# EWBC Investor Presentation

## Fourth Quarter 2018

March 2019

EAST WEST BANK
Your financial bridge®

# Forward-Looking Statements

**Forward-Looking Statements**

*Certain matters set forth herein (including any exhibits hereto) constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including forward-looking statements relating to our current business plans and expectations regarding future operating results. Forward-looking statements may include, but are not limited to, the use of forward-looking language, such as "likely result in," "expects," "anticipates," "estimates," "forecasts," "projects," "intends to," "assumes," or may include other similar words or phrases, such as "believes," "plans," "trend," "objective," "continues," "remains," or similar expressions, or future or conditional verbs, such as "will," "would," "should," "could," "may," "might," "can," or similar verbs, and the negative thereof. These forward-looking statements are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those projected. These risks and uncertainties, some of which are beyond our control, include, but are not limited to, our ability to compete effectively against other financial institutions in our banking markets; success and timing of our business strategies; our ability to retain key officers and employees; impact on our funding costs, net interest income and net interest margin due to changes in key variable market interest rates, competition, regulatory requirements and our product mix; changes in our costs of operation, compliance and expansion; our ability to adopt and successfully integrate new technologies into our business in a strategic manner; impact of failure in, or breach of, our operational or security systems or infrastructure, or those of third parties with whom we do business, including as a result of cyber attacks; and other similar matters which could result in, among other things, confidential and/or proprietary information being disclosed or misused; adequacy of our risk management framework, disclosure controls and procedures and internal control over financial reporting; future credit quality and performance, including our expectations regarding future credit losses and allowance levels; impact of adverse changes to our credit ratings from the major credit rating agencies; impact of adverse judgments or settlements in litigation; changes in the commercial and consumer real estate markets; changes in consumer spending and savings habits; changes in the United States ("U.S.") economy, including inflation, deflation, employment levels, rate of growth and general business conditions; changes in government interest rate policies; impact of benchmark interest rate reform in the U.S. that resulted in the Secured Overnight Financing Rate selected as the preferred alternative reference rate to the London Interbank Offered Rate; impact of political developments, wars or other hostilities that may disrupt or increase volatility in securities or otherwise affect economic conditions; changes in laws or the regulatory environment including regulatory reform initiatives and policies of the U.S. Department of Treasury, the Board of Governors of the Federal Reserve Board System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the U.S. Securities and Exchange Commission, the Consumer Financial Protection Bureau and the California Department of Business Oversight — Division of Financial Institutions; impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act on our business, business practices, cost of operations and executive compensation; heightened regulatory and governmental oversight and scrutiny of our business practices, including dealings with consumers; impact of reputational risk from negative publicity, fines and penalties and other negative consequences from regulatory violations and legal actions and from our interactions with business partners, counterparties, service providers and other third parties; impact of regulatory enforcement actions; changes in accounting standards as may be required by the Financial Accounting Standards Board or other regulatory agencies and their impact on critical accounting policies and assumptions; changes in income tax laws and regulations and the impact of the Tax Cuts and Jobs Act; impact of other potential federal tax changes and spending cuts; our capital requirements and our ability to generate capital internally or raise capital on favorable terms; changes in our ability to receive dividends from our subsidiaries; any future strategic acquisitions or divestitures; continuing consolidation in the financial services industry; changes in the equity and debt securities markets; fluctuations of our stock price; fluctuations in foreign currency exchange rates; a recurrence of significant turbulence or disruption in the capital or financial markets, which could result in, among other things, a reduction in the availability of funding or increased funding costs, reduced investor demand for mortgage loans and declines in asset values and/or recognition of other-than-temporary impairment on securities held in our available-for-sale investment securities portfolio; changes in the economy of and monetary policy in the People's Republic of China; impact of natural or man-made disasters or calamities or conflicts or other events that may directly or indirectly result in a negative impact on our financial performance; and other factors set forth in our public reports including its Annual Report on Form 10-K for the year ended December 31, 2017, and particularly the discussion of risk factors within that document. If any of these risks or uncertainties materializes or if any of the assumptions underlying such forward-looking statements proves to be incorrect, our results could differ materially from those expressed in, implied or projected by such forward-looking statements. We assume no obligation to update or revise such forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.*

# East West Profile

**East West Bank** is the largest independent bank headquartered in Southern California

With $41 billion in total assets, 46 years of operating history, and 3,200 associates,
East West Bank is the leading bank serving the Asian community in the U.S.

## UNITED STATES

120+ Locations

*Across 60+ cities in 10 metropolitan areas*

81 U.S. branches in California

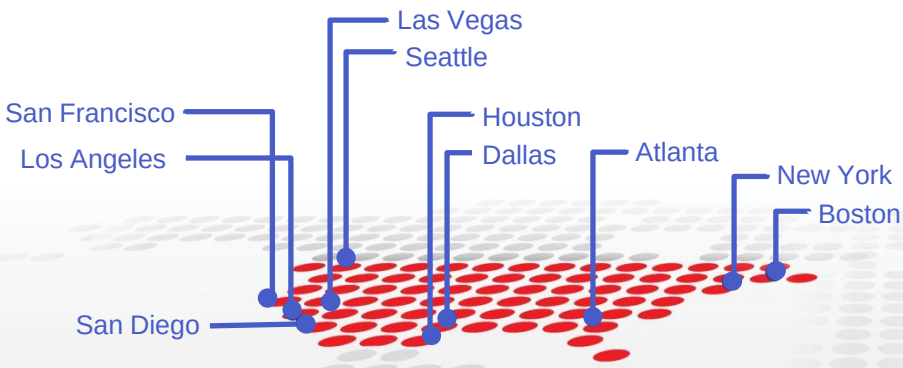
**130+** LOCATIONS THROUGHOUT

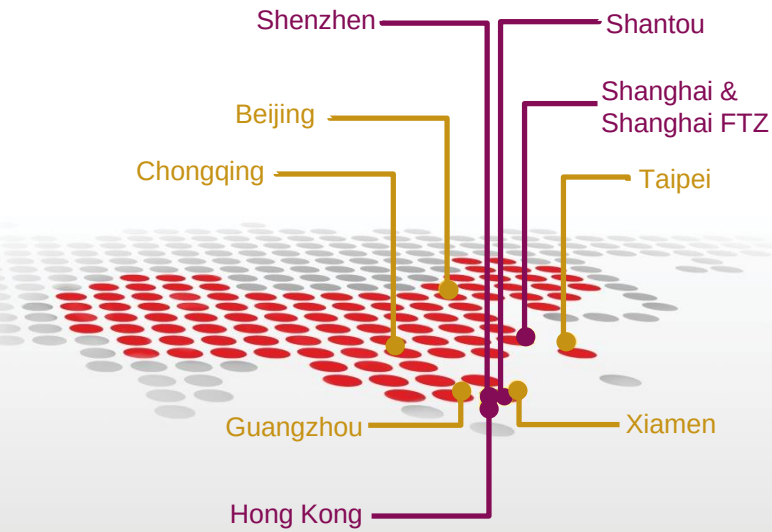
## GREATER CHINA

10 Locations

***5*** *Full-service branches*

***5*** *Representative offices*



# Bank Rankings by Total Assets and Market Cap

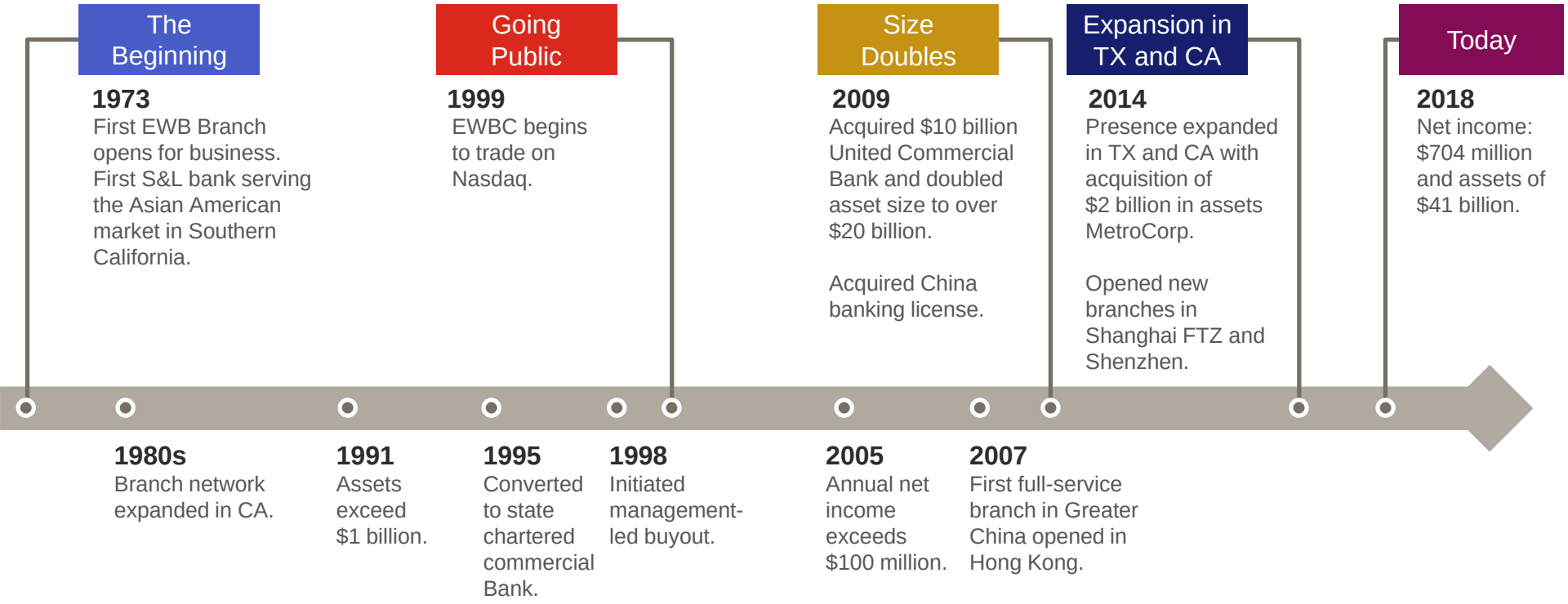
| Rank | Total Assets (as of 12.31.18) | Ticker | $ Billion | Mcap / Assets |
|---|---|---|---|---|
| 1 | JPMorgan Chase & Co. | JPM | 2,622.5 | 13% |
| 2 | Bank of America Corporation | BAC | 2,354.5 | 12% |
| 3 | Citigroup Inc. | C | 1,917.4 | 8% |
| 4 | Wells Fargo & Company | WFC | 1,895.9 | 12% |
| 5 | U.S. Bancorp | USB | 467.4 | 18% |
| 6 | PNC Financial Services Group | PNC | 382.3 | 15% |
| 7 | Capital One | COF | 372.5 | 10% |
| 8 | BB&T Corporation* | BBT | 225.7 | 17% |
| 9 | SunTrust Banks, Inc.* | STI | 215.5 | 13% |
| 10 | Citizens Financial Group, Inc. | CFG | 160.5 | 11% |
| 11 | Fifth Third Bancorp | FITB | 146.1 | 12% |
| 12 | KeyCorp | KEY | 139.6 | 13% |
| 13 | Regions Financial Corporation | RF | 125.7 | 13% |
| 14 | M&T Bank Corporation | MTB | 120.1 | 20% |
| 15 | Huntington Bancshares | HBAN | 108.8 | 14% |
| 16 | First Republic Bank | FRC | 99.2 | 17% |
| 17 | Comerica Incorporated | CMA | 70.8 | 20% |
| 18 | Zions Bancorporation | ZION | 68.7 | 14% |
| 19 | SVB Financial Group | SIVB | 56.9 | 23% |
| 20 | New York Community Bancorp | NYCB | 51.9 | 11% |
| 21 | CIT Group Inc. | CIT | 48.5 | 11% |
| 22 | People's United Financial, Inc. | PBCT | 47.9 | 14% |
| 23 | Signature Bank | SBNY | 47.4 | 16% |
| **24** | **East West Bancorp, Inc.** | **EWBC** | **41.0** | **19%** |
| 25 | First Horizon Nat'l Corp. | FHN | 40.8 | 12% |

| Rank | Market Cap (as of 2.28.19) | Ticker | $ Billion | Mcap / Assets |
|---|---|---|---|---|
| 1 | JPMorgan Chase & Co. | JPM | 341.8 | 13% |
| 2 | Bank of America Corporation | BAC | 280.9 | 12% |
| 3 | Wells Fargo & Company | WFC | 228.6 | 12% |
| 4 | Citigroup Inc. | C | 150.5 | 8% |
| 5 | U.S. Bancorp | USB | 82.7 | 18% |
| 6 | PNC Financial Services Group | PNC | 57.6 | 15% |
| 7 | Capital One | COF | 39.1 | 10% |
| 8 | BB&T Corporation* | BBT | 38.9 | 17% |
| 9 | SunTrust Banks, Inc.* | STI | 28.8 | 13% |
| 10 | M&T Bank Corporation | MTB | 24.0 | 20% |
| 11 | Fifth Third Bancorp | FITB | 17.8 | 12% |
| 12 | KeyCorp | KEY | 17.8 | 13% |
| 13 | First Republic Bank | FRC | 17.3 | 17% |
| 14 | Citizens Financial Group, Inc. | CFG | 17.0 | 11% |
| 15 | Regions Financial Corporation | RF | 16.7 | 13% |
| 16 | Huntington Bancshares | HBAN | 15.1 | 14% |
| 17 | Comerica Incorporated | CMA | 13.9 | 20% |
| 18 | SVB Financial Group | SIVB | 13.0 | 23% |
| 19 | Zions Bancorporation | ZION | 9.5 | 14% |
| **20** | **East West Bancorp, Inc.** | **EWBC** | **7.9** | **19%** |
| 21 | Signature Bank | SBNY | 7.5 | 16% |
| 22 | Commerce Bancshares, Inc. | CBSH | 7.0 | 27% |
| 23 | People's United Financial, Inc. | PBCT | 6.6 | 14% |
| 24 | Synovus Financial Corp. | SNV | 6.6 | 20% |
| 25 | Cullen/Frost Bankers, Inc. | CFR | 6.5 | 20% |

* BBT & STI announced a merger of equals on February 7, 2019.

Data based on independent commercial banks.
Source: S&P Global Market Intelligence (SNL Financial)

# East West Bank Milestones



# Focused on All of Our Stakeholders

All employees are shareholders, with vested interest in the Company's success.

United in following our corporate values:
**A**bsolute Integrity
**C**ustomer Alignment
**C**reativity
**R**espect & Fairness
**U**nification
**E**xpertise & Professionalism
**S**elflessness

Long history of providing financing for affordable housing and small businesses.

Through partnerships and volunteering, dedicated to improving the communities we serve.




Our customer-centric guiding principles empower staff to put customers' needs first, building deep relationships for the long-term.

**Differentiated Bridge Banking Model:**
Through our footprint, cultural understanding, industry expertise, and knowledge of the local business environments, uniquely positioned to serve customers with financial needs in both the U.S. and Greater China

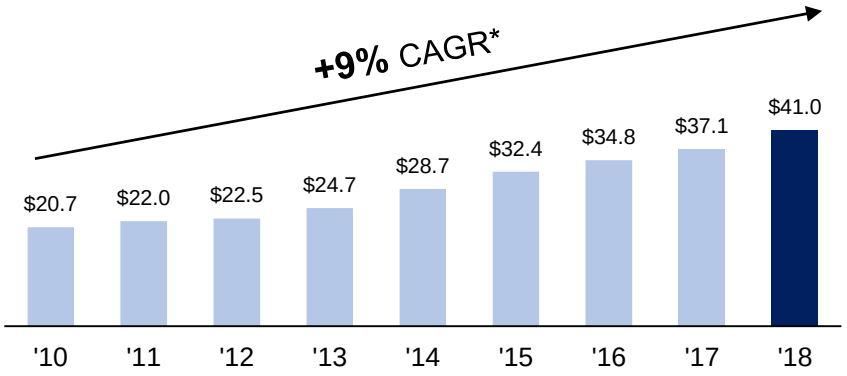
Delivering above peer profitability driven by consistent, sustainable loan and deposit growth, as well as a focus on operational excellence.

Robust investment in risk management and corporate governance best practices.

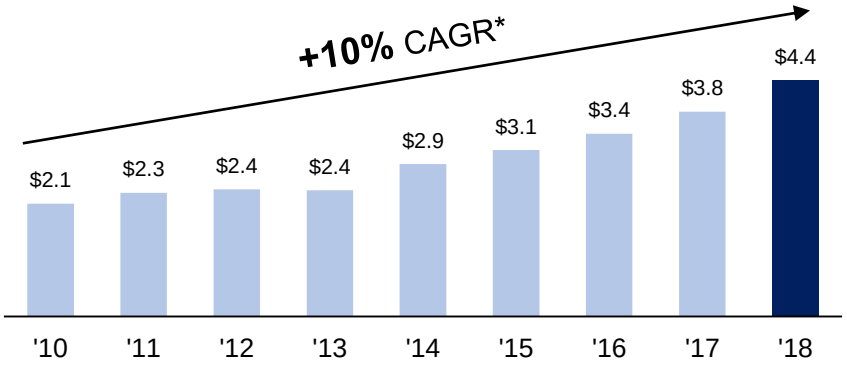
# Strong Balance Sheet Growth

*($ in billions)*

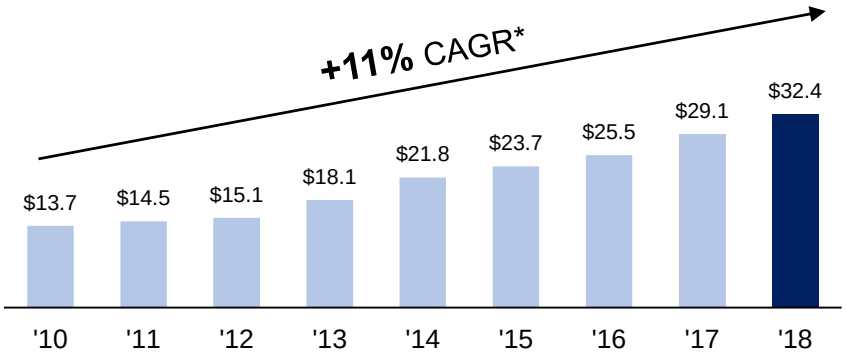
## Total Assets



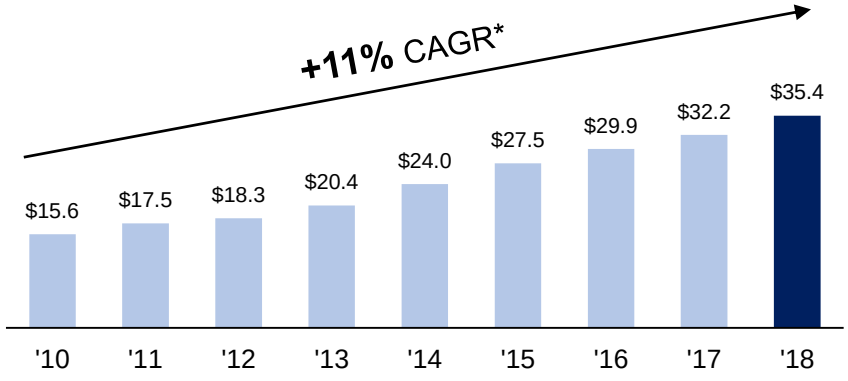

## Stockholders' Equity




## Total Loans



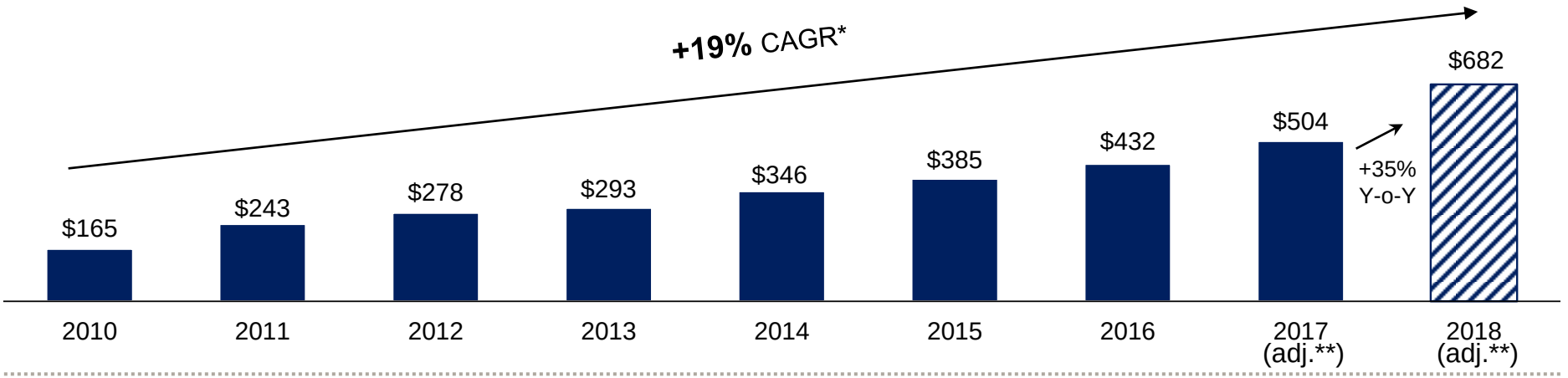

## Total Deposits



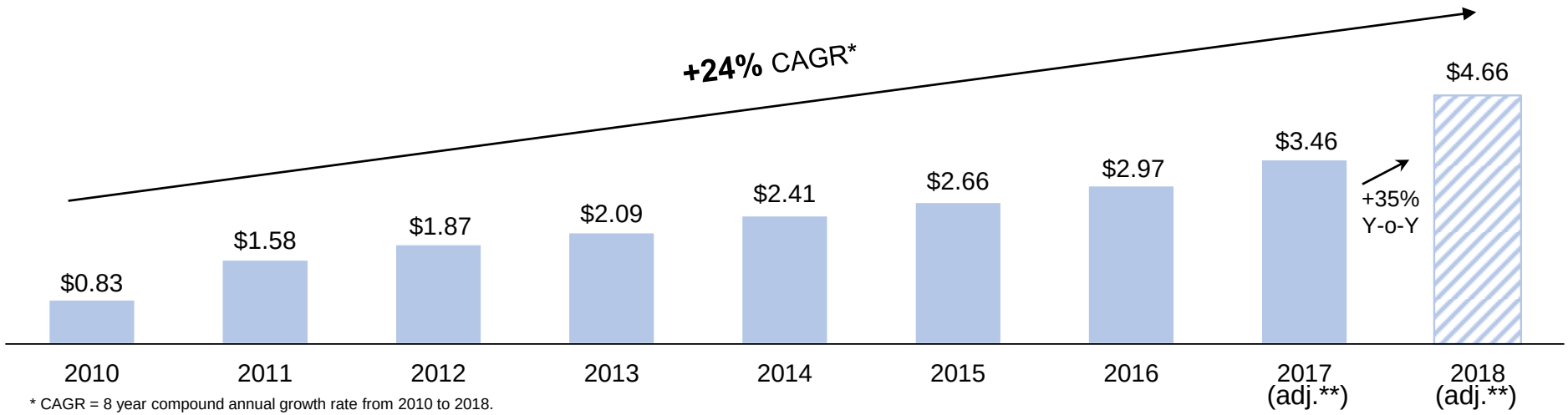

* CAGR from December 31, 2010 – December 31, 2018.

# Strong Earnings Growth

## Net Earnings ($ in millions)




## Diluted EPS




* CAGR = 8 year compound annual growth rate from 2010 to 2018.
** See reconciliation of GAAP to non-GAAP financial measures in the Company's Earnings Press Releases.

# Highlights of Fourth Quarter 2018 Results

| *$ in millions, except per share data* | Current Quarter | Q-o-Q Change | Y-o-Y Change |
|---|---|---|---|
| **Earnings** | | | |
| Net income | $ 173.0 | 1% | 104% |
| Adj.[1] net income | $ 173.0 | 1% | 37% |
| EPS | $ 1.18 | 1% | 104% |
| Adj.[1] EPS | $ 1.18 | 1% | 37% |
| NII | $ 369.4 | 6% | 16% |
| NIM | 3.79% | 3 bps | 22 bps |
| **Balance Sheet** | | | |
| Loans | $ 32,385 | 4% | 11% |
| Deposits | $ 35,440 | 5% | 10% |
| TBVPS[1] | $ 27.15 | 5% | 17% |
| **Credit Quality** | | | |
| NCO ratio | 0.20% | 15 bps | (2) bps |
| NPAs | $ 93.0 | (19)% | (19)% |

**4Q18 Net income**
$173 million

**2018 Net income**
$704 million

**4Q18 Diluted EPS**
$1.18

**2018 Diluted EPS**
$4.81

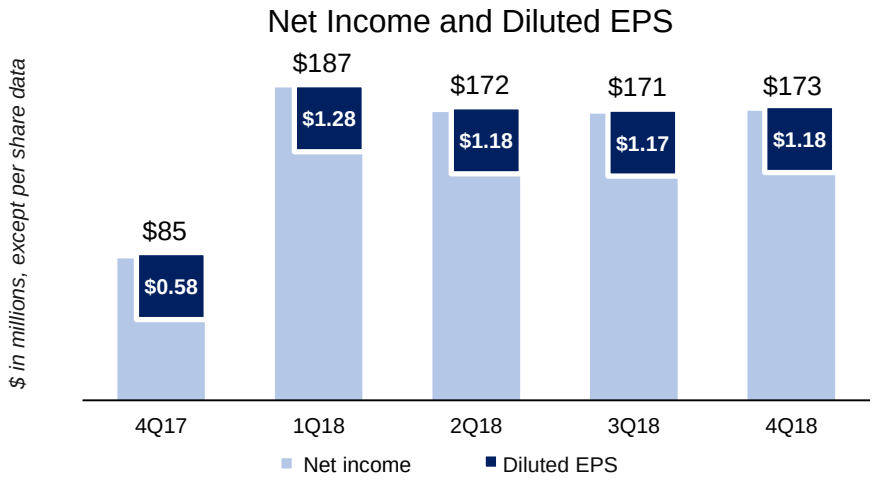
**Tangible equity[1]/share**
$27.15

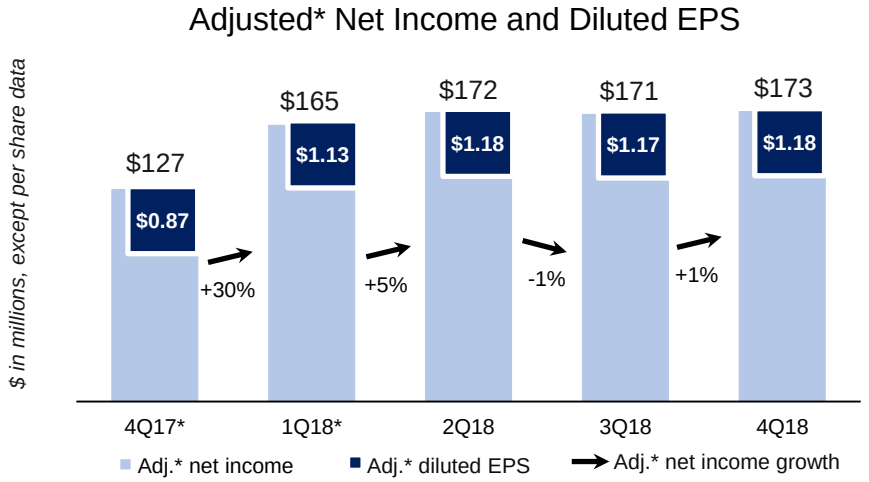
**Record loans**
$32.4 billion

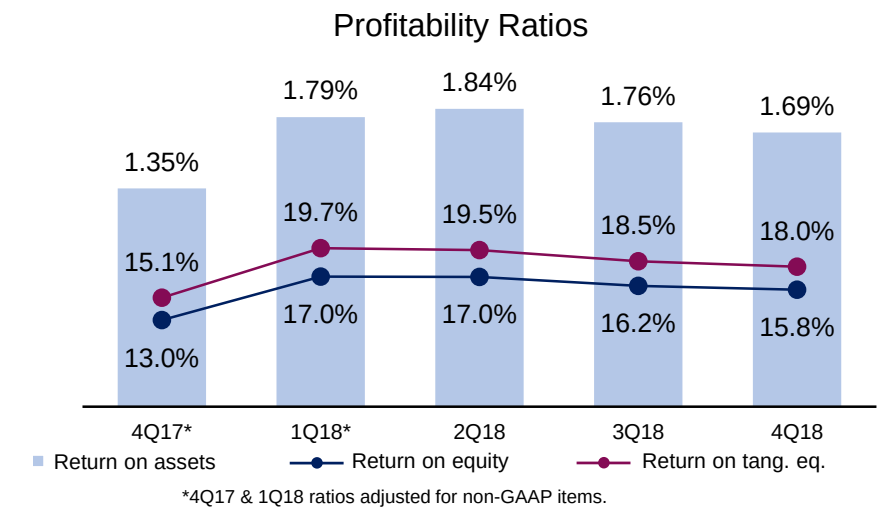
**Record deposits**
$35.4 billion

[1] See reconciliation of GAAP to non-GAAP financial measures in the appendix of this presentation and in the Company's 4Q18 Earnings Press Release.

# 4Q18 Earnings Growth and Profitability




*4Q17 & 1Q18 ratios adjusted for non-GAAP items.

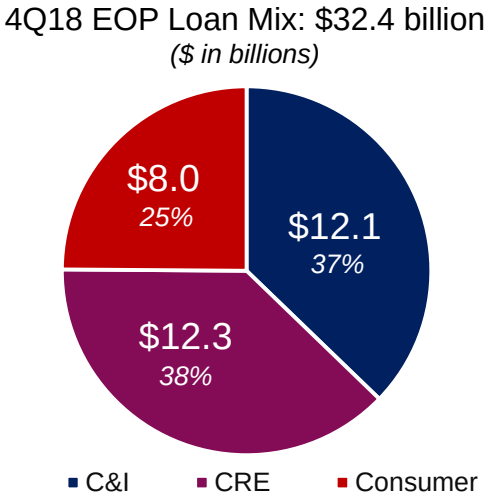
- 5-quarter GAAP ROA range: 0.90% to 2.03%.
  - 5-quarter operating ROA range: 1.35% to 1.84%.
- 5-quarter GAAP ROE range: 8.7% to 19.3%.
  - 5-quarter operating ROE range: 13.0% to 17.0%.
- 5-quarter GAAP tangible ROE range: 10.2% to 22.3%.
  - 5-quarter operating tangible ROE range: 15.1% to 19.7%.

* See reconciliation of GAAP to non-GAAP financial measures in the appendix of this presentation and in the Company's 4Q18 Earnings Press Release. 1Q18 adjusted for the gain on sale of DCB, and 4Q17 adjusted for the impact of the enactment of the Tax Cuts and Jobs Act.

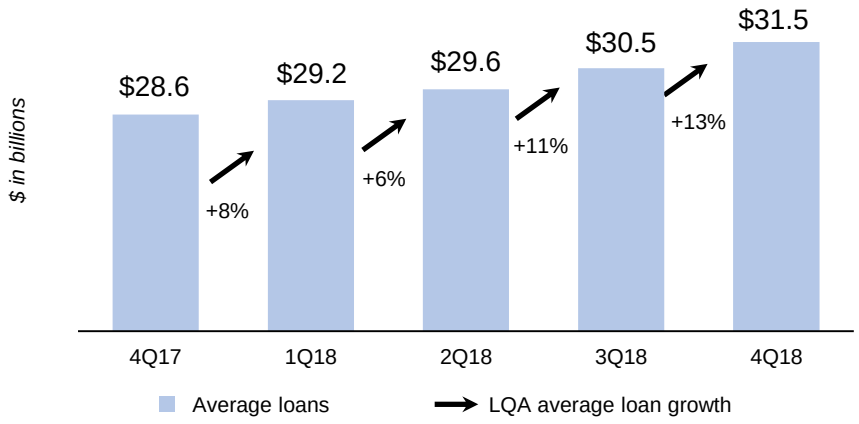
# Management Outlook: Full Year 2019

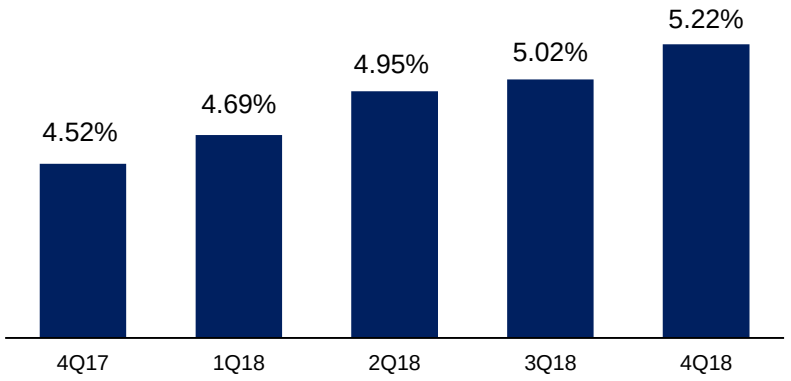
| Earnings drivers | FY 2019 expectations compared to FY 2018 results | FY 2018 actual |
|---|---|---|
| **End of Period Loans** | ▪ Increase by approximately 10%. | $32.4 billion,<br>+11% Y-o-Y |
| **Net Interest Income** | ▪ Increase at a percentage rate in the low double-digits (excl. the impact of ASC 310-30 discount accretion). | $1.4 billion,<br>+17% Y-o-Y |
| **NIM** | ▪ 3.75% to 3.80% (excl. the impact of ASC 310-30 discount accretion).<br>▪ ASC 310-30 discount accretion estimated to add 2 bps. | 3.72% (ex. accretion),<br>+30 bps Y-o-Y<br>3.78% (w/ accretion),<br>+30 bps Y-o-Y |
| **Noninterest Expense** | ▪ Increase at a percentage rate in the mid-single-digits (excl. tax credit investment & core deposit intangible amortization). | $619 million,<br>+9% Y-o-Y |
| **Provision for Credit Losses** | ▪ In the range of $80mm to $90mm. | $64 million,<br>+39% Y-o-Y |
| **Tax Items** | ▪ Full year effective tax rate of approximately 15%, including the impact of tax credit investments, which reduce our tax liability from statutory rates. | Effective tax rate:<br>14% |
| **Interest Rates** | ▪ No further fed funds rate increases. | Fed funds increased 100 bps in 2018:<br>+25 bps each in March, June, September and December. |

# 4Q18 Record Loans of $32.4 billion




- EOP loan growth of 4% Q-o-Q (+15% LQA).
- Avg. loan growth of 3% Q-o-Q (+13% LQA).
  - Avg. growth in C&I: $427mm (+15% LQA).
  - Avg. growth in SFR: $359mm (+26% LQA).
  - Avg. growth in CRE: $295mm (+10% LQA).
- 4Q18 avg. loan yield of 5.22%, up by 20 bps Q-o-Q.
  - Yield expansion driven by upward repricing of variable rate loans.

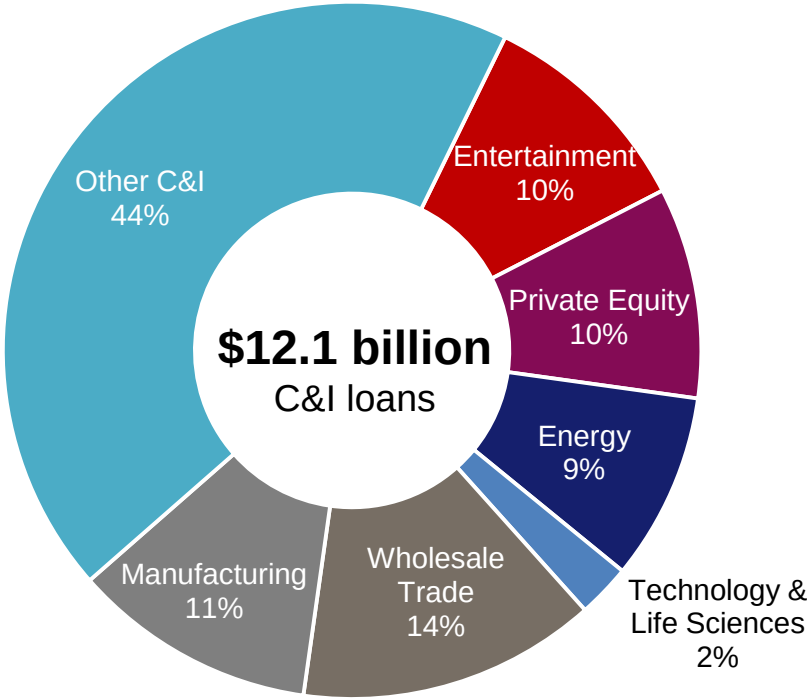



Loan portfolio composition: CRE = CRE, MFR, construction and land. Consumer = SFR, HELOC, and other consumer.

# Diversified C&I Loan Portfolio

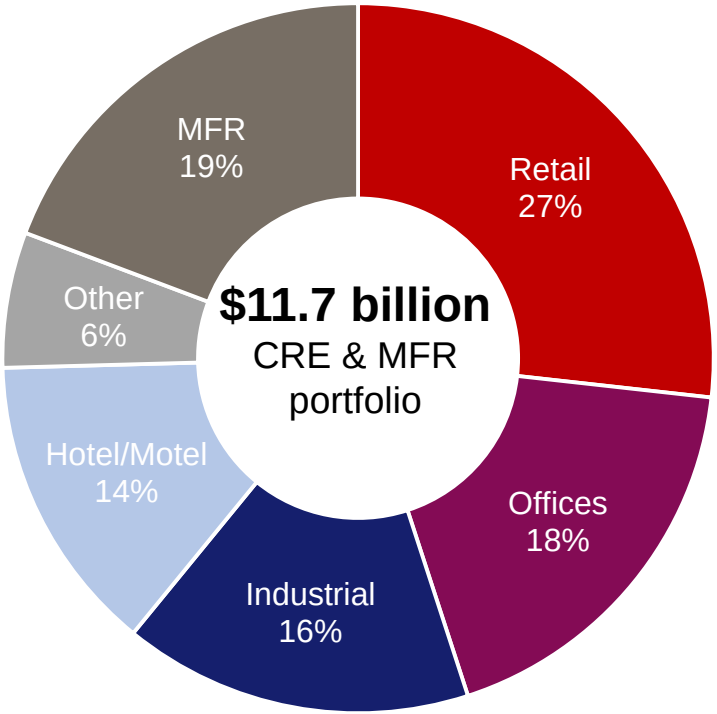
## Selected Portfolios (as of 12.31.18)



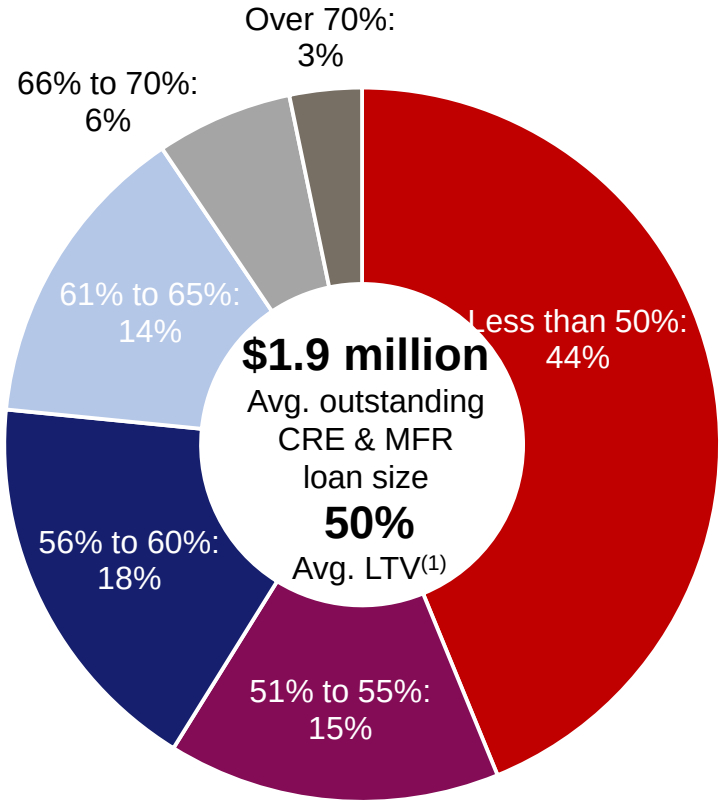

- C&I loans of $12.1 billion were 37% of gross loans as of 12.31.18.
- Dominant market share in lending to Chinese American businesses in the U.S.
- Growth in specialized lending verticals is driven by Bridge Banking, EWBC's strategy of facilitating cross-border commercial opportunities.

# Diversified Commercial Real Estate Portfolio

## Property Type Distribution (as of 12.31.18)




## LTV Distribution (as of 12.31.18)

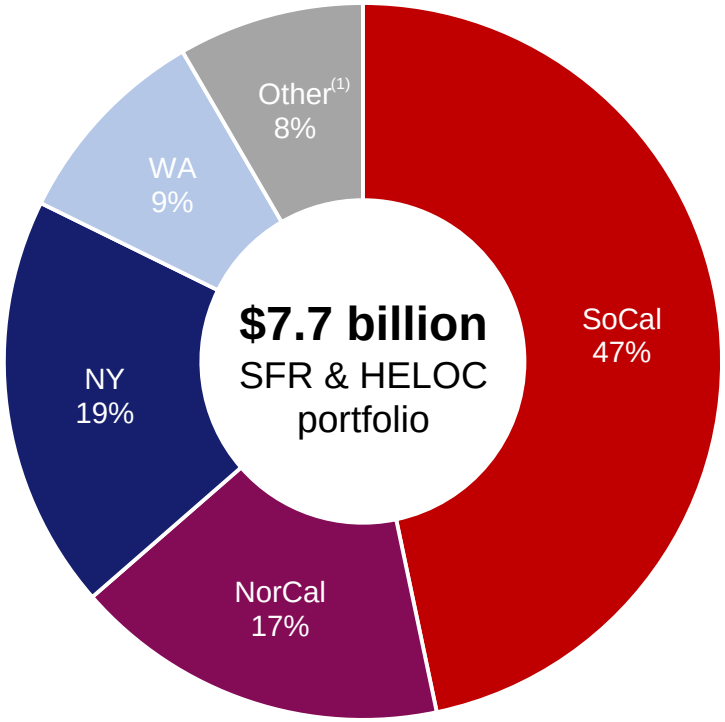



- CRE & MFR loans of $11.7 billion were 36% of total gross loans as of 12.31.18.
- In addition, construction & land loans totaled only $539 million or 2% of total gross loans as of 12.31.18.

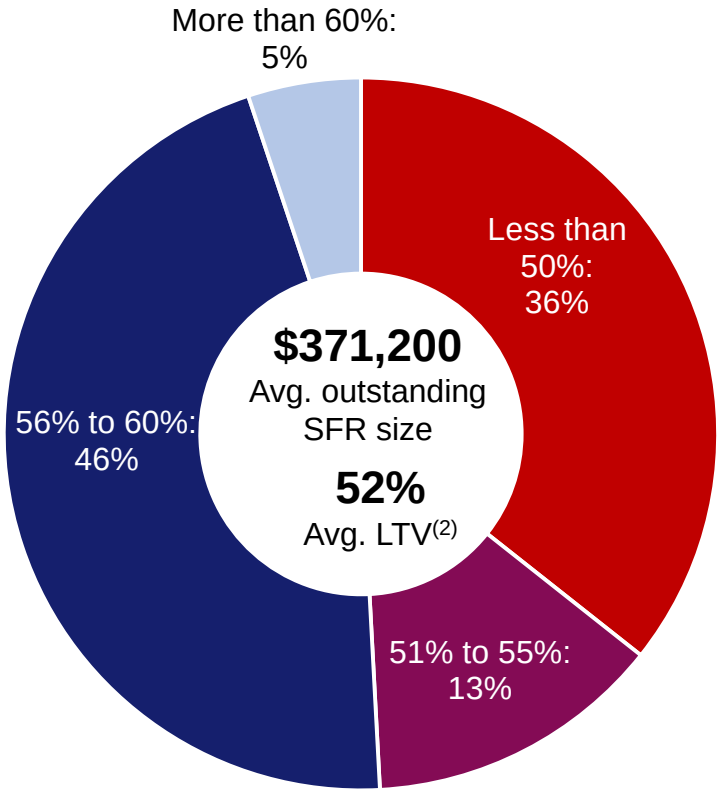
[1] LTV based on current loan balance and appraisal value at origination or renewal.

# Low LTV Single Family Mortgage Portfolio

## Geographic Distribution of SFR & HELOC (as of 12.31.18)



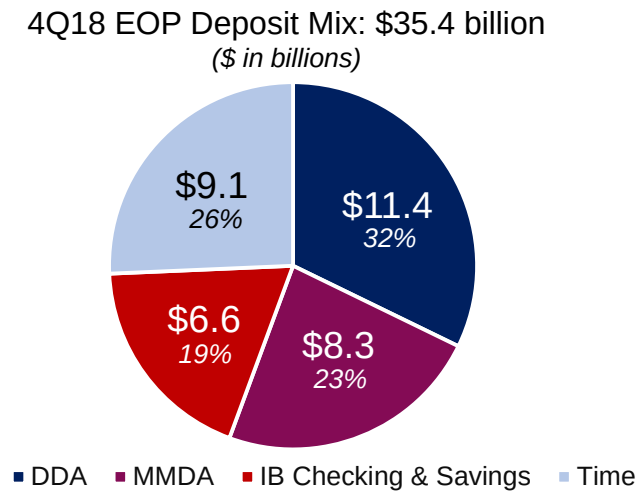

## SFR LTV Distribution (as of 12.31.18)



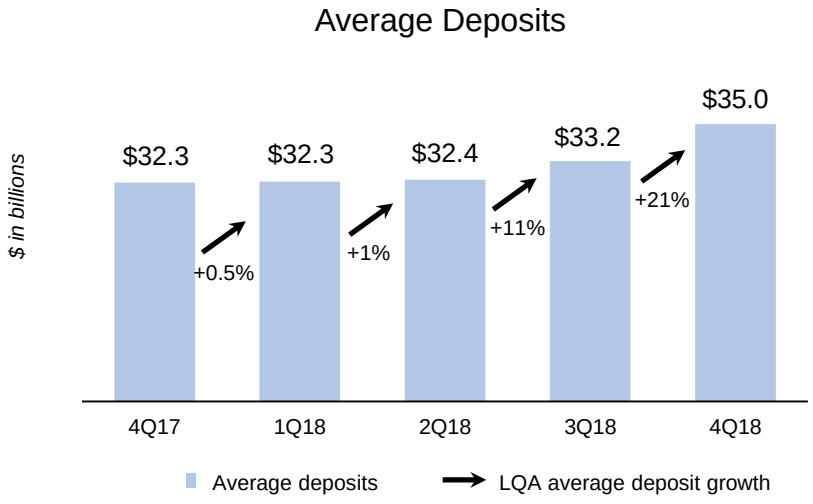

- SFR & HELOC of $7.7 billion were 24% of gross loans as of 12.31.18.

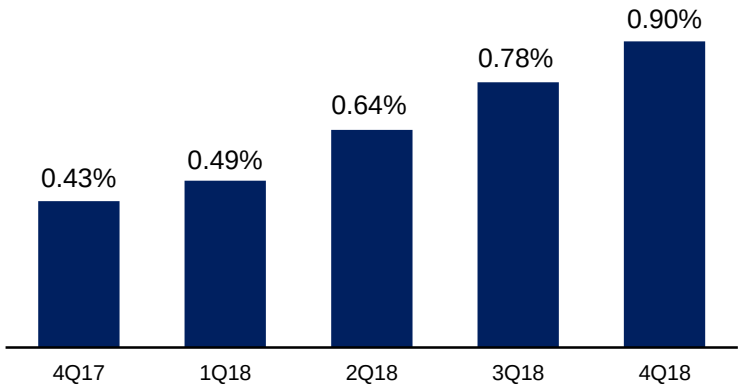
[1] Other includes: GA, MA, MD, NV, NJ, OH, RI, TX, HK.
[2] LTV based on current loan balance and appraisal value at origination or renewal.

# 4Q18 Record Deposits of $35.4 billion




- EOP deposit growth of 5% Q-o-Q (+21% LQA).
- Avg. deposit growth of 5% Q-o-Q (+21% LQA).
  - Avg. balance growth in noninterest-bearing demand (+$808mm), money market (+$567mm) and time deposits (+$506mm).
- 4Q18 cost of deposits: 0.90%, up 12 bps Q-o-Q; cost of IB deposits: 1.34%, up 20 bps Q-o-Q.



# 4Q18 Summary Income Statement

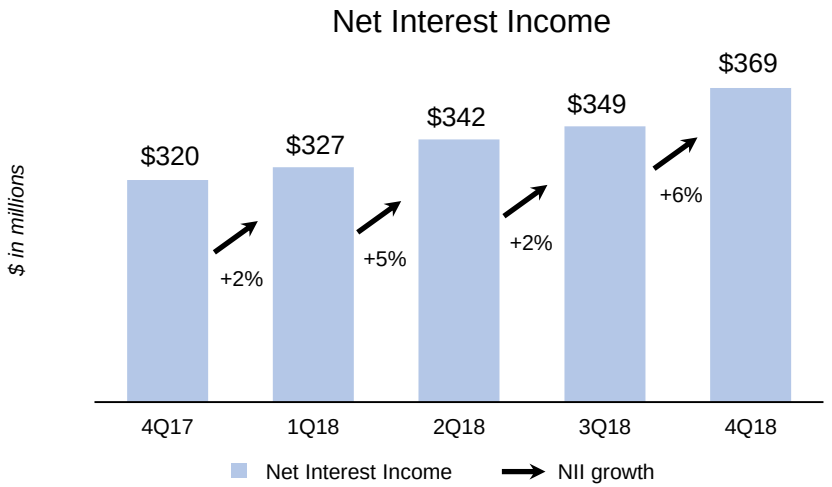
| *$ in millions, except per share data* | 4Q18 | 3Q18 | $ Change | % Change |
|---|---|---|---|---|
| Adjusted net interest income | $ 363.6 | $ 345.9 | $ 17.7 | 5 % |
| ASC 310-30 discount accretion income | 5.8 | 2.9 | 2.9 | 103 % |
| Net interest income | 369.4 | 348.7 | 20.7 | 6 % |
| Fees & operating income | 38.9 | 41.9 | (3.0) | (7) % |
| Net gains on sales of fixed assets, loans & securities | 2.8 | 4.6 | (1.8) | (40) % |
| Total noninterest income | 41.7 | 46.5 | (4.8) | (10) % |
| Adjusted noninterest expense | 155.9 | 157.7 | (1.8) | (1) % |
| Amortization of tax credit and other investments, and core deposit intangibles | 32.2 | 22.2 | 10.1 | 45 % |
| Total noninterest expense | 188.1 | 179.8 | 8.3 | 5 % |
| Provision for credit losses | 18.0 | 10.5 | 7.4 | 70 % |
| Income tax expense | 32.0 | 33.6 | (1.5) | (5) % |
| **Net income** | **$ 173.0** | **$ 171.3** | **$ 1.7** | **1 %** |
| **Diluted EPS** | **$ 1.18** | **$ 1.17** | **$ 0.01** | **1 %** |

## Tax Items

- 4Q18 effective tax rate was 16%, unchanged from 3Q18.
- Full year 2018 effective tax rate was 14%, compared to 31% for the full year 2017, and compared to 26% for the full year 2017 adjusted for the impact of the Tax Cuts and Jobs Act.
- Investments in tax credits reduce our tax liability from statutory rates.
- For the full year 2019, we expect to continue to invest in tax credits and project an effective tax rate of approximately 15%.

Note: See reconciliation of GAAP to non-GAAP financial measures in the appendix of this presentation and in the Company's 4Q18 and 4Q17 earnings press releases.

# 4Q18 Net Interest Income & Net Interest Margin



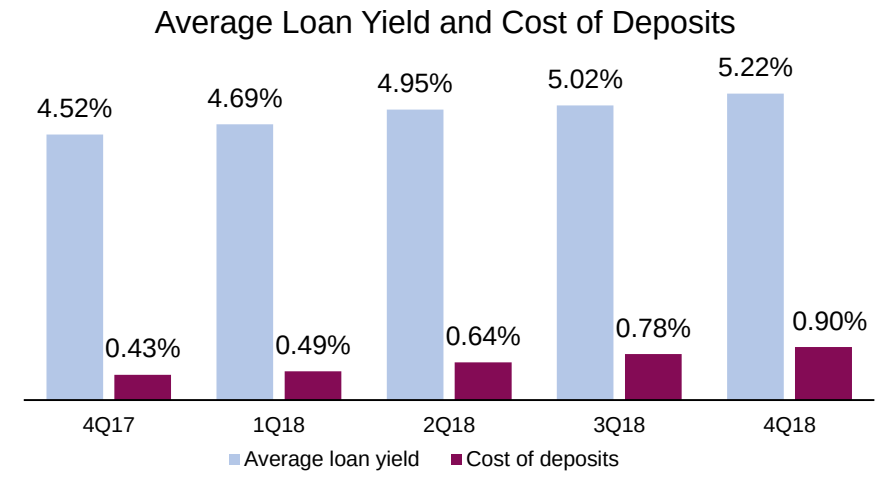

- 4Q18 NII of $369.4mm increased 6% Q-o-Q.
- 4Q18 GAAP NIM of 3.79% increased by 3 bps Q-o-Q.

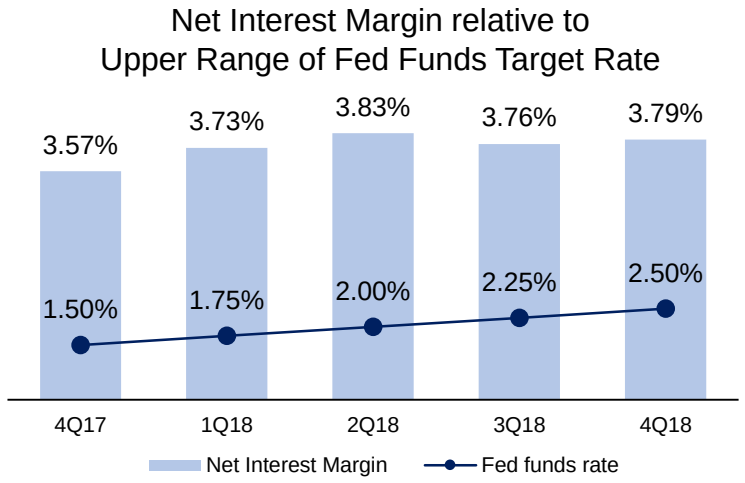
**NIM impact from change in rates:**

- +15 bps from change in loan yields.
- +2 bps from higher ASC 310-30 discount accretion income.
- +1 bp from change in other earning asset yields.
- -12 bps from change in rates paid on deposits.

**NIM impact from change in earning asset mix:**

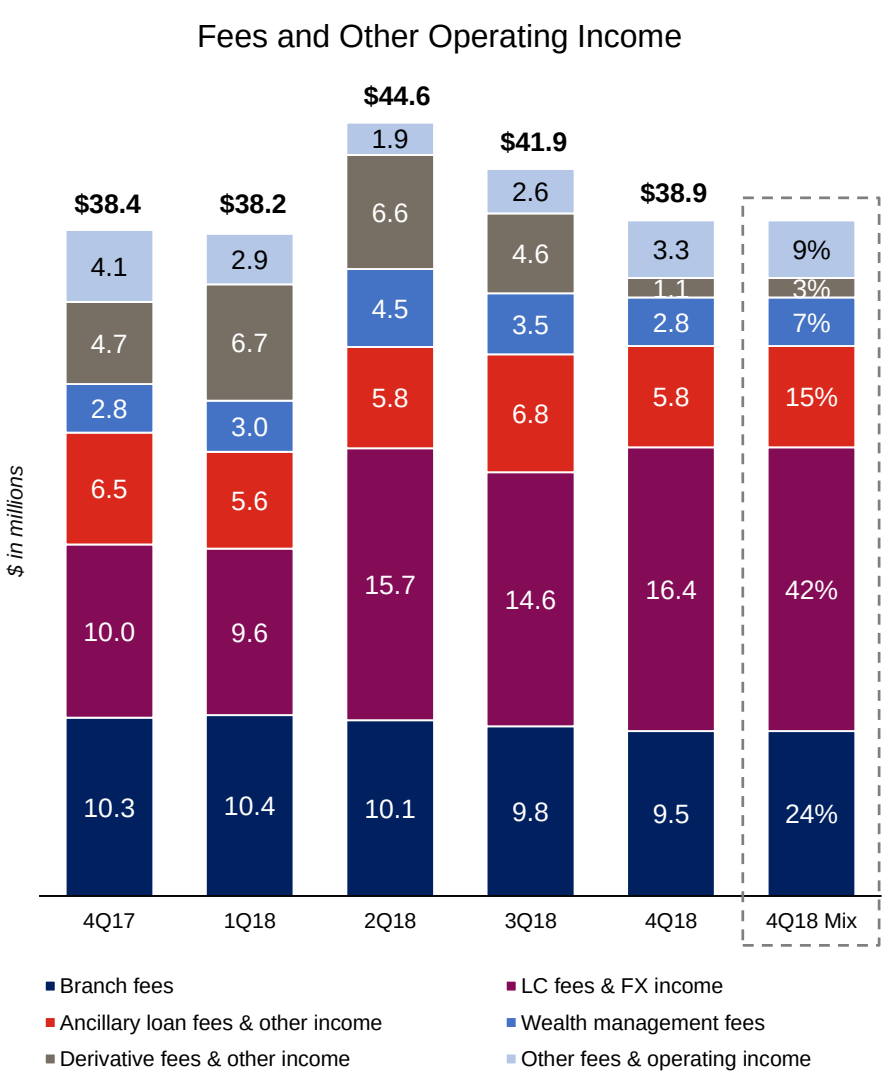
- -3 bps, primarily from increase in lower-yielding earning assets related to growth in deposits.




*See reconciliation of GAAP to non-GAAP financial measures in the appendix of this presentation and in the Company's 4Q18 Earnings Press Release.

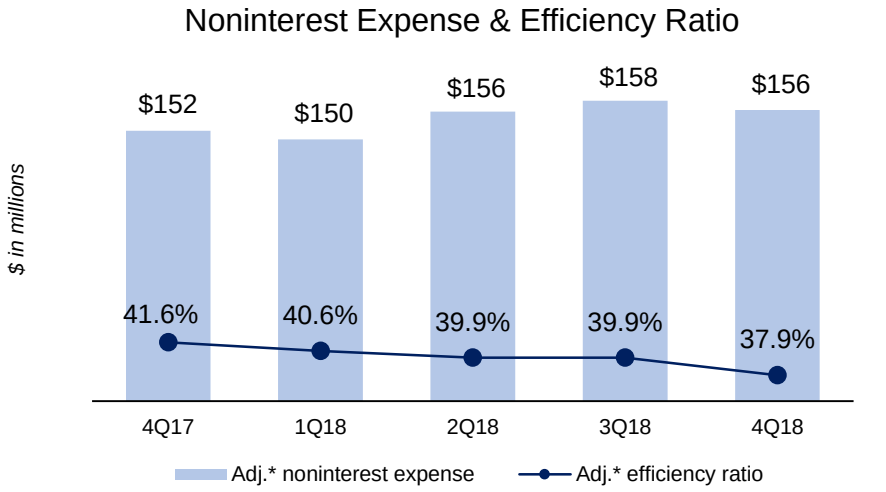
# 4Q18 Fees & Other Operating Income



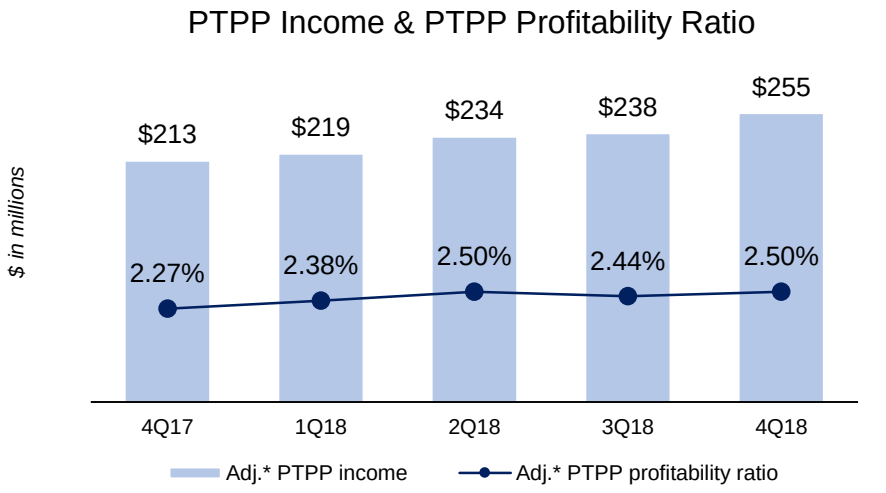

## Q-o-Q Difference

- 4Q18 noninterest income totaled $41.7mm, a decrease from $46.5mm in 3Q18.
- Excluding the impact of all gains on sales, 4Q18 fees and other operating income of $38.9mm decreased by 7% Q-o-Q from $41.9mm.
  - Customer-driven income of $37.3mm was essentially stable Q-o-Q and Y-o-Y.
  - Increase in letters of credit fees and foreign exchange income reflected a greater volume of foreign currency transactions, partially offset by a decline from mark-to-market revaluations of foreign currency balance sheet items.
  - Decrease in derivative fees reflected a decrease in the fair value of interest rate swaps, and a lower volume of customer transactions.

# 4Q18 Efficiency and PTPP Profitability



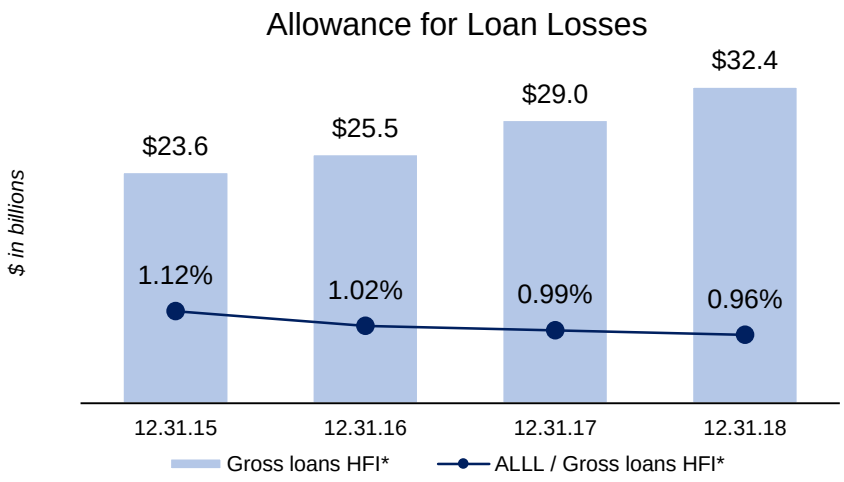

- 4Q18 total noninterest expense: $188.1mm.
- 4Q18 adj.* noninterest expense: $155.9mm.
  - Q-o-Q expense decreases: compensation and employee benefits, deposit insurance premiums and regulatory assessments, directors' fees, and consulting expense.
  - Q-o-Q expense increases: loan related expenses, promotion costs, and charitable contributions.
- 4Q18 adj.* efficiency ratio: 37.9%, compared to 39.9% in 3Q18.

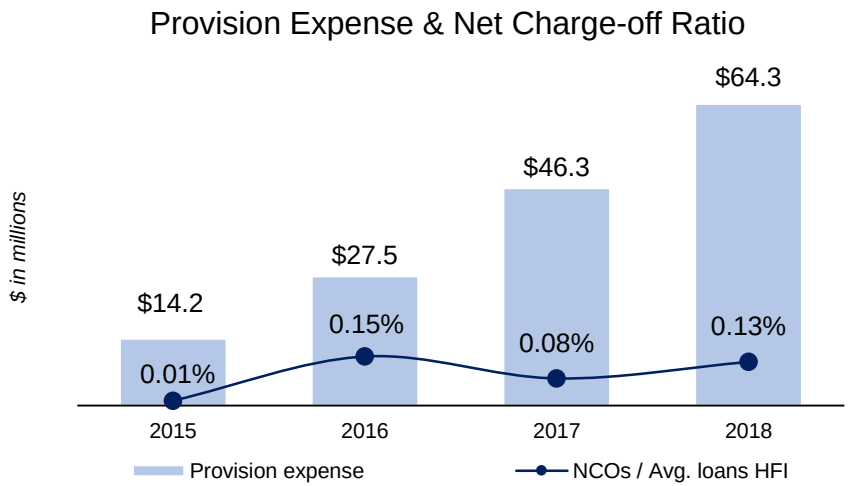


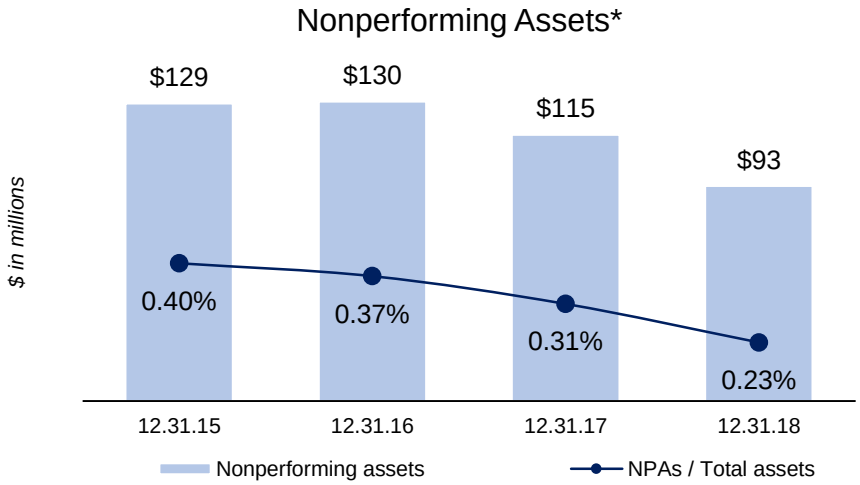

- Positive operating leverage: revenue growth outpaced expense growth.
  - 4Q18 revenue up 4% Q-o-Q.
  - 4Q18 adj.* noninterest expense down 1% Q-o-Q.
- Pre-tax, pre-provision (PTPP) income growth: 4Q18 PTPP income of $255.2mm, up 7% Q-o-Q and up 20% Y-o-Y.
- PTPP profitability: 5-quarter adj. PTPP profitability ratio range of 2.27% to 2.50%.

*See reconciliation of GAAP to non-GAAP financial measures in the appendix of this presentation and in the Company's 4Q18 Earnings Press Release.

# Asset Quality Metrics




- Allowance coverage of loans HFI: 0.96% as of 12.31.18, compared to 0.99% as of 09.30.18.
- 4Q18 net charge-off ratio: 0.20% annualized, compared to 0.05% annualized in 3Q18 and 0.22% annualized in 4Q17.
- Nonperforming assets to total assets ratio: 0.23% as of 12.31.18, compared to 0.29% as of 09.30.18.

* Nonperforming assets and net charge-offs exclude purchased credit impaired loans. HFI represents held-for-investment.

# Interest Rate Sensitivity

**EWBC's Net Interest Income Sensitivity to Selected Interest Rate Scenarios (as of December 31, 2018)**

| | Net Interest Income Volatility: | | | | | |
|---|---|---|---|---|---|---|
| | 31-Dec-2018 | | | 31-Dec-2017 | | |
| Change in Interest Rates : | % change | $ in mm | in EPS | % change | $ in mm | in EPS |
| + 200 bps | 16.6% | $230.2 | + $ 1.35 | 18.9% | $223.7 | + $ 1.14 |
| + 100 bps | 8.4% | $116.5 | + $ 0.68 | 10.7% | $126.8 | + $ 0.65 |
| - 100 bps | -8.3% | ($115.1) | - $ (0.68) | -7.4% | ($87.2) | - $ (0.44) |
| - 200 bps | -16.7% | ($231.5) | - $ (1.36) | -12.6% | ($149.0) | - $ (0.76) |

| | NII Volatility as of 12/31/18 Given a 12-Month Rate Ramp & Static Balance Sheet Scenario | | |
|---|---|---|---|
| Change in Interest Rates : | % change | $ in mm | in EPS |
| +200 bps | 6.3% | $87.4 | + $ 0.51 |
| +100 bps | 3.0% | $41.6 | + $ 0.24 |
| - 100 bps | -3.0% | ($41.6) | - $ (0.24) |
| - 200 bps | -6.3% | ($87.4) | - $ (0.51) |

- A supplemental rate ramp scenario was conducted to evaluate net interest income volatility in an environment of gradually changing interest rates.
- Balance sheet asset sensitivity reflects share of variable rate loans in asset mix.
- EWBC's deposit mix year-over-year:
  - CDs increased from 18% to 26%, due to branch-based CD promotions.
  - DDAs decreased from 35%, including DCB, to 32%.

Note: NII sensitivity translated into $ and EPS using FY 2017 & FY 2018 NII, FY 2018 effective tax rate, & FY 2017 effective tax rate adjusted for impact of enactment of the Tax Cuts & Jobs Act.

# Loan Portfolio: Underlying Interest Rate Detail

**EWBC's Loan Portfolio Breakdown: Fixed, Hybrid, & Variable Rate Loans (as of December 31, 2018)**

| | $ in mm. | % of total loans | $ in mm. | % of total loans |
|---|---|---|---|---|
| **Fixed rate loans** | **3,207.1** | **9.9%** | | |
| Hybrid: no floors | 292.8 | 0.9% | | |
| Hybrid: Interest rates above floors | 5,559.4 | 17.2% | | |
| Of which, linked to Prime | | | 865 | 3% |
| Of which, linked to Libor | | | 852 | 3% |
| Of which, linked to T-Bill or TCM | | | 3,842 | 12% |
| Hybrid: Interest rates at or below floors | 50.8 | 0.2% | | |
| **Subtotal: Hybrid loans in fixed period** | **5,903.0** | **18.2%** | | |
| Variable: no floors | 16,391.8 | 50.6% | | |
| Of which, linked to Prime | | | 5,978 | 18% |
| Of which, linked to 1M Libor | | | 6,650 | 21% |
| Of which, linked to other Libor | | | 1,831 | 6% |
| Of which, linked to T-Bill or TCM | | | 1,189 | 4% |
| Of which, linked to other indices | | | 744 | 2% |
| Variable: Interest rate above floors | 6,838.9 | 21.1% | | |
| Of which, linked to Prime | | | 3,994 | 12% |
| Of which, linked to 1M Libor | | | 1,779 | 5% |
| Of which, linked to other Libor | | | 564 | 2% |
| Of which, linked to other indices | | | 501 | 2% |
| Variable: Interest rate at or below floors | 65.3 | 0.2% | | |
| **Subtotal: Variable rate loans** | **23,296.0** | **71.9%** | | |
| Other (NPLs, premiums, discounts) | (20.6) | -0.1% | | |
| **Total gross loans** | **32,385.5** | **100.0%** | | |

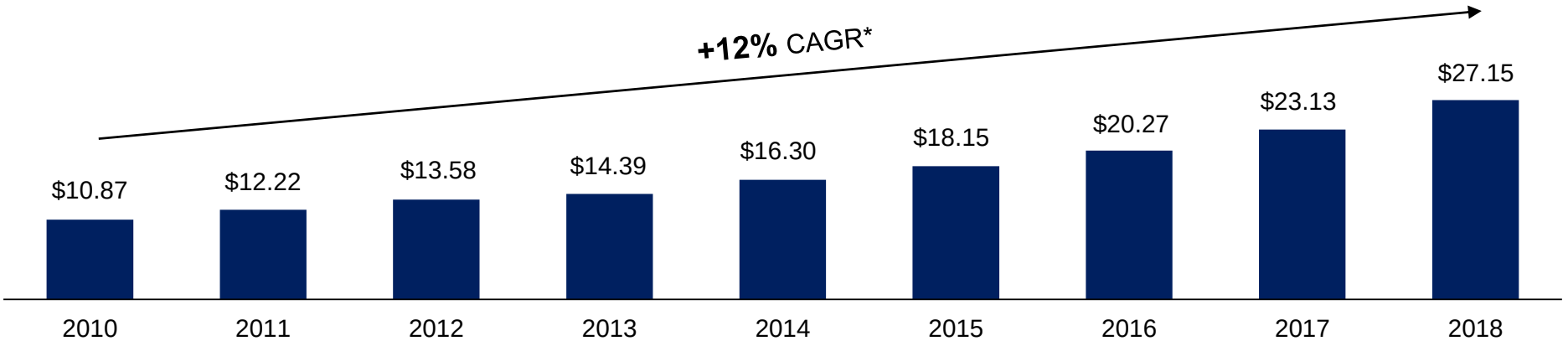
- Approximately one-third of EWBC's loan portfolio is linked to Prime Rate and one-third is linked to LIBOR, a profile that has been consistent over time.
- 72% of EWBC's loan portfolio is variable rate, including hybrid loans in variable period.

Note: Hybrid loans shows those still in fixed rate period. Hybrid loans already subject to variable rate are shown in Variable loans.

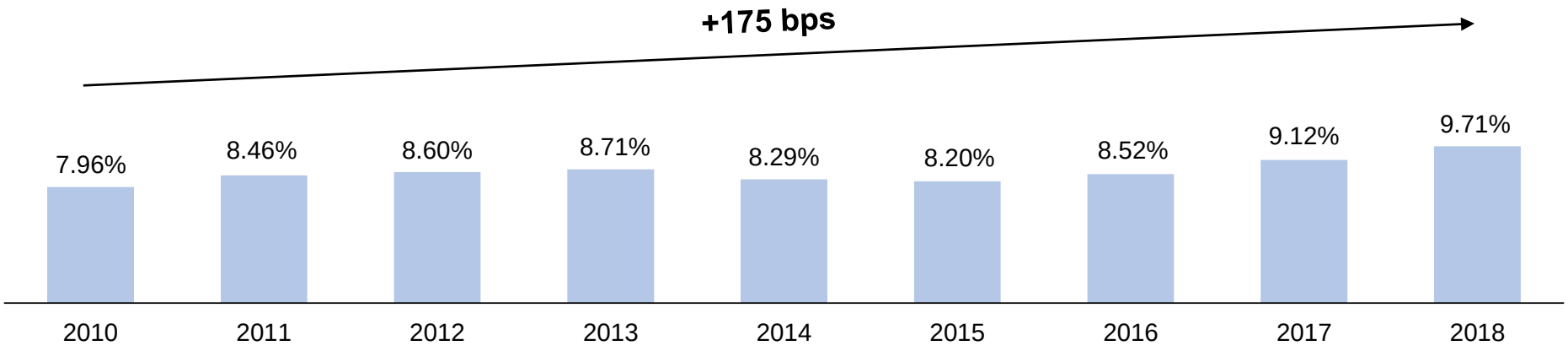
Note: Loans (HFI & HFS) net of deferred fees, premiums, or discounts, and gross of ALLL.

# Steadily Growing Equity While Maintaining Robust TCE

## Tangible Equity per Share



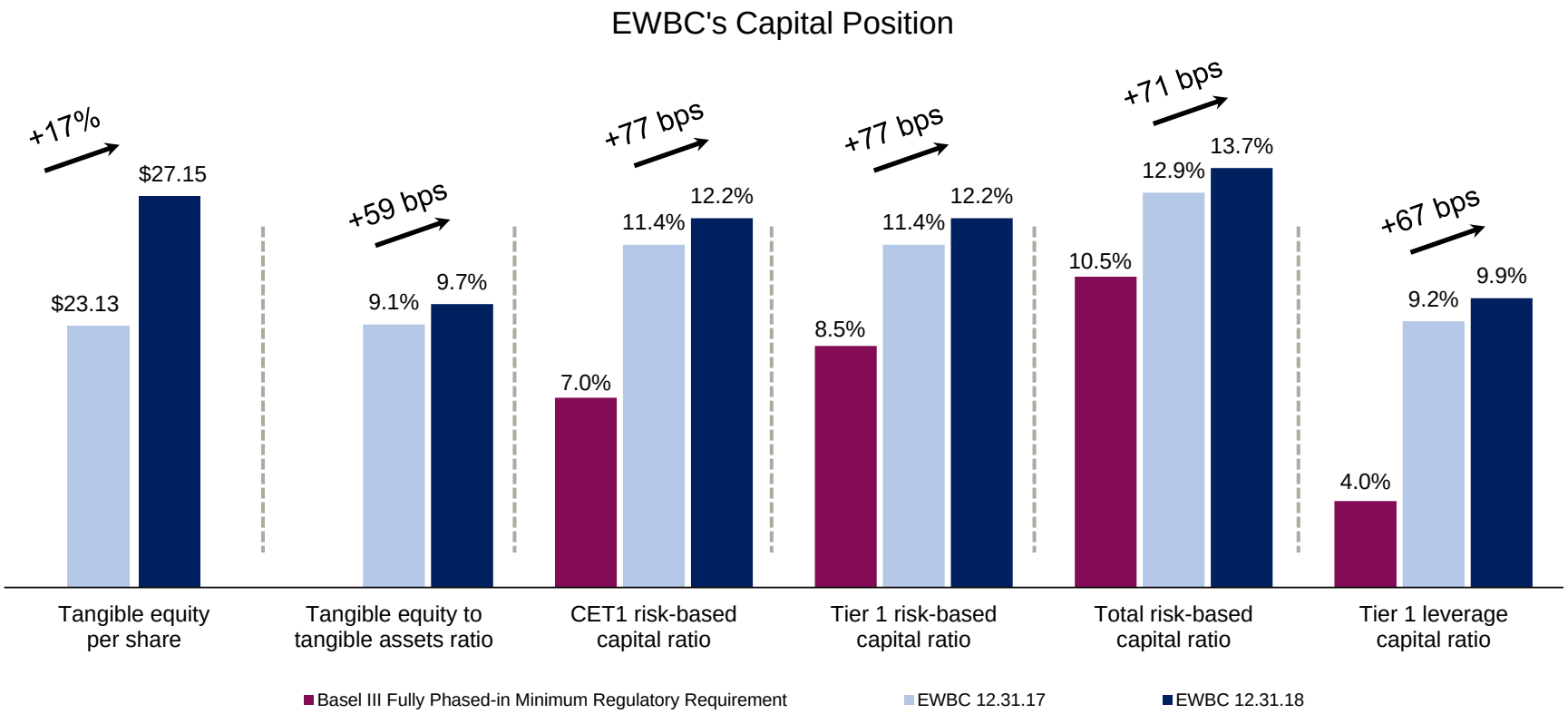

## Tangible Equity to Tangible Assets Ratio




* CAGR = 7.75 years compound annual growth rate from 2010 to 2018.

# Strong Capital Ratios

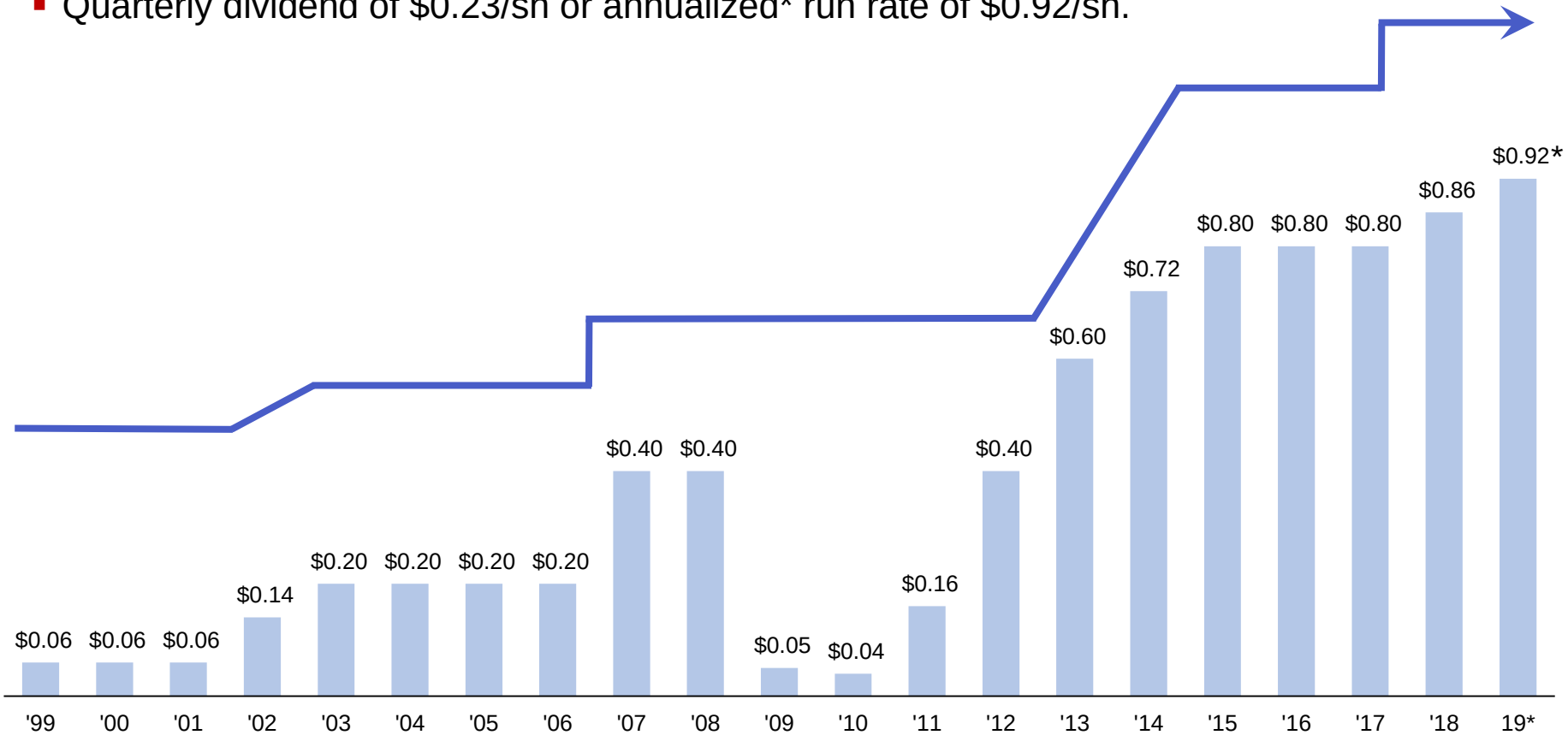
- Regulatory capital ratios increased by 67 bps to 77 bps year over year.
- Capital ratio increases, common dividend payout, and organic balance sheet growth supported through organic earnings generation.




Note: The Company's December 31, 2018 regulatory capital ratios are preliminary.

# Providing a Healthy Dividend to Stockholders

- EWBC has consistently paid an annual dividend on the common stock since going public in 1999.
- Quarterly dividend of $0.23/sh or annualized* run rate of $0.92/sh.




* Annualized run-rate based on the 1Q19 dividend of $0.23 per share.

# APPENDIX

EAST WEST BANK
Your financial bridge®

# Appendix: GAAP to Non-GAAP Reconciliation

**EAST WEST BANCORP, INC. AND SUBSIDIARIES**
**GAAP TO NON-GAAP RECONCILIATION**
**($ in thousands, except per share data)**
**(unaudited)**

During the first quarter of 2017, the Company consummated a sale and leaseback transaction on a commercial property and recognized a pre-tax gain on sale of $71.7 million. During the third quarter of 2017, the Company sold its insurance brokerage business, East West Insurance Services, Inc. ("EWIS") and recognized a pre-tax gain on sale of $3.8 million. During the fourth quarter of 2017, the Tax Cuts and Jobs Act was enacted, which resulted in an additional income tax expense of $41.7 million. During the first quarter of 2018, the Company sold its Desert Community Bank ("DCB") branches and recognized a pre-tax gain on sale of $31.5 million. Management believes that presenting the computations of the adjusted net income, adjusted diluted earnings per common share, adjusted return on average assets and adjusted return on average equity that exclude the impact of the Tax Cuts and Jobs Act and after-tax gains on the sales of the commercial property, EWIS business and DCB branches (where applicable) provides clarity to financial statement users regarding the ongoing performance of the Company and allows comparability to prior periods.

| | | Three Months Ended | | |
|---|---|---|---|---|
| | | **December 31, 2018** | **September 30, 2018** | **December 31, 2017** |
| Net income | (a) | $ 173,018 | $ 171,302 | $ 84,898 |
| Add: Impact of the Tax Cuts and Jobs Act | | — | — | 41,689 |
| **Adjusted net income** | **(b)** | **$ 173,018** | **$ 171,302** | **$ 126,587** |
| **Diluted weighted average number of shares outstanding** | | **146,133** | **146,173** | **146,030** |
| Diluted EPS | | $ 1.18 | $ 1.17 | $ 0.58 |
| Diluted EPS impact of the Tax Cuts and Jobs Act | | — | — | 0.29 |
| **Adjusted diluted EPS** | | **$ 1.18** | **$ 1.17** | **$ 0.87** |
| Average total assets | (c) | $ 40,525,188 | $ 38,659,262 | $ 37,262,618 |
| Average stockholders' equity | (d) | $ 4,335,110 | $ 4,197,675 | $ 3,856,802 |
| **Return on average assets [1]** | **(a)/(c)** | **1.69 %** | **1.76 %** | **0.90 %** |
| **Adjusted return on average assets [1]** | **(b)/(c)** | **1.69 %** | **1.76 %** | **1.35 %** |
| **Return on average equity [1]** | **(a)/(d)** | **15.83 %** | **16.19 %** | **8.73 %** |
| **Adjusted return on average equity [1]** | **(b)/(d)** | **15.83 %** | **16.19 %** | **13.02 %** |

(1) Annualized.

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# Appendix: GAAP to Non-GAAP Reconciliation (cont'd)

**EAST WEST BANCORP, INC. AND SUBSIDIARIES**
**GAAP TO NON-GAAP RECONCILIATION**
**($ in thousands, except per share data)**
**(unaudited)**

During the first quarter of 2017, the Company consummated a sale and leaseback transaction on a commercial property and recognized a pre-tax gain on sale of $71.7 million. During the third quarter of 2017, the Company sold its insurance brokerage business, East West Insurance Services, Inc. ("EWIS") and recognized a pre-tax gain on sale of $3.8 million. During the fourth quarter of 2017, the Tax Cuts and Jobs Act was enacted, which resulted in an additional income tax expense of $41.7 million. During the first quarter of 2018, the Company sold its Desert Community Bank ("DCB") branches and recognized a pre-tax gain on sale of $31.5 million. Management believes that presenting the computations of the adjusted net income, adjusted diluted earnings per common share, adjusted return on average assets and adjusted return on average equity that exclude the impact of the Tax Cuts and Jobs Act and after-tax gains on the sales of the commercial property, EWIS business and DCB branches (where applicable) provides clarity to financial statement users regarding the ongoing performance of the Company and allows comparability to prior periods.

| | | Year Ended | |
|---|---|---|---|
| | | December 31, 2018 | December 31, 2017 |
| Net income | (e) | $ 703,701 | $ 505,624 |
| Add: Impact of the Tax Cuts and Jobs Act | | — | 41,689 |
| Less: Gain on sale of the commercial property | | — | (71,654) |
| Gain on sale of business | | (31,470) | (3,807) |
| Add: Tax effect of adjustments [(2)] | | 9,303 | 31,729 |
| **Adjusted net income** | **(f)** | **$ 681,534** | **$ 503,581** |
| **Diluted weighted average number of shares outstanding** | | **146,169** | **145,913** |
| Diluted EPS | | $ 4.81 | $ 3.47 |
| Diluted EPS impact of the Tax Cuts and Jobs Act | | — | 0.29 |
| Diluted EPS impact of gain on sale of the commercial property, net of tax | | — | (0.28) |
| Diluted EPS impact of gain on sale of business, net of tax | | (0.15) | (0.02) |
| **Adjusted diluted EPS** | | **$ 4.66** | **$ 3.46** |
| Average total assets | (g) | $ 38,542,569 | $ 35,787,613 |
| Average stockholders' equity | (h) | $ 4,130,822 | $ 3,687,213 |
| **Return on average assets** | **(e)/(g)** | **1.83 %** | **1.41 %** |
| **Adjusted return on average assets** | **(f)/(g)** | **1.77 %** | **1.41 %** |
| **Return on average equity** | **(e)/(h)** | **17.04 %** | **13.71 %** |
| **Adjusted return on average equity** | **(f)/(h)** | **16.50 %** | **13.66 %** |

(2) Statutory rates of 29.56% and 42.05% were applied for the twelve months ended December 31, 2018 and 2017, respectively.

# Appendix: GAAP to Non-GAAP Reconciliation (cont'd)

**EAST WEST BANCORP, INC. AND SUBSIDIARIES**
**GAAP TO NON-GAAP RECONCILIATION**
**($ in thousands)**
**(unaudited)**

Adjusted efficiency ratio represents adjusted noninterest expense divided by adjusted revenue. Adjusted pre-tax, pre-provision profitability ratio represents the aggregate of adjusted revenue less adjusted noninterest expense, divided by average total assets. Adjusted revenue represents the aggregate of net interest income and adjusted noninterest income, where adjusted noninterest income excludes the gains on the sales of the commercial property, EWIS business and DCB branches that were sold in the first quarter of 2017, third quarter of 2017 and first quarter of 2018, respectively (where applicable). Adjusted noninterest expense excludes the amortization of tax credit and other investments and the amortization of core deposit intangibles. Management believes that the measures and ratios presented below provide clarity to financial statement users regarding the ongoing performance of the Company and allow comparability to prior periods.

| | | Three Months Ended | | |
|---|---|---|---|---|
| | | **December 31, 2018** | **September 30, 2018** | **December 31, 2017** |
| Net interest income before provision for credit losses | (a) | $ 369,416 | $ 348,720 | $ 319,701 |
| Total noninterest income | | 41,695 | 46,502 | 45,206 |
| **Total revenue** | **(b)** | **$ 411,111** | **$ 395,222** | **$ 364,907** |
| Total noninterest expense | (c) | $ 188,097 | $ 179,815 | $ 175,263 |
| Less: Amortization of tax credit and other investments | | (30,958) | (20,789) | (21,891) |
| Amortization of core deposit intangibles | | (1,265) | (1,369) | (1,621) |
| **Adjusted noninterest expense** | **(d)** | **$ 155,874** | **$ 157,657** | **$ 151,751** |
| **Efficiency ratio** | **(c)/(b)** | **45.75 %** | **45.50 %** | **48.03 %** |
| **Adjusted efficiency ratio** | **(d)/(b)** | **37.92 %** | **39.89 %** | **41.59 %** |
| **Adjusted pre-tax, pre-provision income** | **(b)-(d) = (e)** | **$ 255,237** | **$ 237,565** | **$ 213,156** |
| Average total assets | (f) | $ 40,525,188 | $ 38,659,262 | $ 37,262,618 |
| **Adjusted pre-tax, pre-provision profitability ratio [1]** | **(e)/(f)** | **2.50 %** | **2.44 %** | **2.27 %** |
| **Adjusted noninterest expense [1]/average assets** | **(d)/(f)** | **1.53 %** | **1.62 %** | **1.62 %** |

(1) Annualized.

# Appendix: GAAP to Non-GAAP Reconciliation (cont'd)

**EAST WEST BANCORP, INC. AND SUBSIDIARIES**
**GAAP TO NON-GAAP RECONCILIATION**
**($ in thousands)**
**(unaudited)**

Adjusted efficiency ratio represents adjusted noninterest expense divided by adjusted revenue. Adjusted pre-tax, pre-provision profitability ratio represents the aggregate of adjusted revenue less adjusted noninterest expense, divided by average total assets. Adjusted revenue represents the aggregate of net interest income and adjusted noninterest income, where adjusted noninterest income excludes the gains on the sales of the commercial property, EWIS business and DCB branches that were sold in the first quarter of 2017, third quarter of 2017 and first quarter of 2018, respectively (where applicable). Adjusted noninterest expense excludes the amortization of tax credit and other investments and the amortization of core deposit intangibles. Management believes that the measures and ratios presented below provide clarity to financial statement users regarding the ongoing performance of the Company and allow comparability to prior periods.

| | | Year Ended | |
|---|---|---|---|
| | | December 31, 2018 | December 31, 2017 |
| Net interest income before provision for credit losses | (g) | $ 1,386,508 | $ 1,185,069 |
| Total noninterest income | | 210,909 | 257,748 |
| Total revenue | (h) | 1,597,417 | 1,442,817 |
| Noninterest income | | 210,909 | 257,748 |
| Less: Gain on sale of the commercial property | | — | (71,654) |
| Gain on sale of business | | (31,470) | (3,807) |
| Adjusted noninterest income | (i) | $ 179,439 | $ 182,287 |
| **Adjusted revenue** | **(g)+(i) = (j)** | **$ 1,565,947** | **$ 1,367,356** |
| Total noninterest expense | (k) | $ 714,466 | $ 661,451 |
| Less: Amortization of tax credit and other investments | | (89,628) | (87,950) |
| Amortization of core deposit intangibles | | (5,492) | (6,935) |
| **Adjusted noninterest expense** | **(l)** | **$ 619,346** | **$ 566,566** |
| **Efficiency ratio** | **(k)/(h)** | **44.73 %** | **45.84 %** |
| **Adjusted efficiency ratio** | **(l)/(j)** | **39.55 %** | **41.44 %** |
| **Adjusted pre-tax, pre-provision income** | **(j)-(l) = (m)** | **$ 946,601** | **$ 800,790** |
| Average total assets | (n) | $ 38,542,569 | $ 35,787,613 |
| **Adjusted pre-tax, pre-provision profitability ratio** | **(m)/(n)** | **2.46 %** | **2.24 %** |
| **Adjusted noninterest expense/average assets** | **(l)/(n)** | **1.61 %** | **1.58 %** |

# Appendix: GAAP to Non-GAAP Reconciliation (cont'd)

**EAST WEST BANCORP, INC. AND SUBSIDIARIES**
**GAAP TO NON-GAAP RECONCILIATION**
**($ in thousands)**
**(unaudited)**

Management believes that presenting the adjusted average loan yield and adjusted net interest margin that exclude the ASC 310-30 discount accretion impact provides clarity to financial statement users regarding the change in loan contractual yields and allows comparability to prior periods.

| | | Three Months Ended | | | Year Ended | |
|---|---|---|---|---|---|---|
| **Yield on Average Loans** | | **December 31, 2018** | **September 30, 2018** | **December 31, 2017** | **December 31, 2018** | **December 31, 2017** |
| Interest income on loans | (a) | $ 414,517 | $ 385,538 | $ 326,401 | $ 1,503,514 | $ 1,198,440 |
| Less: ASC 310-30 discount accretion income | | (5,810) | (2,863) | (7,023) | (20,172) | (21,052) |
| **Adjusted interest income on loans** | **(b)** | **$ 408,707** | **$ 382,675** | **$ 319,378** | **$ 1,483,342** | **$ 1,177,388** |
| Average loans | (c) | $ 31,534,875 | $ 30,498,037 | $ 28,646,461 | $ 30,230,014 | $ 27,252,756 |
| Add: ASC 310-30 discount | | 23,833 | 25,852 | 37,660 | 28,400 | 43,341 |
| **Adjusted average loans** | **(d)** | **$ 31,558,708** | **$ 30,523,889** | **$ 28,684,121** | **$ 30,258,414** | **$ 27,296,097** |
| **Average loan yield** | **(a)/(c)** | **5.22 %** (1) | **5.02 %** (1) | **4.52 %** (1) | **4.97 %** | **4.40 %** |
| **Adjusted average loan yield** | **(b)/(d)** | **5.14 %** (1) | **4.97 %** (1) | **4.42 %** (1) | **4.90 %** | **4.31 %** |
| **Net Interest Margin** | | | | | | |
| Net interest income | (e) | $ 369,416 | $ 348,720 | $ 319,701 | $ 1,386,508 | $ 1,185,069 |
| Less: ASC 310-30 discount accretion income | | (5,810) | (2,863) | (7,023) | (20,172) | (21,052) |
| **Adjusted net interest income** | **(f)** | **$ 363,606** | **$ 345,857** | **$ 312,678** | **$ 1,366,336** | **$ 1,164,017** |
| Average interest-earning assets | (g) | $ 38,688,647 | $ 36,822,293 | $ 35,491,424 | $ 36,707,142 | $ 34,034,065 |
| Add: ASC 310-30 discount | | 23,833 | 25,852 | 37,660 | 28,400 | 43,341 |
| **Adjusted average interest-earning assets** | **(h)** | **$ 38,712,480** | **$ 36,848,145** | **$ 35,529,084** | **$ 36,735,542** | **$ 34,077,406** |
| **Net interest margin** | **(e)/(g)** | **3.79 %** (1) | **3.76 %** (1) | **3.57 %** (1) | **3.78 %** | **3.48 %** |
| **Adjusted net interest margin** | **(f)/(h)** | **3.73 %** (1) | **3.72 %** (1) | **3.49 %** (1) | **3.72 %** | **3.42 %** |

(1) Annualized.

# Appendix: GAAP to Non-GAAP Reconciliation (cont'd)

**EAST WEST BANCORP, INC. AND SUBSIDIARIES**
**GAAP TO NON-GAAP RECONCILIATION**
**($ in thousands) (unaudited)**

The Company uses certain non-GAAP financial measures to provide supplemental information regarding the Company's performance. Tangible equity and tangible equity to tangible assets ratio are non-GAAP financial measures. Tangible equity and tangible assets represent stockholders' equity and total assets, respectively, which have been reduced by goodwill and other intangible assets. Given that the use of such measures and ratios is more prevalent in the banking industry, and such measures and ratios are used by banking regulators and analysts, the Company has included them below for discussion.

| | | December 31, 2018 | September 30, 2018 | December 31, 2017 |
|---|---|---|---|---|
| Stockholders' equity | (a) | $ 4,423,974 | $ 4,244,850 | $ 3,841,951 |
| Less: Goodwill | | (465,547) | (465,547) | (469,433) |
| Other intangible assets [1] | | (22,365) | (23,656) | (28,825) |
| **Tangible equity** | **(b)** | **$ 3,936,062** | **$ 3,755,647** | **$ 3,343,693** |
| Total assets | (c) | $ 41,042,356 | $ 39,073,106 | $ 37,150,249 |
| Less: Goodwill | | (465,547) | (465,547) | (469,433) |
| Other intangible assets [1] | | (22,365) | (23,656) | (28,825) |
| **Tangible assets** | **(d)** | **$ 40,554,444** | **$ 38,583,903** | **$ 36,651,991** |
| **Total stockholders' equity to total assets ratio** | **(a)/(c)** | **10.78 %** | **10.86 %** | **10.34 %** |
| **Tangible equity to tangible assets ratio** | **(b)/(d)** | **9.71 %** | **9.73 %** | **9.12 %** |

Adjusted return on average tangible equity represents adjusted tangible net income divided by average tangible equity. Adjusted tangible net income excludes the after-tax effects of the amortization of core deposit intangibles and mortgage servicing assets and the after-tax gains on the sales of the commercial property, EWIS business and DCB branches, and the impact of the Tax Cuts and Jobs Act (where applicable). Given that the use of such measures and ratios is more prevalent in the banking industry, and such measures and ratios are used by banking regulators and analysts, the Company has included them below for discussion.

| | | Three Months Ended | | |
|---|---|---|---|---|
| | | December 31, 2018 | September 30, 2018 | December 31, 2017 |
| Net Income | | $ 173,018 | $ 171,302 | $ 84,898 |
| Add: Amortization of core deposit intangibles | | 1,265 | 1,369 | 1,621 |
| Amortization of mortgage servicing assets | | 448 | 461 | 437 |
| Less: Tax effect of adjustments [2] | | (506) | (542) | (865) |
| **Tangible net income** | **(e)** | **$ 174,225** | **$ 172,590** | **$ 86,091** |
| Add: Impact of the Tax Cuts and Jobs Act | | — | — | 41,689 |
| **Adjusted tangible net income** | **(f)** | **$ 174,225** | **$ 172,590** | **$ 127,780** |
| Average stockholders' equity | | $ 4,335,110 | $ 4,197,675 | $ 3,856,802 |
| Less: Average goodwill | | (465,547) | (465,547) | (469,433) |
| Average other intangible assets [1] | | (23,130) | (24,530) | (29,527) |
| **Average tangible equity** | **(g)** | **$ 3,846,433** | **$ 3,707,598** | **$ 3,357,842** |
| **Return on average tangible equity [3]** | **(e)/(g)** | **17.97 %** | **18.47 %** | **10.17 %** |
| **Adjusted return on average tangible equity [3]** | **(f)/(g)** | **17.97 %** | **18.47 %** | **15.10 %** |

(1) Includes primarily core deposit intangibles and mortgage servicing assets.
(2) Statutory rate of 29.56% was applied for the three months ended September 30, 2018 and December 31, 2018. Statutory rate of 42.05% was applied for the three months ended December 31, 2017.
(3) Annualized.

# Appendix: GAAP to Non-GAAP Reconciliation (cont'd)

**EAST WEST BANCORP, INC. AND SUBSIDIARIES**
**GAAP TO NON-GAAP RECONCILIATION**
**($ in thousands) (unaudited)**

Adjusted return on average tangible equity represents adjusted tangible net income divided by average tangible equity. Adjusted tangible net income excludes the after-tax effects of the amortization of core deposit intangibles and mortgage servicing assets and the after-tax gains on the sales of the commercial property, EWIS business and DCB branches, and the impact of the Tax Cuts and Jobs Act (where applicable). Given that the use of such measures and ratios is more prevalent in the banking industry, and such measures and ratios are used by banking regulators and analysts, the Company has included them below for discussion.

| | | Year Ended | |
|---|---|---|---|
| | | December 31, 2018 | December 31, 2017 |
| Net Income | | $ 703,701 | $ 505,624 |
| Add: Amortization of core deposit intangibles | | 5,492 | 6,935 |
| Amortization of mortgage servicing assets | | 1,814 | 1,843 |
| Less: Tax effect of adjustments [2] | | (2,160) | (3,691) |
| **Tangible net income** | **(h)** | **$ 708,847** | **$ 510,711** |
| Add: Impact of the Tax Cuts and Jobs Act | | — | 41,689 |
| Less: Gain on sale of the commercial property | | — | (71,654) |
| Gain on sale of business | | (31,470) | (3,807) |
| Add: Tax effect of adjustments [2] | | 9,303 | 31,729 |
| **Adjusted tangible net income** | **(i)** | **$ 686,680** | **$ 508,668** |
| | | | |
| Average stockholders' equity | | $ 4,130,822 | $ 3,687,213 |
| Less: Average goodwill | | (466,346) | (469,433) |
| Average other intangible assets [1] | | (25,337) | (32,238) |
| **Average tangible equity** | **(j)** | **$ 3,639,139** | **$ 3,185,542** |
| **Return on average tangible equity** | **(h)/(j)** | **19.48 %** | **16.03 %** |
| **Adjusted return on average tangible equity** | **(i)/(j)** | **18.87 %** | **15.97 %** |

(1) Includes core deposit intangibles and mortgage servicing assets.
(2) Statutory rate of 29.56% was applied for the twelve months ended December 31, 2018. Statutory rate of 42.05% was applied for the twelve months ended December 31, 2017.