Fair Value | Carrying Notional or Contract Amount | Estimated Fair Value |
| | (In thousands) | | | |
| Financial Assets: | | | | |
| Cash and cash equivalents | \$ 1,492,922 | \$ 1,492,922 | \$ 1,333,949 | \$ 1,333,949 |
| Short-term investments | 140,585 | 140,585 | 143,560 | 143,560 |
| Securities purchased under resale agreements | 768,369 | 789,015 | 500,000 | 505,826 |
| Investment securities available-for-sale | 2,930,676 | 2,930,676 | 2,875,941 | 2,875,941 |
| Loans held for sale | 303,673 | 312,602 | 220,055 | 225,221 |
| Loans receivable, net | 13,166,261 | 12,876,025 | 13,231,075 | 13,043,932 |
| Investment in Federal Home Loan Bank stock | 156,475 | 156,475 | 162,805 | 162,805 |
| Investment in Federal Reserve Bank stock | 47,285 | 47,285 | 47,285 | 47,285 |
| Accrued interest receivable | 83,628 | 83,628 | 82,090 | 82,090 |
| Equity swap agreements | 22,709 | 199 | 22,884 | 206 |
| Foreign exchange options | 85,614 | 4,823 | 85,614 | 5,084 |
| Interest rate swaps | 151,131 | 1,662 | 4,098 | 13 |
| | | | | |
| Financial Liabilities: | | | | |
| Customer deposit accounts: | | | | |
| Demand, savings and money market deposits | 9,106,899 | 7,942,671 | 8,875,806 | 7,896,736 |
| Time deposits | 7,329,700 | 7,339,084 | 6,765,453 | 6,762,892 |
| Federal Home Loan Bank advances | 793,643 | 799,531 | 1,214,148 | 1,199,151 |
| Securities sold under repurchase agreements | 1,081,019 | 1,285,299 | 1,083,545 | 1,296,522 |
| Notes payable | 68,942 | 68,942 | 49,690 | 49,690 |
| Accrued interest payable | 12,952 | 12,952 | 13,797 | 13,797 |
| Long-term debt | 235,570 | 132,074 | 235,570 | 125,633 |
| Derivative liabilities | 276,498 | 6,399 | 79,640 | 3,463 |

The methods and assumptions used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value are explained below:

Cash and Cash Equivalents—The carrying amounts approximate fair values due to the short-term nature of these instruments.

Short-Term Investments—The fair values of short-term investments generally approximate their book values due to their short maturities.

Securities Purchased Under Resale Agreements—Securities purchased under resale agreements with original maturities of 90 days or less are included in cash and cash equivalents. The fair value of securities purchased under resale agreements with original maturities of more than 90 days is estimated by discounting the cash flows based on expected maturities or repricing dates utilizing estimated market discount rates.

Investment Securities Available-for-Sale—The fair values of the investment securities available-for-sale are generally determined by reference to the average of at least two quoted market prices obtained from independent external brokers or independent external pricing service providers who have experience in valuing these securities. In obtaining such valuation information from third parties, the Company has reviewed the methodologies used to develop the resulting fair values. For private-label mortgage-backed securities and pooled trust preferred securities, fair values are based on discounted cash flow analyses.

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Loans Held for Sale—The fair value of loans held for sale is derived from current market prices and comparative current sales.

Loans Receivable, net (includes covered and non-covered loans)—The fair value of loans is determined based on the discounted cash flow approach. The discount rate is derived from the associated yield curve plus spreads, and reflects the offering rates in the market for loans with similar financial characteristics. No adjustments have been made for changes in credit within the loan portfolio. It is management's opinion that the allowance for loan losses pertaining to performing and nonperforming loans results in a fair valuation of credit for such loans.

Investment in Federal Home Loan Bank Stock and Federal Reserve Bank Stock—The carrying amount approximates fair value, as the stock may be sold back to the Federal Home Loan Bank and the Federal Reserve Bank at carrying value.

Accrued Interest Receivable—The carrying amount of accrued interest receivable approximates fair value due to its short-term nature.

Equity Swap Agreements—The fair value of the derivative contracts is provided by a third party and is determined based on the change in value of the HSCEI and the volatility of the call option over the life of the individual swap agreement. The option value is derived based on the volatility of the option, interest rate and time remaining to maturity. We also considered the counterparty's credit risk in determining the fair value.

Foreign Exchange Options—The fair value of the derivative contracts is provided by third parties and is determined based on the change in the RMB and the volatility of the option over the life of the agreement. The option value is derived based on the volatility of the option, interest rate and time remaining to maturity. We also considered the counterparty's credit risk in determining the fair value.

Interest Rate Swaps—The fair value of the interest rate swap contracts is provided by a third party and is determined based on a discounted cash flow approach. The Company also considered the counterparty's credit risk in determining the fair value.

Customer Deposit Accounts—The fair value of customer deposit accounts is determined based on the discounted cash flow approach. The discount rate is derived from the associated yield curve, plus spread, if any. For core deposits (demand, savings and money market deposits), the cash outflows are projected by the decay rate based on the Bank's core deposit premium study and are discounted using the London Interbank Offered Rate ("LIBOR") yield curve. For time deposits, the cash flows are based on the contractual runoff and are discounted by the Bank's current offering rates, plus spread.

Federal Funds Purchased—The carrying amounts approximate fair values due to the short-term nature of these instruments.

Federal Home Loan Bank Advances—The fair value of Federal Home Loan Bank ("FHLB") advances is estimated based on the discounted value of contractual cash flows, using rates currently offered by the FHLB of San Francisco for fixed-rate credit advances with similar remaining maturities at each reporting date.

Securities Sold Under Repurchase Agreements—For securities sold under repurchase agreements with original maturities of 90 days or less, the carrying amounts approximate fair values due to the short-term nature of these instruments. At March 31, 2011 and December 31, 2010, most of the securities sold under repurchase agreements are long-term in nature and the fair values of securities sold under repurchase agreements are calculated by discounting future cash flows based on expected maturities or repricing dates, utilizing estimated market discount rates and taking

into consideration the call features of each instrument.

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Notes Payable—The carrying amount of notes payable approximates fair value as these notes are payable on demand.

Accrued Interest Payable—The carrying amount of accrued interest payable approximates fair value due to its short-term nature.

Long-Term Debt—The fair values of long-term debt are estimated by discounting the cash flows through maturity based on current market rates the Bank would pay for new issuances.

Derivatives Payable—The Company's derivatives payable are recorded in conjunction with certain certificate of deposits ("host instrument"). These CDs pay interest based on changes in the either the HSCEI or based on changes in the RMB, as designated. The fair value of derivatives payable is estimated using the income approach. Additionally, we considered our own credit risk in determining the valuation.

The fair value estimates presented herein are based on pertinent information available to management as of each reporting date. Although we are not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and therefore, current estimates of fair value may differ significantly from the amounts presented herein.

NOTE 4 — STOCK-BASED COMPENSATION

During the three months ended March 31, 2011, total compensation expense recognized in the condensed consolidated statements of income related to stock options and restricted stock awards reduced income before taxes by \$2.3 million and net income by \$1.3 million.

During the three months ended March 31, 2010, total compensation expense recognized in the condensed consolidated statements of income related to stock options and restricted stock awards reduced income before taxes by \$1.6 million and net income \$908 thousand.

The Company received \$1.6 million and \$577 thousand as of March 31, 2011 and March 31, 2010, respectively, in cash proceeds from stock option exercises. The net tax benefit (provision) recognized in equity for stock compensation plans was \$43 thousand and \$(341) thousand for March 31, 2011 and March 31, 2010, respectively.

As of March 31, 2011, there are 999,340 incentive shares available to be issued, subject to the Company's current 1998 Stock Incentive Plan, as amended.

Stock Options

The Company issues fixed stock options to certain employees, officers, and directors. Stock options are issued at the current market price on the date of grant with a three-year or four-year vesting period and contractual terms of 7 or 10 years. The Company issues new shares upon the exercise of stock options.

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A summary of activity for the Company's stock options as of and for the three months ended March 31, 2011 is presented below:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value (In thousands) |
|---|------------|--|---|---|
| Outstanding at beginning of period | 1,438,979 | \$ 24.21 | | |
| Granted | 8,654 | 23.11 | | |
| Exercised | (141,322) | 13.36 | | |
| Forfeited | (25,913) | 27.62 | | |
| Outstanding at end of period | 1,280,398 | \$ 25.33 | 2.58 years | \$ 3,352 |
| Vested or expected to vest at end of period | 1,264,500 | \$ 25.42 | 2.56 years | \$ 3,276 |
| Exercisable at end of period | 1,052,729 | \$ 26.82 | 2.23 years | \$ 2,539 |

A summary of changes in unvested stock options and related information for the three months ended March 31, 2011 is presented below:

| Unvested Options | Shares | Weighted Average Grant Date Fair Value (per share) |
|-----------------------------|------------|--|
| Unvested at January 1, 2011 | 416,851 | \$ 5.04 |
| Granted | 8,654 | 13.21 |
| Vested | (197,523) | 5.79 |
| Forfeited | (313) | 4.69 |
| Unvested at March 31, 2011 | 227,669 | \$ 4.69 |

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

| | Three Months Ended March 31, | | |
|----------------------------|---------------------------------|---|---------|
| | 2011 | | 2010(5) |
| Expected term(1) | 4 years | | N/A |
| Expected volatility(2) | 78.5 | % | N/A |
| Expected dividend yield(3) | 0.2 | % | N/A |
| Risk-free interest rate(4) | 1.6 | % | N/A |

(1) The expected term (estimated period of time outstanding) of stock options granted was estimated using the historical exercise behavior of employees.

(2) The expected volatility was based on historical volatility for a period equal to the stock option's expected term.

(3) The expected dividend yield is based on the Company's prevailing dividend rate at the time of grant.

(4) The risk-free rate is based on the U.S. Treasury strips in effect at the time of grant equal to the stock option's expected term.

(5) The Company did not issue any stock options during the three months ended March 31, 2010.

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During the three months ended March 31, 2011 and 2010, information related to stock options is presented as follows:

| | Three Months Ended March 31, | |
|--|---------------------------------|---------|
| | 2011 | 2010 |
| Weighted average grant date fair value of stock options granted during the period(1) | \$13.21 | \$— |
| Total intrinsic value of options exercised (in thousands) | \$1,197 | \$277 |
| Total fair value of options vested (in thousands) | \$1,144 | \$1,671 |

(1) The Company did not issue any stock options during the three months ended March 31, 2010.

As of March 31, 2011, total unrecognized compensation cost related to stock options amounted to \$753 thousand. The cost is expected to be recognized over a weighted average period of 1.5 years.

Restricted Stock

In addition to stock options, the Company also grants restricted stock awards to directors, officers and employees. The restricted stock awards fully vest after three to five years of continued employment from the date of grant; some of the awards are also subject to achievement of certain established financial goals. The Company becomes entitled to an income tax deduction in an amount equal to the taxable income reported by the holders of the restricted stock when the restrictions are released and the shares are issued. Restricted stock awards are forfeited if officers and employees terminate prior to the lapsing of restrictions. The Company records forfeitures of issued restricted stock as treasury share repurchases.

A summary of the activity for restricted stock awards as of March 31, 2011, including changes during the three months then ended, is presented below:

| | Shares | Weighted Average Price |
|---|-----------|------------------------------|
| Outstanding unvested at beginning of period | 1,789,498 | \$ 17.09 |
| Granted | 427,389 | 22.96 |
| Vested | (73,049) | 34.92 |
| Forfeited | (43,038) | 17.27 |
| Outstanding unvested at end of period | 2,100,800 | \$ 17.66 |

Restricted stock awards are valued at the closing price of the Company's stock on the date of award. The weighted average fair values of restricted stock awards granted during the three months ended March 31, 2011 and 2010 were \$22.96 and \$16.89, respectively. The total fair value of restricted stock awards vested during the period ended March 31, 2011 and March 31, 2010 was \$1.7 million and \$1.2 million, respectively.

As of March 31, 2011, total unrecognized compensation cost related to restricted stock awards amounted to \$27.5 million. This cost is expected to be recognized over a weighted average period of 2.5 years.

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NOTE 5 — INVESTMENT SECURITIES

An analysis of the investment securities available-for-sale portfolio is presented as follows:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|-------------------|------------------------------|-------------------------------|----------------------------|
| (In thousands) | | | | |
| As of March 31, 2011 | | | | |
| Investment securities available-for-sale: | | | | |
| U.S. Treasury securities | \$ 19,859 | \$ 486 | \$ — | \$ 20,345 |
| U.S. Government agency and U.S. Government sponsored enterprise debt securities | 1,448,709 | 1,694 | (21,091) | 1,429,312 |
| U.S. Government agency and U.S. Government sponsored enterprise mortgage-backed securities: | | | | |
| Commercial mortgage-backed securities | 23,970 | 462 | (35) | 24,397 |
| Residential mortgage-backed securities | 339,919 | 10,775 | (1,253) | 349,441 |
| Municipal securities | 16,021 | — | (164) | 15,857 |
| Other residential mortgage-backed securities: | | | | |
| Investment grade | — | — | — | — |
| Non-investment grade | — | — | — | — |
| Corporate debt securities: | | | | |
| Investment grade | 1,067,867 | 10,057 | (10,088) | 1,067,836 |
| Non-investment grade(1) | 26,136 | — | (9,950) | 16,186 |
| Other securities | 7,625 | 2 | (25) | 7,602 |
| Total investment securities available-for-sale | \$ 2,950,106 | \$ 23,476 | \$ (42,606) | \$ 2,930,976 |
| As of December 31, 2010 | | | | |
| Investment securities available-for-sale: | | | | |
| U.S. Treasury securities | \$ 19,847 | \$ 607 | \$ — | \$ 20,454 |
| U.S. Government agency and U.S. Government sponsored enterprise debt securities | 1,349,289 | 2,297 | (18,121) | 1,333,465 |
| U.S. Government agency and U.S. Government sponsored enterprise mortgage-backed securities: | | | | |
| Commercial mortgage-backed securities | 18,620 | 512 | — | 19,132 |
| Residential mortgage-backed securities | 295,140 | 11,574 | — | 306,714 |
| Municipal securities | — | — | — | — |
| Other residential mortgage-backed securities: | | | | |
| Investment grade | — | — | — | — |
| Non-investment grade | 14,996 | — | (8,742) | 6,254 |
| Corporate debt securities: | | | | |
| Investment grade | 1,056,537 | 9,095 | (8,765) | 1,056,867 |

| | | | | |
|---|--------------|-----------|--------------|--------------|
| Non-investment grade | 50,015 | 31 | (11,316) | 38,730 |
| Other securities | 95,966 | 267 | (1,908) | 94,325 |
| Total investment securities available-for-sale | \$ 2,900,410 | \$ 24,383 | \$ (48,852) | \$ 2,875,941 |

(1) For the three months ended March 31, 2011, the Company recorded \$464 thousand, on a pre-tax basis, of the credit portion of OTTI through earnings and \$5.1 million of the non-credit portion of OTTI for pooled trust preferred securities in other comprehensive income. The Company recorded \$16.7 million, on a pre-tax basis, of the credit portion of OTTI through earnings and \$15.4 million of the non-credit portion of OTTI for pooled trust preferred securities and other mortgage-backed securities in other comprehensive income for the year ended December 31, 2010.

The Company did not have any investment securities held-to-maturity as of March 31, 2011 and December 31, 2010.

The fair values of investment securities are generally determined by reference to the average of at least two quoted market prices obtained from independent external brokers or prices obtained from independent external pricing service providers who have experience in valuing these securities. The Company performs a monthly analysis on the broker quotes received from third parties to ensure that the prices represent a reasonable estimate of fair value. The procedures include, but are not limited to, initial and ongoing review of third party pricing methodologies, review of pricing trends, and monitoring of trading volumes. The Company assesses that prices received from independent brokers represent a reasonable estimate of fair value through the use of internal and external cash flow models developed that are based on spreads and, when available, market indices. As a result of this analysis, if the Company determines there is a more appropriate fair value based upon available market data, the price received from third parties is adjusted accordingly.

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Prices from third party pricing services are often unavailable for securities that are rarely traded or are traded only in privately negotiated transactions. As a result, certain securities are priced via independent broker quotations that utilize inputs that may be difficult to corroborate with observable market based data. Additionally, the majority of these independent broker quotations are non-binding.

As a result of the global financial crisis and illiquidity in the U.S. markets, the market for the pooled trust preferred securities has been inactive since mid-2007. It is the Company's view that current broker prices (which are typically non-binding) on these securities are based on forced liquidation or distressed sale values in very inactive markets that are not representative of the fair value of these securities. As such, the Company considered what weight, if any, to place on transactions that are not orderly when estimating fair value. For the pooled trust preferred securities the Company determined their fair values using the methodologies set forth in Note 3 to the Company's condensed consolidated financial statements presented elsewhere in this report.

The following table shows the Company's rollforward of the amount related to OTTI credit losses for the periods shown:

| | Three Months Ended March 31, | |
|--|---------------------------------|------------|
| | 2011 | 2010 |
| | (In thousands) | |
| Beginning balance | \$ 124,340 | \$ 107,671 |
| Addition of other-than-temporary impairment that was not previously recognized | — | — |
| Additional increases to the amount related to the credit loss for which an other-than-temporary impairment was previously recognized | 464 | 4,799 |
| Reduction for securities sold | (9,561) | — |
| Ending balance | \$ 115,243 | \$ 112,470 |

The following tables show the Company's investment portfolio's gross unrealized losses and related fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of March 31, 2011 and December 31, 2010:

| | Less Than 12 Months | | 12 Months or More | | Total | |
|---|---------------------|-------------------|-------------------|-------------------|------------|-------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| | (In thousands) | | | | | |
| As of March 31, 2011 | | | | | | |
| Investment securities available-for-sale: | | | | | | |
| U.S. Treasury securities | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| U.S. Government agency and U.S. Government sponsored enterprise debt securities | 1,034,713 | (21,091) | — | — | 1,034,713 | (21,091) |
| U.S. Government agency and U.S. | | | | | | |

| | | | | | | |
|---|--------------|--------------|-----------|--------------|--------------|--------------|
| Government sponsored enterprise mortgage-backed securities: | | | | | | |
| Commercial mortgage-backed securities | 6,797 | (35) | — | — | 6,797 | (35) |
| Residential mortgage-backed securities | 84,084 | (1,253) | — | — | 84,084 | (1,253) |
| Municipal securities | 15,857 | (164) | — | — | 15,857 | (164) |
| Other residential mortgage-backed securities: | | | | | | |
| Investment grade | — | — | — | — | — | — |
| Non-investment grade | — | — | — | — | — | — |
| Corporate debt securities: | | | | | | |
| Investment grade | 684,416 | (9,895) | 9,807 | (193) | 694,223 | (10,088) |
| Non-investment grade | 5,940 | (22) | 10,226 | (9,928) | 16,166 | (9,950) |
| Other securities | 2,575 | (25) | — | — | 2,575 | (25) |
| Total investment securities available-for-sale | \$ 1,834,382 | \$ (32,485) | \$ 20,033 | \$ (10,121) | \$ 1,854,415 | \$ (42,606) |

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| | Less Than 12 Months | | 12 Months or More | | Total | |
|---|---------------------|-------------------|-------------------|-------------------|--------------|-------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| (In thousands) | | | | | | |
| As of December 31, 2010 | | | | | | |
| Investment securities available-for-sale: | | | | | | |
| U.S. Treasury securities | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| U.S. Government agency and U.S. Government sponsored enterprise debt securities | 935,654 | (18,121) | — | — | 935,654 | (18,121) |
| U.S. Government agency and U.S. Government sponsored enterprise mortgage-backed securities: | | | | | | |
| Commercial mortgage-backed securities | — | — | — | — | — | — |
| Residential mortgage-backed securities | — | — | — | — | — | — |
| Municipal securities | — | — | — | — | — | — |
| Other residential mortgage-backed securities: | | | | | | |
| Investment grade | — | — | — | — | — | — |
| Non-investment grade | — | — | 6,254 | (8,742) | 6,254 | (8,742) |
| Corporate debt securities: | | | | | | |
| Investment grade | 656,434 | (8,765) | — | — | 656,434 | (8,765) |
| Non-investment grade | 24,105 | (623) | 9,926 | (10,693) | 34,031 | (11,316) |
| Other securities | 76,692 | (1,908) | — | — | 76,692 | (1,908) |
| Total investment securities available-for-sale | \$ 1,692,885 | \$ (29,417) | \$ 16,180 | \$ (19,435) | \$ 1,709,065 | \$ (48,852) |

Unrealized Losses

The majority of the unrealized losses related to securities that have been in a continuous loss position for less than twelve months is related to agency securities. As of March 31, 2011, the Company had \$1.43 billion in agency securities available-for-sale, representing 49% of the total investment securities available-for-sale portfolio.

As of March 31, 2011, there were six individual securities that have been in a continuous unrealized loss position for twelve months or more. These securities are comprised of five trust preferred securities with a total fair value of \$10.2 million and one investment grade corporate debt security with a fair value of \$9.8 million. As of March 31, 2011, there were also 141 securities, not including the 6 securities above, which have been in a continuous unrealized loss position for less than twelve months. The securities in an unrealized loss position include 88 investment grade corporate debt securities, 36 government agency securities, 11 residential mortgage-backed securities, 3 municipal securities, 1 commercial mortgage-backed security, 1 non-investment grade corporate debt security and 1 other security. The unrealized losses on these securities are primarily attributed to changes in interest rates as well as the liquidity crisis that has impacted all financial industries. The issuers of these securities have not, to our knowledge, established any cause for default on these securities. These securities have fluctuated in value since their purchase dates as market interest rates have fluctuated. The Company does not intend to sell these securities and it is not more likely than not that the company will be required to sell these securities before recovery of their current amortized cost basis. As such, the Company does not deem these securities, other than those previously stated, to be other-than-temporarily impaired as of March 31, 2011.

Corporate Debt Securities

The unrealized losses related to securities that have been in a continuous loss position of twelve months or longer is related to five pooled trust preferred debt securities that are non-investment graded and one investment grade corporate debt security. As of March 31, 2011, these pooled trust preferred securities had an estimated fair value of \$10.2 million, representing less than 1% of the total investment securities available-for-sale portfolio. One security was downgraded to non-investment grade during the second quarter of 2010. As of March 31, 2011, these non-investment grade pooled trust preferred debt securities had gross unrealized losses amounting to \$9.9 million, or 49% of the total amortized cost basis of these securities, comprised of \$4.8 million in unrealized losses on securities that are not other-than-temporarily impaired and \$5.1 million in noncredit-related impairment losses on securities that are other-than-temporarily impaired as of March 31, 2011 pursuant to the provisions of ASC 320-10-65. We recorded an impairment loss of \$464 thousand on our portfolio of pooled trust preferred securities during the first quarter of 2011 for additional increases to the amount related to the credit loss for which an other-than-temporary impairment was previously recognized.

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As of March 31, 2011, the Company also had one investment grade corporate debt security with a fair value of \$9.8 million, with a gross unrealized loss of \$194 thousand, or 2% of the amortized cost basis of this security, for more than twelve months. The Company did not have other-than-temporary impairment recognized in earnings on this security.

The scheduled maturities of investment securities at March 31, 2011 are presented as follows:

| | Amortized Cost | Estimated Fair Value |
|--|-------------------|-------------------------|
| | (In thousands) | |
| Due within one year | \$ 1,439,388 | \$ 1,416,028 |
| Due after one year through five years | 437,436 | 440,243 |
| Due after five years through ten years | 714,633 | 711,246 |
| Due after ten years | 358,649 | 363,459 |
| Total investment securities available-for-sale | \$ 2,950,106 | \$ 2,930,976 |

NOTE 6 — DERIVATIVE FINANCIAL INSTRUMENTS

The Company offers various derivative products to clients and enters into offsetting derivative transactions in due course. The following table summarizes the fair value and balance sheet classification of derivative instruments as of March 31, 2011 and December 31, 2010. The notional amount of the contract is not recorded on the condensed consolidated balance sheets, but is used as the basis for determining the amount of interest payments to be exchanged between the counterparties. If the counterparty fails to perform, the Company's counterparty credit risk is equal to the amount reported as a derivative asset. The valuation methodology of derivative instruments is disclosed in Note 3 to the Company's condensed consolidated financial statements presented elsewhere in this report.

Fair Values of Derivative Instruments

| | March 31, 2011 | | | December 31, 2010 | | |
|---|--------------------|-------------------------|------------------------------|--------------------|-------------------------|------------------------------|
| | Notional Amount | Derivative Assets(1) | Derivative Liabilities(1) | Notional Amount | Derivative Assets(1) | Derivative Liabilities(1) |
| | (In thousands) | | | | | |
| Derivatives not designated as hedging instruments: | | | | | | |
| Equity swap agreements | \$22,709 | \$199 | \$ 201 | \$22,884 | \$206 | \$ 210 |
| Foreign exchange options | 85,614 | 4,823 | 3,069 | 85,614 | 5,084 | 3,239 |
| Interest rate swaps | 151,131 | 1,662 | 1,723 | 4,098 | 13 | 14 |
| Interest rate swaps on brokered CD's | 50,000 | — | 1,406 | — | — | — |
| Total derivatives not designated as hedging instruments | \$309,454 | \$6,684 | \$ 6,399 | \$112,596 | \$5,303 | \$ 3,463 |

(1) Derivative assets include the estimated gain to settle a derivative contract plus net interest receivable. Derivative liabilities include the estimated loss to settle a derivative contract.

Derivatives Not Designated as Hedging Instruments

Equity Swap Agreements—In December 2007, the Company entered into two equity swap agreements with a major investment brokerage firm to economically hedge against market fluctuations in a promotional equity index certificate of deposit product offered to bank customers which has a term of 5 years and pays interest based on the performance of the HSCEI. Under ASC 815, a certificate of deposit that pays interest based on changes in an equity index is a hybrid instrument with an embedded derivative (i.e. equity call option) that must be accounted for separately from the host contract (i.e. the certificate of deposit). In accordance with ASC 815, both the embedded equity call options on the certificates of deposit and the freestanding equity swap agreements are marked-to-market each reporting period with resulting changes in fair value recorded in the condensed consolidated statements of income. As of March 31, 2011 and December 31, 2010, the notional amounts of the equity swap agreements totaled \$22.7 million and \$22.9 million, respectively.

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The fair values of the equity swap agreements and embedded derivative liability for these derivative contracts amounted to \$199 thousand and \$201 thousand, respectively, as of March 31, 2011, compared to \$206 thousand and \$210 thousand, respectively, as of December 31, 2010.

Foreign Exchange Options—During 2010, the Company entered into foreign exchange option contracts with major brokerage firms to economically hedge against currency exchange rate fluctuations in a certificate of deposit product available to bank customers beginning in the first quarter of 2010. This product, which has a term of 5 years, pays interest based on the performance of the Chinese currency Renminbi (“RMB”) relative to the U.S. Dollar. Under ASC 815, a certificate of deposit that pays interest based on changes in currency exchange rates is a hybrid instrument with an embedded derivative that must be accounted for separately from the host contract (i.e. the certificate of deposit). In accordance with ASC 815, both the embedded derivative instruments and the freestanding foreign exchange option contracts are marked-to-market each reporting period with resulting changes in fair value reported in the condensed consolidated statements of income.

As of March 31, 2011 and December 31, 2010 the notional amount of the foreign exchange options totaled \$85.6 million and \$85.6 million, respectively.

The fair values of the foreign exchange options and embedded derivative liability for these contracts amounted to a \$4.8 million asset and a \$3.1 million liability as of March 31, 2011. The fair values of the foreign exchange options and embedded derivative liability for these contracts amounted to a \$5.1 million asset and \$3.2 million liability as of December 31, 2010.

Interest Rate Swaps—Since the beginning of the fourth quarter of 2010, the Company has entered into pay fixed, receive variable swap contracts with institutional counterparties to economically hedge against a newly launched interest rate swap product offered to bank customers. This product allows borrowers to lock in attractive intermediate and long-term interest rates by entering into a pay fixed, receive variable swap contract with the Company, resulting in the customer obtaining a synthetic fixed rate loan. The Company does not assume any interest rate risk since the swap agreements mirror each other. As of March 31, 2011 and December 31, 2010 the notional amount of the interest rate swaps with the institutional counterparties totaled \$151.1 million and \$4.1 million, respectively. The interest rate swap agreements are marked-to-market each reporting period with resulting changes in fair value reported in the condensed consolidated statements of income.

The fair values of the interest rate swap contracts with the institutional counterparty and the bank customers amounted to a \$1.7 million asset and \$1.7 million liability, respectively, as of March 31, 2011. The fair values of the interest rate swap contracts with the institutional counterparty and the bank customers amounted to a \$13 thousand asset and \$14 thousand liability, respectively, as of December 31, 2010.

Forward Starting Interest Rate Swaps on Brokered CD's—The Company is exposed to changes in the fair value of certain of its fixed-rate obligations due to changes in the benchmark interest rate, LIBOR. As of March 31, 2011, the Company had one interest rate swap with a notional amount of \$50 million to hedge against interest rate fluctuations on its brokered CD's which settled in April 2011. The settlement of the interest rate swap is in April 2011 at which time the Company will designate it as a fair value accounting hedge designated to hedge the changes in the benchmark interest rate. Interest rate swaps designated as fair value hedges involve the receipt of fixed-rate amounts from a counterparty in exchange for the Company making variable-rate payments over the life of the agreements without the exchange of the underlying notional amount. The fair value of the forward starting interest rate swap amounted to a \$1.4 million derivative liability as of March 31, 2011.

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Short-term Foreign Exchange Contracts—The Company also enters into short-term foreign exchange contracts on a regular basis to economically hedge against foreign exchange rate fluctuations. As of March 31, 2011, the notional amount of the foreign exchange contracts totaled \$289.6 million. The fair values of the foreign exchange contracts were immaterial as of March 31, 2011.

The table below summarizes gains and (losses) on derivative instruments recorded in the condensed consolidated statements of operations for the three months ended March 31, 2011 and 2010:

| Location in Condensed Consolidated Statements of Operations | | Three Months Ended March 31, | |
|---|----------------------------|---------------------------------|------|
| | | 2011 | 2010 |
| | | (In thousands) | |
| Derivatives not designated as hedging instruments | | | |
| Equity swap agreements | Noninterest expense | \$ 2 | \$ 3 |
| Foreign exchange options | Noninterest income | (109) | — |
| Foreign exchange options | Noninterest expense | 18 | — |
| Interest rate swaps | Noninterest income | (60) | — |
| | Total net (expense) income | \$ (149) | \$ 3 |

Credit Risk-Related Contingent Features—The Company has agreements with some of its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

The Company also has agreements with some of its derivative counterparties that contain a provision where if the Company fails to maintain its status as a well / adequate capitalized institution, then the counterparty could terminate the derivative positions and the Company would be required to settle its obligations under the agreements. Similarly, the Company could be required to settle its obligations under certain of its agreements if the Company were issued a prompt corrective action.

As of March 31, 2011 the termination value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was \$2.9 million. If the Company had breached any of these provisions at March 31, 2011, it could have been required to settle its obligations under the agreements at the termination value.

NOTE 7 — COVERED ASSETS AND FDIC INDEMNIFICATION ASSET**Covered Assets**

Covered assets consist of loans receivable and OREO that were acquired in the Washington First International Bank (“WFIB”) Acquisition on June 11, 2010 and in the United Commercial Bank (“UCB”) Acquisition on November 6, 2009 for which the Company entered into shared-loss agreements (the “shared-loss agreements”) with the FDIC. The shared-loss agreements covered over 99% of the loans originated by WFIB and all of the loans originated by UCB, excluding the loans originated by UCB in China under its United Commercial Bank China (Limited) subsidiary. The Company shares in the losses, which began with the first dollar of loss incurred, on covered assets under the shared-loss agreements.

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Pursuant to the terms of the shared-loss agreements, the FDIC is obligated to reimburse the Company 80% of eligible losses for both WFIB and UCB with respect to covered assets. For the UCB covered assets, the FDIC will reimburse the Company for 95% of eligible losses in excess of \$2.05 billion. The Company has a corresponding obligation to reimburse the FDIC for 80% or 95%, as applicable, of eligible recoveries with respect to covered assets. The commercial loan shared-loss agreement and single-family residential mortgage loan shared-loss agreement are in effect for 5 years and 10 years, respectively, from the acquisition date and the loss recovery provisions are in effect for 8 years and 10 years, respectively, from the acquisition date.

Forty-five days following the 10th anniversary of the respective acquisition date, the Company will be required to pay to the FDIC a calculated amount, based on the specific thresholds of losses not being reached. The calculation of this potential liability as stated in the shared-loss agreements is 50% of the excess, if any of (i) 20% of the Intrinsic Loss Estimate and (ii) the sum of (A) 25% of the asset discount plus (B) 25% of the Cumulative Shared-Loss Payments plus (C) the Cumulative Servicing Amount if net losses on covered loans subject to the stated threshold is not reached. As of March 31, 2011, the Company's estimate for this liability for WFIB and UCB is \$4.0 million and \$1.0 million, respectively.

At each date of acquisition, we accounted for the loan portfolio acquired from the respective bank at fair value. This represents the discounted value of the expected cash flows from the portfolio. In estimating the nonaccretable difference, we (a) calculated the contractual amount and timing of undiscounted principal and interest payments (the "undiscounted contractual cash flows") and (b) estimated the amount and timing of undiscounted expected principal and interest payments (the "undiscounted expected cash flows"). In the determination of contractual cash flows and cash flows expected to be collected, we assume no prepayment on the ASC 310-30 nonaccrual loan pools as we do not anticipate any significant prepayments on credit impaired loans. For the ASC 310-30 accrual loans for single-family, multifamily and commercial real estate, we used a third party vendor to obtain prepayment speeds, in order to be consistent with the market participant's notion of the accounting standards. The third party vendor is recognized in the mortgage-industry for the delivery of prepayment and default models for the secondary market to identify loan level prepayment, delinquency, default, and loss propensities. The prepayment rates for the construction, land, and commercial and consumer pools have historically been low and so we applied the prepayment assumptions of our current portfolio using our internal modeling. The difference between the undiscounted contractual cash flows and the undiscounted expected cash flows is the nonaccretable difference. The nonaccretable difference represents our estimate of the credit losses expected and was considered in determining the fair value of the loans as of the acquisition date. The amount by which the undiscounted expected cash flows exceed the estimated fair value (the "accretable yield") is accreted into interest income over the life of the loans. The Company has elected to account for all covered loans acquired in the FDIC-assisted acquisitions under ASC 310-30.

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The carrying amounts and the composition of the covered loans as of March 31, 2011 and December 31, 2010 are as follows:

| | March 31, 2011 | December 31, 2010 |
|---------------------------------------|-------------------|----------------------|
| | (In thousands) | |
| Real estate loans: | | |
| Residential single-family | \$ 519,979 | \$ 553,541 |
| Residential multifamily | 1,058,605 | 1,093,331 |
| Commercial and industrial real estate | 2,045,920 | 2,085,674 |
| Construction and land | 930,210 | 1,043,717 |
| Total real estate loans | 4,554,714 | 4,776,263 |
| Other loans: | | |
| Commercial business | 998,720 | 1,072,020 |
| Other consumer | 104,662 | 107,490 |
| Total other loans | 1,103,382 | 1,179,510 |
| Total principal balance | 5,658,096 | 5,955,773 |
| Covered discount | (1,052,580) | (1,150,672) |
| Net valuation of loans | 4,605,516 | 4,805,101 |
| Allowance on covered loans | (5,759) | (4,225) |
| Total covered loans, net | \$ 4,599,757 | \$ 4,800,876 |

Credit Quality Indicators—The covered loans acquired are and will continue to be subject to the Bank’s internal and external credit review and monitoring. The covered loans have the same credit quality indicators as the non-covered loans, to enable the monitoring of the borrower’s credit and the likelihood of repayment.

Loans are risk rated based on analysis of the current state of the borrower’s credit quality. The analysis of credit quality includes review of all sources of repayment, the borrower’s current financial and liquidity status and all other relevant information. The Company utilizes an eight grade risk rating system, where a higher grade represents a higher level of credit risk. The eight grade risk rating system can be generally classified by the following categories: Pass or Watch, Special Mention, Substandard, Doubtful and Loss. The risk ratings reflect the relative strength of the sources of repayment. Refer to Footnote 8 for full discussion of risk ratings.

After a year of historical performance of the covered loans acquired through the UCB acquisition, the Company reduced the nonaccretable difference due to the performance of the portfolio and expectation for the inherent losses in the portfolio in the fourth quarter of 2010. This reduction was primarily calculated based on the risk ratings of the loans. If credit deteriorates beyond the respective acquisition date fair value amount of the covered loans under ASC 310-30, such deterioration will be reserved for and a provision for credit losses will be charged to earnings with a partially offsetting noninterest income item reflected in the increase to the FDIC indemnification asset or receivable. As of March 31, 2011, there is no allowance for the covered loans accounted for under ASC 310-30 related to deterioration as the credit has not deteriorated beyond fair value at acquisition date.

As of the acquisition date, WFIB’s and UCB’s loan portfolios included unfunded commitments for commercial lines of credit, construction draws and other lending activity. The total commitment outstanding as of the acquisition date is covered under the shared-loss agreements. However, any additional advances on these loans subsequent to acquisition date are not accounted for under ASC 310-30. Included in the table below are \$591.8 million of additional advances under the shared-loss agreements which are not accounted for under ASC 310-30. The Bank has considered these additional advances on commitments covered under the shared-loss agreements in the general reserve of the allowance for loan losses calculation. These additional advances are within our loan segments as follows: \$403.4 million of

commercial and industrial loans, \$151.4 million of commercial real estate loans, \$25.7 million of consumer loans and \$11.3 million of residential loans. As of March 31, 2011, \$5.8 million, or 2.5%, of the total allowance is allocated to these additional advances on loans covered under the shared-loss agreements. This \$5.8 million in allowance is allocated within our loan segments as follows: \$2.8 million for commercial and industrial loans, \$2.8 million for commercial real estate loans, \$145 thousand for consumer loans and \$97 thousand for residential loans.

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| | Pass/Watch | Special Mention | Substandard (In thousands) | Doubtful | Total |
|---------------------------------------|--------------|--------------------|-------------------------------|-----------|--------------|
| March 31, 2011 | | | | | |
| Real estate loans: | | | | | |
| Residential single-family | \$ 489,139 | \$ 1,670 | \$ 29,170 | \$ — | \$ 519,979 |
| Residential multifamily | 898,629 | 45,775 | 114,201 | — | 1,058,605 |
| Commercial and industrial real estate | 1,335,296 | 78,272 | 616,812 | 15,540 | 2,045,920 |
| Construction and land | 405,051 | 81,065 | 427,875 | 16,219 | 930,210 |
| Total real estate loans | 3,128,115 | 206,782 | 1,188,058 | 31,759 | 4,554,714 |
| Other loans: | | | | | |
| Commercial business | 810,332 | 21,649 | 155,484 | 11,255 | 998,720 |
| Other consumer | 103,564 | 25 | 1,073 | — | 104,662 |
| Total other loans | 913,896 | 21,674 | 156,557 | 11,255 | 1,103,382 |
| Total principal balance | \$ 4,042,011 | \$ 228,456 | \$ 1,344,615 | \$ 43,014 | \$ 5,658,096 |

| | Pass/Watch | Special Mention | Substandard (In thousands) | Doubtful | Total |
|---------------------------------------|-------------|--------------------|-------------------------------|----------|-------------|
| December 31, 2010 | | | | | |
| Real estate loans: | | | | | |
| Residential single-family | \$525,979 | \$2,153 | \$25,157 | \$252 | \$553,541 |
| Residential multifamily | 1,008,274 | 15,114 | 67,366 | 2,577 | 1,093,331 |
| Commercial and industrial real estate | 1,520,135 | 89,870 | 466,588 | 9,081 | 2,085,674 |
| Construction and land | 328,214 | 125,688 | 556,070 | 33,745 | 1,043,717 |
| Total real estate loans | 3,382,602 | 232,825 | 1,115,181 | 45,655 | 4,776,263 |
| Other loans: | | | | | |
| Commercial business | 834,252 | 64,702 | 161,401 | 11,665 | 1,072,020 |
| Other consumer | 106,232 | 336 | 922 | — | 107,490 |
| Total other loans | 940,484 | 65,038 | 162,323 | 11,665 | 1,179,510 |
| Total principal balance | \$4,323,086 | \$297,863 | \$1,277,504 | \$57,320 | \$5,955,773 |

At March 31, 2011 and December 31, 2010, \$300.0 million and \$379.8 million, respectively, of the ASC 310-30 credit impaired loans were considered to be nonaccrual loans.

The following table sets forth information regarding covered nonperforming assets as of the dates indicated:

| | March 31, 2011 | December 31, 2010 |
|--|-------------------|----------------------|
| | (In thousands) | |
| Covered nonaccrual loans(1) | \$ 299,994 | \$ 379,797 |
| Covered loans past due 90 days or more but not on nonaccrual | — | — |
| Total nonperforming loans | 299,994 | 379,797 |
| Other real estate owned covered, net | 142,416 | 123,902 |
| Total covered nonperforming assets | \$ 442,410 | \$ 503,699 |

(1) Covered nonaccrual loans meet the criteria for nonaccrual but have a yield accreted through interest income under ASC 310-30.

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As of March 31, 2011, we had 107 covered OREO properties with a combined aggregate carrying value of \$142.4 million. Approximately 62% of covered OREO properties as of March 31, 2011 were located in California. As of December 31, 2010, we had 114 covered OREO properties with an aggregate carrying value of \$123.9 million. During the first three months of 2011, 30 properties with an aggregate carrying value of \$54.7 million were added through foreclosure. The aggregate carrying value at March 31, 2011 includes \$6.8 million in net write-downs on covered OREO. During the first three months of 2011, we sold 37 covered OREO properties with a total carrying value of \$29.0 million resulting in a total combined net loss on sale of \$381 thousand.

Changes in the accretable yield for the covered loans are as follows for the periods shown:

| | Three Months Ended March 31, | |
|--------------------------------|---------------------------------|------------|
| | 2011 | 2010 |
| | (In thousands) | |
| Balance at beginning of period | \$ 1,153,272 | \$ 983,107 |
| Accretion | (58,680) | (74,755) |
| Changes in expected cash flows | (26,476) | (136,803) |
| Balance at end of period | \$ 1,068,116 | \$ 771,549 |

The excess of cash flows expected to be collected over the initial fair value of acquired loans is referred to as the accretable yield and is accreted into interest income over the estimated life of the acquired loans using the effective yield method. The accretable yield will change due to:

- estimate of the remaining life of acquired loans which may change the amount of future interest income;
- estimate of the amount of contractually required principal and interest payments over the estimated life that will not be collected (the nonaccretable difference); and
- indices for acquired loans with variable rates of interest.

After over a year of historical performance of the UCB portfolio, the Bank concluded that the credit quality is performing better than originally estimated. As such, the Bank reduced the nonaccretable discount on the UCB covered loan portfolio in December 2010. By lowering the nonaccretable discount, the overall accretable yield will increase thus increasing the interest income recognized over the remaining life of the loans.

FDIC Indemnification Asset

Due to the fourth quarter 2010 reduction of the nonaccretable difference on the UCB covered loan portfolio, the expected reimbursement from the FDIC under the loss-sharing agreement decreased. The Company is amortizing the difference between the recorded amount of the FDIC indemnification asset and the expected reimbursement from the FDIC over the life of the indemnification asset. The amortization is in line with the improved accretable yield as discussed above. As such, the Company now has net amortization of the FDIC indemnification asset against income. For the three months ended March 31, 2011, the Company recorded \$18.3 million of amortization against income, compared to \$11.5 million of accretion for the three months ended March 31, 2010. For the three months ended March 31, 2011, the Company also recorded a \$56.6 million reduction to the FDIC indemnification asset resulting from paydowns, payoffs, loan sales and chargeoffs, and recorded the adjustment to noninterest income (loss).

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The table below shows FDIC indemnification asset activity for the periods shown:

| | Three Months Ended March 31, | |
|--------------------------------|---------------------------------|--------------|
| | 2011 | 2010 |
| | (In thousands) | |
| Balance at beginning of period | \$ 792,133 | \$ 1,091,814 |
| (Amortization) Accretion | (18,277) | 11,468 |
| Reductions(1)(2) | (56,596) | (122,332) |
| Balance at end of period | \$ 717,260 | \$ 980,950 |

(1) Reductions relate to higher cash flows received from principal amortization, partial prepayments, loan payoffs and loan sales.

(2) For the three months ended March 31, 2011, the reduction amount of \$56.6 million includes charge-offs, of which \$31.5 million of these charge-offs are recoverable from the FDIC and recorded in other assets. For the three months ended March 31, 2010, the reduction amount of \$122.3 million also includes charge-offs, of which \$61.9 million is recoverable from the FDIC and recorded in other assets.

FDIC Receivable

As of March 31, 2011, the FDIC loss-sharing receivable was \$68.5 million as compared to \$55.5 million as of December 31, 2010. This receivable represents 80% of reimbursable amounts from the FDIC that have not yet been received. These reimbursable amounts include net charge-offs, loan-related expenses and OREO-related expenses. The 80% of any reimbursable expense is recorded as noninterest income. 100% of the loan-related and OREO expenses are recorded as noninterest expense, netting to the 20% of actual expense paid by the Company. The FDIC also shares in 80% of recoveries received. Thus, the FDIC receivable is reduced when we receive payment from the FDIC as well as when recoveries occur. The FDIC loss-sharing receivable is included in other assets on the Condensed Consolidated Balance Sheet.

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NOTE 8 — NON-COVERED LOANS AND ALLOWANCE FOR LOAN LOSSES

The following is a summary of loans receivable, excluding covered loans (“non-covered loans”) for the periods indicated:

| | March 31, 2011 | December 31, 2010 |
|---|-------------------|-------------------------|
| | (In thousands) | |
| Residential: | | |
| Single-family | \$1,201,311 | \$1,119,024 |
| Multifamily | 949,034 | 974,745 |
| Total residential | 2,150,345 | 2,093,769 |
| Commercial Real Estate ("CRE"): | | |
| Income producing | 3,339,592 | 3,392,984 |
| Construction | 254,614 | 278,047 |
| Land | 220,135 | 235,707 |
| Total CRE | 3,814,341 | 3,906,738 |
| Commercial and Industrial ("C&I"): | | |
| Commercial business | 1,820,946 | 1,674,698 |
| Trade finance | 362,873 | 308,657 |
| Total C&I | 2,183,819 | 1,983,355 |
| Consumer: | | |
| Student loans | 428,274 | 490,314 |
| Other consumer | 242,255 | 243,212 |
| Total consumer | 670,529 | 733,526 |
| Total gross loans receivable, excluding covered loans | 8,819,034 | 8,717,388 |
| Unearned fees, premiums, and discounts, net | (32,128) | (56,781) |
| Allowance for loan losses, excluding covered loans | (220,402) | (230,408) |
| Loans receivable, excluding covered loans, net | \$8,566,504 | \$8,430,199 |

Accrued interest on covered and non-covered loans receivable amounted to \$68.2 million and \$65.6 million at March 31, 2011 and December 31, 2010, respectively.

At March 31, 2011 and December 31, 2010, covered and non-covered loans receivable totaling \$8.05 billion and \$8.14 billion, respectively, were pledged to secure borrowings from the FHLB and the Federal Reserve Bank.

The Bank offers both fixed and adjustable rate (“ARM”) first mortgage loans secured by one-to-four unit residential properties located in its primary lending areas. The Bank originated \$136.5 million and \$67.0 million in new residential single-family loans during the three months ended March 31, 2011 and 2010, respectively.

The Bank also offers both fixed and ARM residential multifamily loan programs. For the three months ended March 31, 2011 and 2010, the Bank originated \$15.4 million and \$1.9 million, respectively, in multifamily residential loans. The Bank primarily offers ARM multifamily loan programs that have six-month, three-year, or five-year initial fixed periods. The Bank considers all of the single-family and multifamily loans originated to be prime loans and underwriting criteria include minimum FICO scores, maximum loan-to-value ratios and minimum debt coverage ratios, as applicable. The Bank does have some single-family loans with interest-only features. Single-family loans

with interest-only features totaled \$7.2 million or 1% and \$7.8 million or 1% of total single-family loans at March 31, 2011 and December 31, 2010, respectively. Additionally, the Bank owns residential loans that permit different repayment options that were purchased several years ago. For these loans, there is the potential for negative amortization if the borrower chooses so. These residential loans that permit different repayment options totaled \$16.6 million, or 1%, and \$16.9 million, or 1%, of total residential loans at March 31, 2011 and December 31, 2010, respectively. None of these loans were negatively amortizing as of March 31, 2011 and December 31, 2010.

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In addition to residential lending, the Bank's lending activities also include commercial real estate, commercial and industrial, and consumer lending. Our CRE lending activities include loans to finance income producing properties and also construction and land loans. Our C&I lending activities include commercial business financing for small and middle-market businesses in a wide spectrum of industries. Included in commercial business loans are loans for working capital, accounts receivable lines, inventory lines, small business administration loans and lease financing. We also offer a variety of international trade finance services and products, including letters of credit, revolving lines of credit, import loans, bankers' acceptances, working capital lines, domestic purchase financing and pre-export financing. Consumer loans are primarily comprised of fully guaranteed student loans, home equity lines of credit and auto loans.

All of the loans that the Bank originates are subject to its underwriting guidelines and loan origination standards. Management believes that the Bank's underwriting criteria and procedures adequately consider the unique risks which may come from these products. The Bank conducts a variety of quality control procedures and periodic audits to ensure compliance with its origination standards, including criteria for lending and legal requirements.

Credit Risk and Concentrations—The real estate market in California, including the areas of Los Angeles, Riverside, San Bernardino and Orange counties, where a majority of the Company's loan customers are based, has been negatively impacted over the past few years. As of March 31, 2011, the Company had \$3.81 billion in non-covered commercial real estate loans and \$2.15 billion in non-covered residential loans, of which approximately 94% are secured by real properties located in California. Potential further deterioration in the real estate market generally and residential building in particular could result in additional loan charge-offs and provisions for loan losses in the future, which could have a material adverse effect on the Company's financial condition, net income and capital. In addition, although most of the Company's trade finance activities are related to trade with Asian countries, the majority of our loans are made to companies domiciled in the United States. A substantial portion of this business involves California based customers engaged in import activities. We also offer export-import financing to various domestic and foreign customers; the export loans are guaranteed by the Export-Import Bank of the United States.

Purchased Loans—During the first three months of 2011, the Company purchased approximately \$300 million of loans, including student loans with a carrying amount of \$259.9 million. These student loans are guaranteed by the U.S. Department of Education and pose limited credit risk.

Loans Held for Sale—Loans held for sale totaled \$303.7 million and \$220.1 million as of March 31, 2011 and December 31, 2010, respectively. Loans held for sale are recorded at the lower of cost or fair market value. Fair market value, if lower than cost, is determined based on valuations obtained from market participants or the value of the underlying collateral. As of March 31, 2011, approximately 95% of these loans were student loans. These loans were purchased by the Company with the intent to be held for investment; however, subsequent to their purchase, the Company's intent for these loans changed and they were consequently reclassified to loans held for sale. Proceeds from sales of loans held for sale were \$150.5 million in the first three months of 2011, resulting in net gains on sale of \$4.3 million. Proceeds from sales of loans held for sale were \$13.7 million in March 2010 with zero net gains on sale.

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Credit Quality Indicators—Loans are risk rated based on analysis of the current state of the borrower's credit quality. The analysis of credit quality includes review of all sources of repayment, the borrower's current financial and liquidity status and all other relevant information. The Company utilizes an eight grade risk rating system, where a higher grade represents a higher level of credit risk. The eight grade risk rating system can be generally classified by the following categories: Pass or Watch, Special Mention, Substandard, Doubtful and Loss. The risk ratings reflect the relative strength of the sources of repayment.

Pass or Watch loans are generally considered to have sufficient sources of repayment in order to repay the loan in full in accordance with all terms and conditions. These borrowers may have some credit risk that requires monitoring, but full repayment is expected. Special Mention loans are considered to have potential weaknesses that warrant close attention by management. Special Mention is considered a transitory grade and generally, the Company does not have a loan stay graded Special Mention for longer than six months. If any potential weaknesses are resolved, the loan is upgraded to a Pass or Watch grade. If negative trends in the borrower's financial status or other information is presented that indicates the repayment sources may become inadequate, the loan is downgraded to a Substandard grade. Substandard loans are considered to have well-defined weaknesses that jeopardize the full and timely repayment of the loan. Substandard loans have a distinct possibility of loss if the deficiencies are not corrected. Additionally, when management has assessed a potential for loss but a distinct possibility of loss is not recognizable, the loan is still classified as Substandard. Doubtful loans have insufficient sources of repayment and a high probability of loss. Loss loans are considered to be uncollectible and of such little value that they are no longer considered bankable assets. These internal risk ratings are reviewed routinely and adjusted due to changes in borrower status and likelihood of loan repayment. The tables below present the non-covered loan portfolio by credit quality indicator as of March 31, 2011 and December 31, 2010. As of March 31, 2011, non-covered loans graded Special Mention, Substandard and Doubtful have decreased by a net \$93.6 million, or 11% from December 31, 2010. There were no Loss grade loans as of March 31, 2011 and December 31, 2010.

| | Pass/Watch | Special Mention | Substandard (In thousands) | Doubtful | Total |
|---------------------|-------------|--------------------|-------------------------------|----------|-------------|
| March 31, 2011 | | | | | |
| Residential: | | | | | |
| Single-family | \$1,162,012 | \$3,819 | \$35,480 | \$— | \$1,201,311 |
| Multifamily | 774,721 | 37,504 | 136,809 | — | 949,034 |
| CRE: | | | | | |
| Income producing | 3,048,597 | 73,910 | 217,085 | — | 3,339,592 |
| Construction | 181,749 | — | 72,865 | — | 254,614 |
| Land | 146,422 | 5,442 | 68,271 | — | 220,135 |
| C&I: | | | | | |
| Commercial business | 1,712,836 | 24,295 | 76,530 | 7,285 | 1,820,946 |
| Trade finance | 349,997 | 4,262 | 8,614 | — | 362,873 |
| Consumer: | | | | | |
| Student loans | 428,274 | — | — | — | 428,274 |
| Other consumer | 238,545 | — | 3,710 | — | 242,255 |
| Total | \$8,043,153 | \$149,232 | \$619,364 | \$7,285 | \$8,819,034 |

| | Pass/Watch | Special Mention | Substandard | Doubtful | Total |
|-------------------|------------|--------------------|----------------|----------|-------|
| December 31, 2010 | | | | | |
| | | | (In thousands) | | |

Residential:

| | | | | | |
|---------------|-------------|----------|----------|-----|-------------|
| Single-family | \$1,076,281 | \$12,376 | \$30,367 | \$— | \$1,119,024 |
| Multifamily | 789,631 | 42,887 | 142,227 | — | 974,745 |

CRE:

| | | | | | |
|------------------|-----------|--------|---------|---|-----------|
| Income producing | 3,054,197 | 80,714 | 258,073 | — | 3,392,984 |
| Construction | 202,385 | — | 75,662 | — | 278,047 |
| Land | 146,499 | 4,656 | 84,552 | — | 235,707 |

C&I:

| | | | | | |
|---------------------|-----------|--------|--------|-------|-----------|
| Commercial business | 1,553,218 | 34,449 | 81,185 | 5,846 | 1,674,698 |
| Trade finance | 296,430 | 4,069 | 8,158 | — | 308,657 |

Consumer:

| | | | | | |
|----------------|---------|-------|-------|---|---------|
| Student loans | 490,314 | — | — | — | 490,314 |
| Other consumer | 238,964 | 1,486 | 2,762 | — | 243,212 |

| | | | | | |
|-------|-------------|-----------|-----------|---------|-------------|
| Total | \$7,847,919 | \$180,637 | \$682,986 | \$5,846 | \$8,717,388 |
|-------|-------------|-----------|-----------|---------|-------------|

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Nonaccrual and Past Due Loans—Loans are tracked by the number of days borrower payments are past due. The tables below present an aging analysis of nonaccrual loans and past due non-covered loans and loans held for sale, segregated by class of loans, as of March 31, 2011 and December 31, 2010:

| | Accruing Loans 30-59 Days Past Due | Accruing Loans 60-89 Days Past Due | Total Accruing Past Due Loans | Nonaccrual Loans Less Than 90 Days Past Due | Nonaccrual Loans 90 or More Days Past Due | Total Nonaccrual Past Due Loans | Current Loans | Total |
|---|--|--|--|--|---|--|------------------|--------------|
| (In thousands) | | | | | | | | |
| March 31, 2011 | | | | | | | | |
| Residential: | | | | | | | | |
| Single-family | \$ 8,259 | \$ 707 | \$ 8,966 | \$ — | \$ 10,585 | \$ 10,585 | \$ 1,181,760 | \$ 1,201,311 |
| Multifamily | 10,909 | 3,398 | 14,307 | 4,320 | 9,101 | 13,421 | 921,306 | 949,034 |
| CRE: | | | | | | | | |
| Income producing | 13,054 | 14,404 | 27,458 | 5,026 | 31,853 | 36,879 | 3,275,255 | 3,339,592 |
| Construction | 16,457 | — | 16,457 | 20,390 | 24,993 | 45,383 | 192,774 | 254,614 |
| Land | 13,286 | — | 13,286 | 5,638 | 11,053 | 16,691 | 190,158 | 220,135 |
| C&I: | | | | | | | | |
| Commercial business | 17,292 | 8,385 | 25,677 | 14,954 | 17,555 | 32,509 | 1,762,760 | 1,820,946 |
| Trade finance | 3,000 | — | 3,000 | — | 448 | 448 | 359,425 | 362,873 |
| Consumer: | | | | | | | | |
| Student loans | — | — | — | — | — | — | 428,274 | 428,274 |
| Other consumer | 881 | — | 881 | — | 1,755 | 1,755 | 239,619 | 242,255 |
| Loans held for sale | — | 5,497 | 5,497 | 5,426 | 9,642 | 15,068 | 283,108 | 303,673 |
| Total | \$ 83,138 | \$ 32,391 | \$ 115,529 | \$ 55,754 | \$ 116,985 | \$ 172,739 | \$ 8,834,439 | \$ 9,122,707 |
| Unearned fees, premiums and discounts, net | | | | | | | | (32,128) |
| Total recorded investment in non-covered loans and loans held for sale | | | | | | | | \$ 9,090,579 |

| | Accruing Loans 30-59 Days Past Due | Accruing Loans 60-89 Days Past Due | Total Accruing Past Due Loans | Nonaccrual Loans Less Than 90 Days Past Due | Nonaccrual Loans 90 or More Days Past Due | Total Nonaccrual Past Due Loans | Current Loans | Total |
|----------------------|--|--|--|--|--|--|------------------|--------------|
| (In thousands) | | | | | | | | |
| December 31, 2010 | | | | | | | | |
| Residential: | | | | | | | | |
| Single-family | \$ 5,449 | \$ 5,432 | \$ 10,881 | \$ 355 | \$ 7,058 | \$ 7,413 | \$ 1,100,730 | \$ 1,119,024 |

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| | | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|------------|--------------|--------------|
| Multifamily | 18,894 | 4,368 | 23,262 | 7,694 | 9,687 | 17,381 | 934,102 | 974,745 |
| CRE: | | | | | | | | |
| Income | | | | | | | | |
| producing | 27,002 | 6,034 | 33,036 | 7,962 | 38,454 | 46,416 | 3,313,532 | 3,392,984 |
| Construction | — | 1,486 | 1,486 | 25,688 | 9,778 | 35,466 | 241,095 | 278,047 |
| Land | 479 | — | 479 | 20,761 | 8,138 | 28,899 | 206,329 | 235,707 |
| C&I: | | | | | | | | |
| Commercial | | | | | | | | |
| business | 3,216 | 1,086 | 4,302 | 14,437 | 8,235 | 22,672 | 1,647,724 | 1,674,698 |
| Trade finance | — | — | — | — | — | — | 308,657 | 308,657 |
| Consumer: | | | | | | | | |
| Student loans | — | — | — | — | — | — | 490,314 | 490,314 |
| Other | | | | | | | | |
| consumer | 781 | 1,485 | 2,266 | — | 620 | 620 | 240,326 | 243,212 |
| Loans held for | | | | | | | | |
| sale | — | — | — | — | 14,062 | 14,062 | 205,993 | 220,055 |
| Total | \$ 55,821 | \$ 19,891 | \$ 75,712 | \$ 76,897 | \$ 96,032 | \$ 172,929 | \$ 8,688,802 | 8,937,443 |
| Unearned fees, premiums and | | | | | | | | |
| discounts, net | | | | | | | | (56,781) |
| Total recorded investment in non-covered loans | | | | | | | | |
| and loans held for sale | | | | | | | | \$ 8,880,662 |

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Generally, loans 90 or more days past due are placed on nonaccrual status, at which point interest accrual is discontinued and all unpaid accrued interest is reversed against interest income. At March 31, 2011 and December 31, 2010, there were no loans 90 or more days past due accruing interest. Additionally, loans that are not 90 or more days past due but have identified deficiencies are also put on nonaccrual status. Nonaccrual loans totaled \$172.7 million and \$172.9 million at March 31, 2011 and December 31, 2010, respectively. \$55.8 million and \$76.9 million in loans not 90 or more days past due as of March 31, 2011 and December 31, 2010, respectively, were included in non-covered nonaccrual loans as of March 31, 2011 and December 31, 2010, respectively.

The following is a summary of interest income foregone on nonaccrual loans:

| | For the Three Months Ended March 31, | |
|--|--|----------|
| | 2011 | 2010 |
| | (In thousands) | |
| Interest income that would have been recognized had nonaccrual loans performed in accordance with their original terms | \$2,765 | \$3,866 |
| Less: Interest income recognized on nonaccrual loans on a cash basis(1) | (807) | (1,117) |
| Interest income foregone on nonaccrual loans | \$1,958 | \$2,749 |

(1) Includes interest income recognized on nonaccrual loans held for sale.

Impaired Loans—A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all scheduled payments of principal or interest due according to the contractual terms of the loan agreement. The Bank's loans are grouped into heterogeneous and homogeneous (mostly consumer loans) categories. Classified loans (graded Substandard or Doubtful) in the heterogeneous category are selected and evaluated for impairment on an individual basis. The Bank considers loans individually reviewed to be impaired if, based on current information and events, it is probable the Bank will not be able to collect all amounts due according to the contractual terms of the loan agreement. For loans determined to be impaired, the bank utilizes the most applicable asset valuation method for the loan from the following valuation methods: fair value of collateral less costs to sell, present value of expected future cash flows, or the loan's observable market price. When the value of an impaired loan is less than the recorded investment in the loan, the deficiency is charged-off against the allowance for loan losses. Individually evaluated impaired loans are excluded from receiving any additional general valuation allowance because specific reserves have been established for them. All other loans, including individually evaluated loans determined not to be impaired, are included in groups of loans that are evaluated for general reserves.

All Doubtful loans and loans that are past due or matured in excess of 90 days and on nonaccrual status are considered impaired regardless of the collateral coverage. Modified or restructured loans and Substandard loans over \$5.0 million are also reviewed for possible impairment.

At March 31, 2011 and December 31, 2010, all impaired loans were on nonaccrual status, including \$55.8 million and \$76.9 million, respectively, of loans not 90 or more days past due as of March 31, 2011 and December 31, 2010. At March 31, 2011 and December 31, 2010, there were no commitments to lend additional funds to borrowers whose loans are impaired. Impaired non-covered loans as of March 31, 2011 and December 31, 2010 are set forth in the following tables. The interest income recognized on impaired loans is recognized on a cash basis when received.

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| | Unpaid Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Average Recorded Investment | Interest Income Recognized |
|---|--------------------------------|--|---|---------------------------------|----------------------|-----------------------------------|----------------------------------|
| (In thousands) | | | | | | | |
| As of and for the three months ended March 31, 2010 | | | | | | | |
| Residential: | | | | | | | |
| Single-family | \$11,704 | \$10,346 | \$238 | \$10,584 | \$137 | \$10,837 | \$2 |
| Multifamily | 15,659 | 13,421 | — | 13,421 | — | 13,728 | 152 |
| CRE: | | | | | | | |
| Income producing | 39,975 | 33,985 | 2,894 | 36,879 | 1,123 | 37,128 | 154 |
| Construction | 53,759 | 42,848 | 2,536 | 45,384 | 1,466 | 48,604 | 162 |
| Land | 29,537 | 15,566 | 1,125 | 16,691 | 594 | 19,360 | 111 |
| C&I: | | | | | | | |
| Commercial business | 39,859 | 19,365 | 10,144 | 29,509 | 9,743 | 31,029 | 187 |
| Trade finance | 3,448 | 448 | 3,000 | 3,448 | 77 | 3,534 | 38 |
| Consumer: | | | | | | | |
| Student loans | — | — | — | — | — | — | — |
| Other consumer | 2,985 | 1,755 | — | 1,755 | — | 2,154 | 1 |
| Total | \$196,926 | \$137,734 | \$19,937 | \$157,671 | \$13,140 | \$166,374 | \$807 |
| | Unpaid Principal Balance | Recorded Investment With No Allowance | Recorded Investment With Allowance | Total Recorded Investment | Related Allowance | Average Recorded Investment | Interest Income Recognized |
| (In thousands) | | | | | | | |
| As of and for the year ended December 31, 2010 | | | | | | | |
| Residential: | | | | | | | |
| Single-family | \$ 8,272 | \$ 7,058 | \$ 355 | \$ 7,413 | \$ 219 | \$ 9,046 | \$ 209 |
| Multifamily | 19,065 | 16,751 | 631 | 17,382 | 90 | 18,835 | 540 |
| CRE: | | | | | | | |
| Income producing | 53,615 | 40,062 | 6,354 | 46,416 | 1,557 | 53,678 | 2,174 |
| Construction | 41,200 | 33,030 | 2,436 | 35,466 | 1,366 | 39,076 | 1,728 |
| Land | 39,840 | 21,979 | 6,920 | 28,899 | 4,324 | 32,722 | 1,326 |
| C&I: | | | | | | | |
| Commercial business | 32,273 | 18,774 | 3,897 | 22,671 | 2,468 | 22,800 | 1,199 |
| Trade finance | — | — | — | — | — | — | — |
| Consumer: | | | | | | | |
| Student loans | — | — | — | — | — | — | — |
| Other consumer | 1,261 | 620 | — | 620 | — | 1,072 | 28 |
| Total | \$ 195,526 | \$ 138,274 | \$ 20,593 | \$ 158,867 | \$ 10,024 | \$ 177,229 | \$ 7,204 |

Restructured Loans—The Company had \$44.6 million and \$122.1 million in total performing restructured loans as of March 31, 2011 and December 31, 2010, respectively. Nonperforming restructured loans were \$11.2 million and \$42.1 million at March 31, 2011 and December 31, 2010, respectively. At March 31, 2011, the amount of unfunded commitments for restructured loans was \$3.3 million. At December 31, 2010 the amount of unfunded commitments for restructured loans was \$8.7 million.

Allowance for Loan Losses

The allowance consists of specific reserves and a general reserve. The Bank's loans fall into heterogeneous and homogeneous (mostly consumer loans) categories. Impaired loans in the heterogeneous category are subject to specific reserves. Loans in the homogeneous category, as well as non-impaired loans in the heterogeneous category, are evaluated as part of the general reserve. The general reserve is calculated by utilizing both quantitative and qualitative factors. There are different qualitative risks for the loans in each portfolio segment. As of March 31, 2011, the Residential and CRE segments' predominant risk characteristic is the collateral and the geographic location of the property collateralizing the loan. The risk is qualitatively assessed based on the change in the real estate market in those geographic areas. The C&I segment's predominant risk characteristics are global cash flows of the guarantors and businesses we lend to and economic and market conditions. Consumer loans, excluding the student loan portfolio guaranteed by the U.S. Department of Education, are largely comprised of home equity lines of credit, for which the predominant risk characteristic is the real estate collateral securing the loan.

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Our methodology to determine the overall appropriateness of the allowance is based on a classification migration model and qualitative considerations. The migration analysis examines pools of loans having similar characteristics and analyzes their loss rates over a historical period. We utilize historical loss factors derived from trends and losses associated with each pool over a specified period of time. Based on this process, we assign loss factors to each loan grade within each pool of loans. Loss rates derived by the migration model are based predominantly on historical loss trends that may not be indicative of the actual or inherent loss potential. As such, we utilize qualitative and environmental factors as adjusting mechanisms to supplement the historical results of the classification migration model. Qualitative considerations include, but are not limited to, prevailing economic or market conditions, relative risk profiles of various loan segments, volume concentrations, growth trends, delinquency and nonaccrual status, problem loan trends, and geographic concentrations. Qualitative and environmental factors are reflected as percentage adjustments and are added to the historical loss rates derived from the classified asset migration model to determine the appropriate allowance amount for each loan pool.

Covered Loans—As of the respective acquisition dates, WFIB’s and UCB’s loan portfolios included unfunded commitments for commercial lines of credit, construction draws and other lending activity. The total commitment outstanding as of the respective acquisition dates is covered under the shared-loss agreements. However, any additional advances on these loans subsequent to acquisition date are not accounted for under ASC 310-30. As additional advances on these commitments have occurred, the Bank has considered these amounts in the general reserve of the allowance for loan losses calculation. As of March 31, 2011 and December 31, 2010, \$5.8 million, or 2.5% and \$4.2 million, or 1.8%, respectively, of the total allowance is allocated to a general reserve on covered loans. The covered loans acquired are and will continue to be subject to the Bank’s internal and external credit review and monitoring. Credit deterioration, if any, beyond the respective acquisition date fair value amounts of the covered loans under ASC 310-30 will be separately measured and accounted for under ASC 310-30. If required, the establishment of an allowance for covered loans accounted for under ASC 310-30 will result in a charge to earnings with a partially offsetting noninterest income item reflected in the increase to the FDIC indemnification asset or receivable. As of March 31, 2011 and December 31, 2010, there is no allowance for the covered loans accounted for under ASC 310-30 due to deterioration of credit quality.

The Company recorded \$26.5 million in loan loss provisions for the three months ended March 31, 2011, as compared to \$76.4 million for the three months ended March 31, 2010. It is the Company’s policy to promptly charge-off the amount of impairment on a loan which represents the difference in the outstanding loan balance and the fair value of the collateral or discounted cash flow. Recoveries are recorded when payment is received on loans that were previously charged-off through the allowance for loan losses. For the three months ended March 31, 2011, the Company recorded \$34.2 million in net charge-offs in comparison to \$63.9 million for the three months ended March 31, 2010. The following tables detail activity in the allowance for loan losses, for both non-covered and covered loans, by portfolio segment for the three months ended March 31, 2011 and the year ended December 31, 2010. Allocation of a portion of the allowance to one segment of the loan portfolio does not preclude its availability to absorb losses in other segments.

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| | Residential | CRE | C&I | Consumer | Covered Loans Subject to General Reserves(1) | Unallocated | Total |
|--|----------------|------------|-----------|----------|---|-------------|------------|
| | (In thousands) | | | | | | |
| Three months ended March 31, 2011 | | | | | | | |
| Beginning balance | \$ 49,491 | \$ 117,752 | \$ 59,737 | \$ 3,428 | \$ 4,225 | \$ — | \$ 234,633 |
| Provision for loan losses | 924 | (104) | 22,027 | 1,367 | 1,534 | 758 | 26,506 |
| Allowance for unfunded loan commitments and letters of credit | — | — | — | — | — | (758) | (758) |
| Charge-offs | (3,337) | (22,400) | (10,718) | (1,080) | — | — | (37,535) |
| Recoveries | 231 | 973 | 2,058 | 53 | — | — | 3,315 |
| Net charge-offs | (3,106) | (21,427) | (8,660) | (1,027) | — | — | (34,220) |
| Ending balance | \$ 47,309 | \$ 96,221 | \$ 73,104 | \$ 3,768 | \$ 5,759 | \$ — | \$ 226,161 |
| Ending balance allocated to: | | | | | | | |
| Loans individually evaluated for impairment | \$ 137 | \$ 3,183 | \$ 9,820 | \$ — | \$ — | \$ — | \$ 13,140 |
| Loans collectively evaluated for impairment | 47,172 | 93,038 | 63,284 | 3,768 | 5,759 | — | 213,021 |
| Loans acquired with deteriorated credit quality (2) | — | — | — | — | — | — | — |
| Ending balance | \$ 47,309 | \$ 96,221 | \$ 73,104 | \$ 3,768 | \$ 5,759 | \$ — | \$ 226,161 |

| | Residential | CRE | C&I | Consumer | Covered Loans Subject to General Reserves(1) | Unallocated | Total |
|---------------------------------|----------------|------------|-----------|----------|---|-------------|------------|
| | (In thousands) | | | | | | |
| Year ended December 31, 2010 | | | | | | | |
| Beginning balance | \$ 38,025 | \$ 147,591 | \$ 50,487 | \$ 2,730 | \$ — | \$ — | \$ 238,833 |
| Provision for loan losses | 59,525 | 97,548 | 34,613 | 2,415 | 4,225 | 1,833 | 200,159 |
| Allowance for unfunded loan | — | — | — | — | — | (1,833) | (1,833) |

| | | | | | | | |
|-----------------------------------|-----------|------------|-----------|----------|----------|------|------------|
| commitments and letters of credit | | | | | | | |
| Charge-offs | (49,685) | (137,460) | (35,479) | (2,579) | — | — | (225,203) |
| Recoveries | 1,626 | 10,073 | 10,116 | 862 | — | — | 22,677 |
| Net charge-offs | (48,059) | (127,387) | (25,363) | (1,717) | — | — | (202,526) |
| Ending balance | \$ 49,491 | \$ 117,752 | \$ 59,737 | \$ 3,428 | \$ 4,225 | \$ — | \$ 234,633 |

Ending balance allocated to:

| | | | | | | | |
|---|-----------|------------|-----------|----------|----------|------|------------|
| Loans individually evaluated for impairment | \$ 309 | \$ 7,247 | \$ 2,468 | \$ — | \$ — | \$ — | \$ 10,024 |
| Loans collectively evaluated for impairment | 49,182 | 110,505 | 57,269 | 3,428 | 4,225 | — | 224,609 |
| Loans acquired with deteriorated credit quality (2) | — | — | — | — | — | — | — |
| Ending balance | \$ 49,491 | \$ 117,752 | \$ 59,737 | \$ 3,428 | \$ 4,225 | \$ — | \$ 234,633 |

- (1) This allowance is related to drawdowns on commitments that were in existence as of the acquisition dates of WFIB and UCB and, therefore, are covered under the shared-loss agreements with the FDIC. Allowance on these subsequent drawdowns is accounted for as part of the general valuation allowance.
- (2) The Company has elected to account for all covered loans acquired in the FDIC-assisted acquisitions under ASC 310-30.

The Company's recorded investment in total loans receivable as of March 31, 2011 and December 31, 2010 related to each balance in the allowance for loan losses by portfolio segment and disaggregated on the basis of the Company's impairment methodology is as follows:

| | Residential | CRE | C&I | Consumer | Covered Loans Subject to General Reserves | Total |
|--|-------------|-------------|-------------|-----------|---|--------------|
| (In thousands) | | | | | | |
| March 31, 2011 | | | | | | |
| Loans individually evaluated for impairment | \$24,006 | \$98,953 | \$32,957 | \$1,755 | \$— | \$157,671 |
| Loans collectively evaluated for impairment | 2,126,338 | 3,715,389 | 2,150,862 | 668,774 | 591,824 | 9,253,187 |
| Loans acquired with deteriorated credit quality(1) | 1,547,232 | 2,881,019 | 557,818 | 80,203 | — | 5,066,272 |
| Ending balance | \$3,697,576 | \$6,695,361 | \$2,741,637 | \$750,732 | \$591,824 | \$14,477,130 |

| | | | | | |
|-------------|-----|-----|----------|---------------|-------|
| Residential | CRE | C&I | Consumer | Covered Loans | Total |
|-------------|-----|-----|----------|---------------|-------|

Subject to
General
Reserves

(In thousands)

December 31, 2010

| | | | | | | |
|--|--------------|--------------|--------------|------------|------------|---------------|
| Loans individually evaluated for impairment | \$ 24,795 | \$ 110,781 | \$ 22,671 | \$ 620 | \$ — | \$ 158,867 |
| Loans collectively evaluated for impairment | 2,068,974 | 3,795,957 | 1,960,685 | 732,905 | 561,725 | 9,120,246 |
| Loans acquired with deteriorated credit quality(1) | 1,614,732 | 3,059,133 | 634,560 | 85,623 | — | 5,394,048 |
| Ending balance | \$ 3,708,501 | \$ 6,965,871 | \$ 2,617,916 | \$ 819,148 | \$ 561,725 | \$ 14,673,161 |

(1) The Company has elected to account for all covered loans acquired in the FDIC-assisted acquisitions under ASC 310-30. These are covered loans presented gross excluding the purchase discount and net of additional advances subsequent to acquisition date.

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Allowance for Unfunded Loan Commitments, Off-Balance Sheet Credit Exposures and Recourse Provisions—The allowance for unfunded loan commitments, off-balance sheet credit exposures, and recourse provisions is maintained at a level believed by management to be sufficient to absorb estimated probable losses related to these unfunded credit facilities. The determination of the adequacy of the allowance is based on periodic evaluations of the unfunded credit facilities including an assessment of the probability of commitment usage, credit risk factors for loans outstanding to these same customers, and the terms and expiration dates of the unfunded credit facilities. As of March 31, 2011 and December 31, 2010, the allowance for unfunded loan commitments, off-balance sheet credit exposures, and recourse provisions amounted to \$10.7 million and \$10.0 million, respectively. Net adjustments to the allowance for unfunded loan commitments, off-balance sheet credit exposures, and recourse provisions are included in the provision for loan losses.

Loans serviced for others amounted to \$1.71 billion and \$1.81 billion at March 31, 2011 and December 31, 2010, respectively. These represent loans that have either been sold or securitized for which the Bank continues to provide servicing and has limited recourse. The majority of these loans are residential and CRE at March 31, 2011 and December 31, 2010. Of the total allowance for unfunded loan commitments, off-balance sheet credit exposures, and recourse provisions, \$4.7 million and \$4.7 million pertain to these loans as of March 31, 2011 and December 31, 2010, respectively. These loans are maintained off-balance sheet and are not included in the loans receivable balance.

NOTE 9 — PREMISES AND EQUIPMENT

At March 31, 2011, total premises and equipment was \$197.6 million with accumulated depreciation and amortization of \$63.8 million and a net value of \$133.8 million. At December 31, 2010, total premises and equipment was \$196.6 million with accumulated depreciation and amortization of \$60.7 million and a net value of \$135.9 million.

Capitalized assets are depreciated or amortized on a straight-line basis in accordance with the estimated useful life for each fixed asset class. The estimated useful life for furniture and fixtures is seven years, office equipment is for five years, and twenty-five years for buildings and improvements. Leasehold improvements are amortized over the shorter of the term of the lease or useful life.

NOTE 10 — GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The carrying amount of goodwill remained at \$337.4 million as of March 31, 2011 and December 31, 2010. Goodwill is tested for impairment on an annual basis as of December 31, or more frequently as events occur, or as current circumstances and conditions warrant. The Company records impairment write-downs as charges to noninterest expense and adjustments to the carrying value of goodwill. Subsequent reversals of goodwill impairment are prohibited.

As of March 31, 2011, the Company's market capitalization based on total outstanding common and preferred shares was \$3.5 billion and its total stockholders' equity was \$2.16 billion. The Company performed its annual impairment test as of December 31, 2010 to determine whether and to what extent, if any, recorded goodwill was impaired. The analysis compared the fair value of each of the reporting units, including goodwill, to the respective carrying amounts. If the carrying amount of the reporting unit, including goodwill, exceeds the fair value of that reporting unit, then further testing for goodwill impairment is performed.

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Premiums on Acquired Deposits

The Company also has premiums on acquired deposits, which represent the intangible value of depositor relationships resulting from deposit liabilities assumed in various acquisitions. These intangibles are tested for impairment on an annual basis, or more frequently as events occur, or as current circumstances and conditions warrant. As of March 31, 2011 and December 31, 2010, the gross carrying amount of premiums on acquired deposits totaled \$117.6 million and \$117.6 million, respectively, and the related accumulated amortization totaled \$41.3 million and \$38.1 million, respectively.

The Company amortizes premiums on acquired deposits based on the projected useful lives of the related deposits. Amortization expense of premiums on acquired deposits was \$3.2 million and \$3.4 million for the three months ended March 31, 2011 and 2010, respectively.

The following table provides the estimated future amortization expense of premiums on acquired deposits for the succeeding five years and thereafter:

| Estimated Amortization Expense of Premiums on Acquired Deposits | Amount (In thousands) |
|---|--------------------------|
| Nine Months Ending December 31, 2011 | \$ 9,330 |
| Year Ending December 31, 2012 | 11,176 |
| Year Ending December 31, 2013 | 9,660 |
| Year Ending December 31, 2014 | 8,775 |
| Year Ending December 31, 2015 | 7,724 |
| Thereafter | 29,667 |
| Total | \$ 76,332 |

NOTE 11 — COMMITMENTS AND CONTINGENCIES

Credit Extensions—In the normal course of business, the Company has various outstanding commitments to extend credit that are not reflected in the accompanying condensed consolidated financial statements. As of March 31, 2011 and December 31, 2010, undisbursed loan commitments amounted to \$1.95 billion and \$1.89 billion, respectively. Commercial and standby letters of credit amounted to \$874.2 million and \$768.8 million as of March 31, 2011 and December 31, 2010, respectively.

Guarantees—From time to time, the Company sells or securitizes loans with recourse in the ordinary course of business. For loans that have been sold or securitized with recourse, the recourse component is considered a guarantee. When the Company sells or securitizes a loan with recourse, it commits to stand ready to perform if the loan defaults and to make payments to remedy the default. As of March 31, 2011, total loans sold or securitized with recourse amounted to \$675.6 million and were comprised of \$58.9 million in single-family loans with full recourse and \$616.8 million in multifamily loans with limited recourse. In comparison, total loans sold or securitized with recourse amounted to \$699.6 million at December 31, 2010, comprised of \$60.9 million in single-family loans with full recourse and \$638.7 million in multifamily loans with limited recourse. The recourse provision on multifamily loans varies by loan sale and is limited to up to 4% of the top loss on the underlying loans. The Company's recourse reserve related to loan sales and securitizations totaled \$4.7 million as of March 31, 2011 and \$4.7 million as of December 31, 2010, and is included in accrued expenses and other liabilities in the accompanying condensed consolidated balance sheets. Despite the challenging conditions in the real estate market, the Company continues to experience minimal losses from the single-family and multifamily loan portfolios.

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The Company also sells or securitizes loans without recourse that may have to be subsequently repurchased if a defect that occurred during the loan origination process results in a violation of a representation or warranty made in connection with the securitization or sale of the loan. When a loan sold or securitized to an investor without recourse fails to perform according to its contractual terms, the investor will typically review the loan file to determine whether defects in the origination process occurred and if such defects give rise to a violation of a representation or warranty made to the investor in connection with the sale or securitization. If such a defect is identified, the Company may be required to either repurchase the loan or indemnify the investor for losses sustained. If there are no such defects, the Company has no commitment to repurchase the loan. As of March 31, 2011 and December 31, 2010, the amount of loans sold without recourse totaled \$1.36 billion and \$1.48 billion, respectively. Total loans securitized without recourse amounted to \$318.5 million and \$325.5 million, respectively, at March 31, 2011 and December 31, 2010. The loans sold or securitized without recourse represent the unpaid principal balance of the Company's loans serviced for others portfolio.

Litigation—Neither the Company nor the Bank is involved in any material legal proceedings at March 31, 2011. The Bank, from time to time, is a party to litigation that arises in the ordinary course of business, such as claims to enforce liens, claims involving the origination and servicing of loans, and other issues related to the business of the Bank. After taking into consideration information furnished by counsel to the Company and the Bank, management believes that the resolution of such issues will not have a material adverse impact on the financial position, results of operations or liquidity of the Company or the Bank.

NOTE 12 — STOCKHOLDERS' EQUITY

Series A Preferred Stock Offering—In April 2008, the Company issued 200,000 shares of 8% Non-Cumulative Perpetual Convertible Preferred Stock, Series A ("Series A"), with a liquidation preference of \$1,000 per share. The Company received \$194.1 million of additional Tier 1 qualifying capital, after deducting stock issuance costs. The holders of the Series A preferred stock have the right at any time to convert each share of Series A preferred shares into 64.9942 shares of the Company's common stock, plus cash in lieu of fractional shares. This represents an initial conversion price of approximately \$15.39 per share of common stock or a 22.5% conversion premium base