

CATHAY GENERAL BANCORP
Form 10-Q
May 09, 2016
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, 2016

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 001-31830
CATHAY GENERAL BANCORP
(Exact name of registrant as specified in its charter)

Delaware	95-4274680
(State of other jurisdiction of incorporation	(I.R.S.
or organization)	Employer
	Identification
	No.)

777 North Broadway, Los Angeles, California	90012
(Address of principal executive offices)	(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	No
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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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, 78,844,013 shares outstanding as of April 29, 2016.

CATHAY GENERAL BANCORP AND SUBSIDIARIES

1ST quarter 2016 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. We intend such forward-looking statements to be covered by the safe harbor provision for forward-looking statements in these provisions. All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including statements about anticipated future operating and financial performance, financial position and liquidity, growth opportunities and growth rates, growth plans, acquisition and divestiture opportunities, business prospects, strategic alternatives, business strategies, financial expectations, regulatory and competitive outlook, investment and expenditure plans, financing needs and availability, and other similar forecasts and statements of expectation and statements of assumptions underlying any of the foregoing. Words such as “aims,” “anticipates,” “believes,” “can,” “continue,” “could,” “estimates,” “expects,” “hopes,” “is,” “optimistic,” “plans,” “potential,” “possible,” “predicts,” “projects,” “seeks,” “shall,” “should,” “will,” and variations of these and similar expressions are intended to identify these forward-looking statements. Forward-looking statements by us are based on estimates, beliefs, projections, and assumptions of management and are not guarantees of future performance. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. Such risks and uncertainties and other factors include, but are not limited to, adverse developments or conditions related to or arising from:

U.S. and international business and economic conditions;

possible additional provisions for loan losses and charge-offs;

credit risks of lending activities and deterioration in asset or credit quality;

extensive laws and regulations and supervision that we are subject to, including potential supervisory action by bank supervisory authorities;

increased costs of compliance and other risks associated with changes in regulation, including the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”);

higher capital requirements from the implementation of the Basel III capital standards;

compliance with the Bank Secrecy Act and other money laundering statutes and regulations;

potential goodwill impairment;

liquidity risk;

fluctuations in interest rates;

risks associated with acquisitions and the expansion of our business into new markets;

inflation and deflation;

real estate market conditions and the value of real estate collateral;

environmental liabilities;

our ability to compete with larger competitors;

our ability to retain key personnel;

successful management of reputational risk;

natural disasters and geopolitical events;

general economic or business conditions in Asia, and other regions where the Bank has operations;

failures, interruptions, or security breaches of our information systems;

our ability to adapt our systems to technological changes;

risk management processes and strategies;

adverse results in legal proceedings;

certain provisions in our charter and bylaws that may affect acquisition of the Company;

changes in accounting standards or tax laws and regulations;

market disruption and volatility;

restrictions on dividends and other distributions by laws and regulations and by our regulators and our capital structure;

issuance of preferred stock;

successfully raising additional capital, if needed, and the resulting dilution of interests of holders of our common stock; and

the soundness of other financial institutions.

These and other factors are further described in Bancorp's Annual Report on Form 10-K for the year ended December 31, 2015 (Item 1A in particular), other reports and registration statements filed with the Securities and Exchange Commission ("SEC"), and other filings it makes 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, readers are cautioned not to place undue reliance on any forward-looking statements, which speak to the date of this report. We have no intention and undertake no obligation to update any forward-looking statement or to publicly announce any revision of any forward-looking statement to reflect future developments or events, except as required by law.

Bancorp's filings with the SEC are available at the website maintained by the SEC at <http://www.sec.gov>, or by request directed to Cathay General Bancorp, 9650 Flair Drive, El Monte, California 91731, Attention: Investor Relations (626) 279-3286.

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

(In thousands, except share and per share data)	March 31, 2016	December 31, 2015
Assets		
Cash and due from banks	\$ 192,642	\$ 180,130
Short-term investments and interest bearing deposits	432,384	536,880
Securities available-for-sale (amortized cost of \$1,476,424 in 2016 and \$1,595,723 in 2015)	1,485,124	1,586,352
Loans held for sale	-	6,676
Loans	10,363,647	10,163,452
Less: Allowance for loan losses	(134,552)	(138,963)
Unamortized deferred loan fees, net	(7,585)	(8,262)
Loans, net	10,221,510	10,016,227
Federal Home Loan Bank stock	17,250	17,250
Other real estate owned, net	27,271	24,701
Affordable housing investments and alternative energy partnerships, net	212,795	182,943
Premises and equipment, net	108,231	108,924
Customers' liability on acceptances	26,843	40,335
Accrued interest receivable	32,517	30,558
Goodwill	372,189	372,189
Other intangible assets, net	3,497	3,677
Other assets	129,766	147,284
Total assets	\$ 13,262,019	\$ 13,254,126
Liabilities and Stockholders' Equity		
Deposits		
Non-interest-bearing demand deposits	\$ 2,059,073	\$ 2,033,048
Interest-bearing deposits:		
NOW deposits	992,278	966,404
Money market deposits	1,923,114	1,905,719
Savings deposits	602,154	618,164

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Time deposits	4,747,497	4,985,752
Total deposits	10,324,116	10,509,087
Securities sold under agreements to repurchase	400,000	400,000
Advances from the Federal Home Loan Bank	475,000	275,000
Other borrowings for affordable housing investments	17,792	18,593
Long-term debt	119,136	119,136
Acceptances outstanding	26,843	40,335
Other liabilities	164,459	144,197
Total liabilities	11,527,346	11,506,348
Commitments and contingencies	-	-
Stockholders' Equity		
Common stock, \$0.01 par value, 100,000,000 shares authorized, 87,047,371 issued and 78,836,728 outstanding at March 31, 2016, and 87,002,931 issued and 80,806,116 outstanding at December 31, 2015	870	870
Additional paid-in-capital	882,825	880,822
Accumulated other comprehensive loss, net	(1,073)	(8,426)
Retained earnings	1,091,640	1,059,660
Treasury stock, at cost (8,210,643 shares at March 31, 2016, and 6,196,815 shares at December 31, 2015)	(239,589)	(185,148)
Total equity	1,734,673	1,747,778
Total liabilities and equity	\$ 13,262,019	\$ 13,254,126

See accompanying notes to unaudited condensed consolidated financial statements

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

	Three months ended March 31,	
	2016	2015
	(In thousands, except share and per share data)	
Interest and Dividend Income		
Loans receivable, including loan fees	\$ 114,890	\$ 100,100
Investment securities	6,859	3,774
Federal Home Loan Bank stock	347	581
Deposits with banks	249	479
Total interest and dividend income	122,345	104,934
Interest Expense		
Time deposits	10,857	6,773
Other deposits	3,640	4,793
Securities sold under agreements to repurchase	3,934	3,925
Advances from Federal Home Loan Bank	106	93
Long-term debt	1,440	1,424
Total interest expense	19,977	17,008
Net interest income before reversal for credit losses	102,368	87,926
Reversal for loan losses	(10,500)	(5,000)
Net interest income after reversal for credit losses	112,868	92,926
Non-Interest Income		
Securities losses, net	(206)	(21)
Letters of credit commissions	1,281	1,268
Depository service fees	1,323	1,301
Other operating income	5,143	6,001
Total non-interest income	7,541	8,549
Non-Interest Expense		
Salaries and employee benefits	26,931	22,616
Occupancy expense	4,369	4,021

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Computer and equipment expense	2,580	2,502
Professional services expense	4,368	3,370
Data processing service expense	2,250	1,982
FDIC and State assessments	2,589	2,260
Marketing expense	796	820
Other real estate owned expense	295	483
Amortization of investments in low income housing and alternative energy partnerships	2,794	2,383
Amortization of core deposit intangibles	172	177
Other operating expense	4,427	3,517
Total non-interest expense	51,571	44,131
Income before income tax expense	68,838	57,344
Income tax expense	22,675	21,364
Net income	\$46,163	35,980
Other comprehensive income, net of tax		
Unrealized holding gain on securities available-for-sale	10,354	6,499
Less: reclassification adjustments included in net income	(119)	(12)
Unrealized holding loss on cash flow hedge derivatives	(3,120)	(1,588)
Total other comprehensive gain, net of tax	7,353	4,923
Total comprehensive income	\$53,516	\$40,903
Net income per common share:		
Basic	\$0.58	\$0.45
Diluted	\$0.57	\$0.45
Cash dividends paid per common share	\$0.18	\$0.10
Average common shares outstanding		
Basic	79,734,519	79,835,628
Diluted	80,393,849	80,309,383

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three months ended	
	March 31	
	2016	2015
	(In thousands)	
Cash Flows from Operating Activities		
Net income	\$46,163	\$35,980
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Credit for loan losses	(10,500)	(5,000)
Provision for losses on other real estate owned	128	181
Deferred tax liability	13,315	6,840
Depreciation and amortization	1,923	1,929
Net losses on sale and transfer of other real estate owned	-	154
Net gains on sale of loans	(102)	(596)
Proceeds from sales of loans	3,391	10,360
Originations of loans held-for-sale	(3,289)	(8,791)
Amortization on alternative energy partnerships, venture capital and other investments	1,304	224
Net losses on sales and calls of securities	-	21
Amortization/accretion of security premiums/discounts, net	1,527	502
Write-down on impaired securities	206	-
Excess tax short-fall from share-based payment arrangements	-	4,395
Stock based compensation and stock issued to officers as compensation	1,578	1,570
Net change in accrued interest receivable and other assets	(7,328)	6,631
Net change in other liabilities	(7,207)	1,379
Net cash provided by operating activities	41,109	55,779
Cash Flows from Investing Activities		
Decrease/(increase) in short-term investments	104,496	(129,112)
Purchase of investment securities available-for-sale	(25,898)	(703,305)
Proceeds from sale of investment securities available-for-sale	-	741,992
Proceeds from repayments, maturities and calls of investment securities available-for-sale	143,464	12,102
Redemptions of Federal Home Loan Bank stock	-	5,785
Net increase in loans	(174,402)	(305,651)
Purchase of premises and equipment	(1,063)	(562)
Proceeds from sales of other real estate owned	-	1,043
Investment in affordable housing and alternative energy partnerships	(22,326)	(1,351)
Net cash provided by/(used in) investing activities	24,271	(379,059)
Cash Flows from Financing Activities		
Net (decrease)/increase in deposits	(184,803)	329,724

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Net decrease in federal funds purchased and securities sold under agreements to repurchase	-	(50,000)
Advances from Federal Home Loan Bank	450,000	2,242,000
Repayment of Federal Home Loan Bank borrowings	(250,000)	(2,182,000)
Cash dividends paid	(14,183)	(7,983)
Purchase of treasury stock	(54,441)	-
Proceeds from shares issued under Dividend Reinvestment Plan	545	1,289
Proceeds from exercise of stock options	49	88
Taxes paid related to net share settlement of RSUs	(35)	(114)
Excess tax short-fall from share-based payment arrangements	-	(4,395)
Net cash provided by/(used in) financing activities	(52,868)	328,609
Increase in cash and cash equivalents	12,512	5,329
Cash and cash equivalents, beginning of the period	180,130	176,830
Cash and cash equivalents, end of the period	\$192,642	\$182,159

Supplemental disclosure of cash flow information

Cash paid during the period:

Interest	\$20,310	\$17,370
Income taxes paid	\$4,789	\$11,884
Non-cash investing and financing activities:		
Net change in unrealized holding gain on securities available-for-sale, net of tax	\$10,473	\$6,511
Net change in unrealized holding loss on cash flow hedge derivatives	\$(3,120)	\$(1,588)
Transfers to other real estate owned from loans held for investment	\$2,698	\$701
Loans transferred from held for sale to held for investment, net	\$6,676	\$-

See accompanying notes to unaudited condensed consolidated financial statements.

CATHAY GENERAL BANCORP AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Business

Cathay General Bancorp (“Bancorp”) is the holding company for Cathay Bank (the “Bank” and, together, the “Company”), six limited partnerships investing in affordable housing investments in which the Bank is the sole limited partner, and GBC Venture Capital, Inc. Bancorp also owns 100% of the common stock of five statutory business trusts created for the purpose of issuing capital securities. The Bank was founded in 1962 and offers a wide range of financial services. As of March 31, 2016, the Bank operated 21 branches in Southern California, 12 branches in Northern California, 12 branches in New York State, three branches in Illinois, three branches in Washington State, two branches in Texas, one branch in Massachusetts, one branch in New Jersey, one branch in Maryland, one branch in Nevada, one branch in Hong Kong, and a representative office in Shanghai and in Taipei. Deposit accounts at the Hong Kong branch are not insured by the Federal Deposit Insurance Corporation (the “FDIC”).

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. For further information, refer to the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

The preparation of the condensed consolidated financial statements in accordance with GAAP requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The most significant estimates subject to change are the allowance for loan losses, goodwill impairment, and other-than-temporary impairment.

3. Recent Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, “*Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.*” This update requires an entity to measure equity investments with readily determinable fair values at fair value with changes in fair value recognized in net income. Equity investment without readily determinable fair values will be measured at fair value either upon the occurrence of an observable price change or upon identification of an impairment and any amount by which the carrying value exceeding the fair value will be recognized as an impairment in net income. This update also requires an entity to disclose fair value of financial instruments measured at amortized cost on the balance sheet to measure that fair value using the exit price option. In addition, this update requires separate presentation in comprehensive income for changes in the fair value of a liability and in the balance sheet by measurement category and form of financial asset. ASU 2016-01 becomes effective for interim and annual periods beginning after December 15, 2017. Adoption of ASU 2016-01 is not expected to have a significant impact on the Company’s consolidated financial statements.

In March 2016, the FASB issued ASU 2016-06, “*Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments.*” This update requires an entity to perform a four-step decision sequence when assessing whether contingent call or put options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. The four-step decision sequence is: the payoff is adjusted based on changes in an index; the payoff is indexed to an underlying other than interest rates or credit risk; the debt involves a substantial premium or discount; and the call or put option is contingently exercisable. ASU 2016-06 becomes effective for interim and annual periods beginning after December 15, 2016. Adoption of ASU 2016-06 is not expected to have a significant impact on the Company’s consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07, “*Investments Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting.*” This update eliminates the requirement to retroactively adopt the equity method of accounting. It requires that an equity method investor add the cost of acquiring the additional interest to the current basis of the previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The retroactive adjustment of the investment is no longer required. ASU 2016-07 becomes effective for interim and annual periods beginning after December 15, 2016. Adoption of ASU 2016-07 is not expected to have a significant impact on the Company’s consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, “*Compensation Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.*” This update simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 becomes effective for interim and annual periods beginning after December 15, 2016. Adoption of ASU 2016-09 is not expected to have a significant impact on the Company’s consolidated financial statements.

4. Earnings per Share

Basic earnings per share excludes dilution and is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock and resulted in the issuance of common stock that then shared in earnings.

Outstanding stock options with anti-dilutive effect were not included in the computation of diluted earnings per share. The following table sets forth earnings per common share calculations:

(Dollars in thousands, except share and per share data)	Three months ended March 31,	
	2016	2015
Net income	\$46,163	\$35,980
Weighted-average shares:		
Basic weighted-average number of common shares outstanding	79,734,519	79,835,628
Dilutive effect of weighted-average outstanding common share equivalents		
Warrants	452,368	344,919
Options	83,018	108,457
Restricted stock units	123,944	20,379
Diluted weighted-average number of common shares outstanding	80,393,849	80,309,383
Average stock options and warrants with anti-dilutive effect	359,544	1,670,231
Earnings per common share:		
Basic	\$0.58	\$0.45
Diluted	\$0.57	\$0.45

5. Stock-Based Compensation

Under the Company's equity incentive plans, directors and eligible employees may be granted incentive or non-statutory stock options and/or restricted stock units, or awarded non-vested stock. As of March 31, 2016, the only options granted by the Company were non-statutory stock options to selected Bank officers and non-employee directors at exercise prices equal to the fair market value of a share of the Company's common stock on the date of grant. Such options have a maximum ten-year term and vest in 20% annual increments (subject to early termination in certain events) except certain options granted to the Chief Executive Officer of the Company in 2005 and 2008. There were no options granted during the first quarter of 2016 or 2015.

Option compensation expense was zero for the three months ended March 31, 2016, and March 31, 2015. Stock-based compensation was fully recognized over the requisite service period for all awards. There were 2,110 and 3,750 stock option shares exercised in the first quarter ended March 31, 2016 and 2015, respectively. The Company received \$49,000 with an aggregate intrinsic value of \$9,000 from the exercise of stock options during the first quarter ended March 31, 2016 compared to \$88,000 with an aggregate intrinsic value of \$10,000 during the first quarter of March 31, 2015. The table below summarizes stock option activity for the periods indicated:

Shares	Weighted-average	Weighted-average	Aggregate
--------	------------------	------------------	-----------

		Exercise Price	Remaining Contractual Life (in years)	Intrinsic Value (in thousands)
Balance, December 31, 2015	1,031,170	\$ 31.27	0.9	\$ 3,268
Exercised	(2,110)	23.37		
Forfeited	(608,670)	36.46		
Balance, March 31, 2016	420,390	\$ 23.80	1.8	\$ 2,026
Exercisable, March 31, 2016	420,390	\$ 23.80	1.8	\$ 2,026

In addition to stock options, the Company also grants restricted stock units to eligible employees that vest subject to continued employment at the vesting dates.

The Company did not grant any restricted stock units in the first quarter of 2016. The Company granted restricted stock units for 37,675 shares at an average closing price for \$27.53 per share in 2015.

In December 2013, the Company granted performance share unit awards in which the number of units earned is calculated based on the relative total shareholder return (TSR) of the Company's common stock as compared to the TSR of the KBW Regional Banking Index. In addition, the Company granted performance share unit awards in which the number of units earned is determined by comparison to the targeted EPS as defined in the award for the 2014 to 2016 period. Performance TSR restricted stock units for 119,840 shares and performance EPS restricted stock units for 116,186 shares were granted to eight executive officers in 2013. In December 2014, the Company granted additional performance TSR restricted stock units for 60,456 shares and performance EPS restricted stock units for 57,642 shares were granted to seven executive officers. In December 2015, the Company granted additional performance TSR restricted stock units for 61,209 shares and performance EPS restricted stock units for 57,409 shares were granted to seven executive officers. Both the performance TSR and performance EPS units awarded are scheduled to vest three years from grant date.

The following table presents restricted stock unit activity during the three months ended March 31, 2016:

	Units
Balance at December 31, 2015	542,375
Vested	(4,812)
Balance at March 31, 2016	537,563

The compensation expense recorded for restricted stock units was \$1.0 million for the first quarter ended March 31, 2016, compared to \$1.1 million in the same period a year ago. Unrecognized stock-based compensation expense related to restricted stock units was \$6.5 million as of March 31, 2016, and is expected to be recognized over the next 2.2 years.

As of March 31, 2016, 3,789,782 shares were available under the Company's 2005 Incentive Plan (as Amended and Restated) for future grants.

The following table summarizes the tax benefit (short-fall) from share-based payment arrangements:

(Dollars in thousands)	Three months ended March 31,	
	2016	2015

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Tax benefit/(short-fall) of tax deductions in excess of grant-date fair value	\$ (3,298)	\$ (4,395)
Benefit of tax deductions on grant-date fair value	3,302	4,442
Total benefit of tax deductions	\$4	\$47

The short-fall amount from share-based payment arrangements was charged against income tax expense. In addition, \$140,000 was offset against the additional paid-in capital that resulted from previously realized excess tax benefits.

6. Investment Securities

Investment securities were \$1.49 billion as of March 31, 2016, compared to \$1.59 billion as of December 31, 2015. The following tables reflect the amortized cost, gross unrealized gains, gross unrealized losses, and fair value of investment securities as of March 31, 2016, and December 31, 2015:

	March 31, 2016			
	Gross	Gross		
	Amortized	Unrealized	Unrealized	Fair Value
	Cost	Gains	Losses	
	(In thousands)			
Securities Available-for-Sale				
U.S. treasury securities	\$224,750	\$ 61	\$ 7	\$224,804
U.S. government sponsored entities	100,000	10	-	100,010
Mortgage-backed securities	1,063,944	6,553	4	1,070,493
Collateralized mortgage obligations	60	-	26	34
Corporate debt securities	74,957	413	2,267	73,103
Mutual funds	6,000	-	85	5,915
Preferred stock of government sponsored entities	2,811	478	486	2,803
Other equity securities	3,902	4,060	-	7,962
Total	\$1,476,424	\$ 11,575	\$ 2,875	\$1,485,124

	December 31, 2015			
	Gross	Gross		
	Amortized	Unrealized	Unrealized	Fair Value
	Cost	Gains	Losses	
	(In thousands)			
Securities Available-for-Sale				
U.S. treasury securities	\$284,678	\$ 5	\$ 395	\$284,288
U.S. government sponsored entities	150,000	-	1,840	148,160
Mortgage-backed securities	1,073,108	560	11,399	1,062,269
Collateralized mortgage obligations	63	-	27	36
Corporate debt securities	74,955	425	1,525	73,855
Mutual funds	6,000	-	167	5,833
Preferred stock of government sponsored entities	2,811	633	228	3,216
Other equity securities	4,108	4,929	342	8,695
Total	\$1,595,723	\$ 6,552	\$ 15,923	\$1,586,352

The amortized cost and fair value of investment securities as of March 31, 2016, by contractual maturities, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or repayment penalties.

	Securities Available-For-Sale	
	Amortized cost	Fair value
	(In thousands)	
Due in one year or less	\$ 154,963	\$ 154,978
Due after one year through five years	104,879	105,470
Due after five years through ten years	145,501	143,358
Due after ten years (1)	1,071,081	1,081,318
Total	\$ 1,476,424	\$ 1,485,124

(1) Equity securities are reported in this category

There were no sales transactions of mortgage-backed securities during the first quarter of 2016. Proceeds of \$406.9 million were received from the sale of mortgage-backed securities during the three months ended March 31, 2015. Proceeds from repayments, maturities and calls of mortgage-backed securities were \$33.5 million and \$12.1 million for the three months ended March 31, 2016 and 2015, respectively. There were no sales transactions of other investment securities during the three months ended March 31, 2016. Proceeds of \$335.1 million were received from the sale of other investment securities during the three months ended March 31, 2015. Proceeds from maturities and calls of other investment securities were \$110.0 million during the three months ended March 31, 2016 compared to zero during the same period a year ago. No gains and losses were realized on sales of investment securities but a permanent impairment write-down of \$206,000 was recorded during the three months ended March 31, 2016 compared to gains of \$1.7 million and losses of \$1.7 million realized during the same period a year ago.

The tables below show the fair value and unrealized losses of the temporarily impaired securities in our investment securities portfolio as of March 31, 2016, and December 31, 2015:

March 31, 2016
Temporarily impaired securities

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
Securities Available-for-Sale						
U.S. treasury securities	\$29,965	\$ 7	\$-	\$ -	\$29,965	\$ 7
Mortgage-backed securities	389	3	46	1	435	4
Collateralized mortgage obligations	-	-	34	26	34	26
Corporate debt securities	9,950	50	42,783	2,217	52,733	2,267
Mutual funds	-	-	5,915	85	5,915	85
Preferred stock of government sponsored entities	2,230	486	-	-	2,230	486
Total	\$42,534	\$ 546	\$48,778	\$ 2,329	\$91,312	\$ 2,875

December 31, 2015
Temporarily impaired securities

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses

(Dollars in thousands)**Securities****Available-for-Sale**

U.S. treasury securities	\$ 224,289	\$ 395	\$ -	\$ -	\$ 224,289	\$ 395
U.S. government sponsored entities	148,160	1,840	-	-	148,160	1,840
Mortgage-backed securities	1,025,342	11,398	6	1		