

CATHAY GENERAL BANCORP  
Form 10-Q  
November 09, 2007

**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 September 30, 2007

**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 0-18630

CATHAY GENERAL  
BANCORP

(Exact name of registrant as  
specified in its charter)

Delaware

(State of other jurisdiction of incorporation or  
organization)

95-4274680

(I.R.S. Employer Identification No.)

777 North Broadway, Los Angeles, California  
(Address of principal executive offices)

90012  
(Zip Code)

Registrant's telephone number, including area code: (213) 625-4700

(Former name, former address and former fiscal year, if changed since last report)

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 R No "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Non-accelerated  
accelerated filer " filer "

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filer R

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, \$.01 par value, 49,816,286 shares outstanding as of October 31, 2007.

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**CATHAY GENERAL BANCORP AND SUBSIDIARIES  
3RD QUARTER 2007 REPORT ON FORM 10-Q  
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## Forward-Looking Statements

In this quarterly Report on Form 10-Q, the term "Bancorp" refers to Cathay General Bancorp and the term "Bank" refers to Cathay Bank. The terms "Company," "we," "us," and "our" refer to Bancorp and the Bank collectively. The statements in this report include forward-looking statements within the meaning of the applicable provisions of the Private Securities Litigation Reform Act of 1995 regarding management's beliefs, projections, and assumptions concerning future results and events. These forward-looking statements may include, but are not limited to, such words as "believes," "expects," "anticipates," "intends," "plans," "estimates," "may," "will," "should," "could," "predicts," "potential," "continue," or the negative of such terms and other comparable terminology or similar expressions. Forward-looking statements are not guarantees. They involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties and other factors include, but are not limited to adverse developments or conditions related to or arising from:

- expansion into new market areas;
- acquisitions of other banks, if any;
- fluctuations in interest rates;
- demographic changes;
- earthquake or other natural disasters;
- competitive pressures;
- deterioration in asset or credit quality;
- legislative and regulatory developments;
- changes in business strategy; and
- general economic or business conditions in California and other regions where the Bank has operations.

These and other factors are further described in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, (at Item 1A in particular) its reports and registration statements filed with the Securities and Exchange Commission ("SEC") and other filings it makes in the future with the SEC from time to time. Actual results in any future period may also vary from the past results discussed in this report. Given these risks and uncertainties, we caution readers not to place undue reliance on any forward-looking statements, which speak as of the date of this report. The Company has no intention and undertakes no obligation to update any forward-looking statement or to publicly announce the results of any revision of any forward-looking statement to reflect future developments or events.

The Company's filings with the SEC are available to the public from commercial document retrieval services and at the website maintained by the SEC at <http://www.sec.gov>, or by requests directed to Cathay General Bancorp, 777 North Broadway, Los Angeles, California 90012, Attn: Investor Relations (213) 625-4749.

**PART I - FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS (Unaudited).****CATHAY GENERAL BANCORP AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)**

	September 30, 2007	December 31, 2006	% change
	(In thousands, except share and per share data)		
<b>Assets</b>			
Cash and due from banks	\$ 83,276	\$ 114,798	(27)
Federal funds sold	-	18,000	(100)
Cash and cash equivalents	83,276	132,798	(37)
Short-term investments	17,152	16,379	5
Securities purchased under agreements to resell	360,000	-	100
Long-term certificates of deposit	50,000	-	100
Securities available-for sale, at fair value (amortized cost of \$2,060,542 at September 30, 2007 and \$1,543,667 at December 31, 2006)	2,043,529	1,522,223	34
Trading securities	10,171	5,309	92
Loans	6,439,407	5,747,546	12
Less: Allowance for loan losses	(66,277)	(64,689)	2
Unamortized deferred loan fees, net	(11,054)	(11,984)	(8)
Loans, net	6,362,076	5,670,873	12
Federal Home Loan Bank stock	51,620	34,348	50
Other real estate owned, net	374	5,259	(93)
Affordable housing investments, net	94,669	87,289	8
Premises and equipment, net	74,905	72,934	3
Customers' liability on acceptances	32,685	27,040	21
Accrued interest receivable	54,313	39,267	38
Goodwill	319,873	316,752	1
Other intangible assets, net	37,883	42,987	(12)
Other assets	35,854	53,050	(32)
<b>Total assets</b>	<b>\$ 9,628,380</b>	<b>\$ 8,026,508</b>	<b>20</b>
<b>Liabilities and Stockholders' Equity</b>			
<b>Deposits</b>			
Non-interest-bearing demand deposits	\$ 778,690	\$ 781,492	(0)
<b>Interest-bearing deposits:</b>			
NOW deposits	228,659	239,589	(5)
Money market deposits	697,721	657,689	6
Savings deposits	336,743	358,827	(6)
Time deposits under \$100,000	1,095,348	1,007,637	9
Time deposits of \$100,000 or more	2,933,645	2,630,072	12
<b>Total deposits</b>	<b>6,070,806</b>	<b>5,675,306</b>	<b>7</b>

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Federal funds purchased	98,000	50,000	96
Securities sold under agreement to repurchase	1,108,710	400,000	177
Advances from the Federal Home Loan Bank	1,089,680	714,680	52
Other borrowings	3,351	10,000	(66)
Other borrowings for affordable housing investments	19,670	19,981	(2)
Long-term debt	171,136	104,125	64
Acceptances outstanding	32,685	27,040	21
Minority interest in consolidated subsidiary	8,500	8,500	-
Other liabilities	76,923	73,802	4
Total liabilities	8,679,461	7,083,434	23
Commitments and contingencies	-	-	-
Stockholders' Equity			
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, none issued	-	-	-
Common stock, \$0.01 par value, 100,000,000 shares authorized, 53,471,096 issued and 49,813,181 outstanding at September 30, 2007 and 53,309,317 issued and 51,930,955 outstanding at December 31, 2006	535	533	0
Additional paid-in-capital	477,039	467,591	2
Accumulated other comprehensive loss, net	(9,860)	(12,428)	(21)
Retained earnings	591,424	520,689	14
Treasury stock, at cost (3,657,915 shares at September 30, 2007 and 1,378,362 shares at December 31, 2006)	(110,219)	(33,311)	231
Total stockholders' equity	948,919	943,074	1
Total liabilities and stockholders' equity	\$ 9,628,380	\$ 8,026,508	20

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

**CATHAY GENERAL BANCORP AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**(Unaudited)**

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
(In thousands, except share and per share data)				
<b>INTEREST AND DIVIDEND INCOME</b>				
Loan receivable, including loan fees	\$ 123,925	\$ 110,321	\$ 356,841	\$ 304,566
Investment securities- taxable	25,127	17,779	71,381	46,305
Investment securities- nontaxable	443	687	1,625	2,116
Federal Home Loan Bank stock	639	383	1,689	1,100
Agency preferred stock	174	295	512	799
Federal funds sold and securities purchased under agreements to resell	7,615	30	15,382	160
Deposits with banks	1,248	105	3,288	259
<b>Total interest and dividend income</b>	<b>159,171</b>	<b>129,600</b>	<b>450,718</b>	<b>355,305</b>
<b>INTEREST EXPENSE</b>				
Time deposits of \$100,000 or more	34,475	27,983	97,527	73,810
Other deposits	20,068	15,376	56,739	37,983
Securities sold under agreements to repurchase	9,865	4,658	23,126	11,183
Advances from Federal Home Loan Bank	11,472	8,621	34,930	19,315
Long-term debt	3,182	1,207	8,057	3,359
Short-term borrowings	282	1,072	1,263	2,780
<b>Total interest expense</b>	<b>79,344</b>	<b>58,917</b>	<b>221,642</b>	<b>148,430</b>
Net interest income before provision for loan losses	79,827	70,683	229,076	206,875
Provision/(Reversal) for loan losses	2,200	(1,000)	5,300	2,000
<b>Net interest income after provision for loan losses</b>	<b>77,627</b>	<b>71,683</b>	<b>223,776</b>	<b>204,875</b>
<b>NON-INTEREST INCOME</b>				
Securities gains, net	88	206	268	236
Letters of credit commissions	1,622	1,441	4,349	4,046
Depository service fees	1,146	1,138	3,529	3,630
Gains from sale of premises and equipment	2,705	-	2,714	-
Other operating income	3,298	2,619	10,045	8,317
<b>Total non-interest income</b>	<b>8,859</b>	<b>5,404</b>	<b>20,905</b>	<b>16,229</b>
<b>NON-INTEREST EXPENSE</b>				

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Salaries and employee benefits	16,893	15,949	50,756	46,060
Occupancy expense	3,159	2,637	9,035	7,444
Computer and equipment expense	2,432	1,876	7,209	5,544
Professional services expense	2,388	2,176	6,659	5,396
FDIC and State assessments	284	259	804	761
Marketing expense	608	723	2,413	2,328
Other real estate owned expense	23	16	284	513
Operations of affordable housing investments	2,540	1,429	4,928	4,027
Amortization of core deposit intangibles	1,767	1,801	5,298	4,778
Other operating expense	3,128	2,517	8,350	6,928
<b>Total non-interest expense</b>	<b>33,222</b>	<b>29,383</b>	<b>95,736</b>	<b>83,779</b>
Income before income tax expense	53,264	47,704	148,945	137,325
Income tax expense	19,258	17,046	54,392	50,279
Net income	34,006	30,658	94,553	87,046
Other comprehensive income, net of tax				
Unrealized holding gains arising during the period	5,968	12,181	2,358	1,040
Less: reclassification adjustments included in net income	(10)	133	(210)	109
Total other comprehensive income, net of tax	5,978	12,048	2,568	931
<b>Total comprehensive income</b>	<b>\$ 39,984</b>	<b>\$ 42,706</b>	<b>\$ 97,121</b>	<b>\$ 87,977</b>
Net income per common share:				
Basic	\$ 0.68	\$ 0.60	\$ 1.87	\$ 1.71
Diluted	\$ 0.67	\$ 0.59	\$ 1.84	\$ 1.69
Cash dividends paid per common share	\$ 0.105	\$ 0.090	\$ 0.300	\$ 0.270
Basic average common shares outstanding	49,828,379	51,507,434	50,683,650	51,046,270
Diluted average common shares outstanding	50,417,332	52,111,032	51,283,317	51,637,975

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements



**CATHAY GENERAL BANCORP AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS  
OF CASH FLOWS  
(Unaudited)**

	<b>Nine Months Ended September 30</b>	
	<b>2007</b>	<b>2006</b>
	<b>(In thousands)</b>	
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 94,553	\$ 87,046
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	5,300	2,000
Provision for losses on other real estate owned	210	283
Deferred tax benefit	(3,162)	(1,938)
Depreciation	3,183	2,698
Net gains on sale of other real estate owned	(29)	-
Net gains on sale of loans held for sale	(125)	(213)
Proceeds from sale of loans held for sale	2,532	4,232
Originations of loans held for sale	(2,375)	(3,934)
Purchase of trading securities	(5,000)	-
Write-downs on venture capital investments	630	876
Gain on sales and calls of securities	(268)	(236)
Decrease / (increase) in fair value of warrants	90	(909)
Other non-cash interest	190	860
Amortization of security premiums, net	1,310	2,806
Amortization of intangibles	5,474	4,865
Excess tax benefit from stock options	(503)	(411)
Stock based compensation expense	5,694	6,016
Gain on sale of premises and equipment	(2,714)	-
Increase in accrued interest receivable	(14,775)	(8,074)
Decrease in other assets, net	2,238	3,618
Increase in other liabilities	10,447	7,504
Net cash provided by operating activities	102,900	107,089
<b>Cash Flows from Investing Activities</b>		
Increase in short-term investments	(773)	-
Increase		