PFIZER INC
Form 11-K
June 29, 2016

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

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS
AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)	
X	ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

OR

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

For the transition period from _______ to _______

Commission file number 1-3619

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

PFIZER SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

PFIZER INC.
235 EAST 42ND STREET
NEW YORK, NEW YORK 10017

PFIZER SAVINGS PLAN

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*Note: Other schedules required by 29 CFR 2520.103 10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended, have been omitted because they are not applicable.

Report of Independent Registered Public Accounting Firm

To the Savings Plan Committee
Pfizer Savings Plan:
We have audited the accompanying statements of net assets available for plan benefits of the Pfizer Savings Plan (the Plan) as of December 31, 2015 and 2014, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2015 and 2014, and the changes in net assets available for plan benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

The supplemental information in the accompanying Schedule H, Line 4a – Schedule of Delinquent Participant Contributions for the Year Ended December 31, 2015, Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2015 and Schedule H, Line 4j – Schedule of Reportable Transactions for the Year Ended December 31, 2015 has been subjected to audit procedures performed in conjunction with the audit of the Plan's 2015 financial statements. The supplemental information is presented for the purpose of additional analysis and is not a required part of the financial statements but includes supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information in the accompanying Schedule H, Line 4a – Schedule of Delinquent Participant Contributions for the Year Ended December 31, 2015, Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of December 31, 2015 and Schedule H, Line 4j – Schedule of Reportable Transactions for the Year Ended December 31, 2015 is fairly stated in all material respects in relation to the 2015 financial statements as a whole.

/s/ KPMG LLP
Memphis, Tennessee
June 23, 2016

PFIZER SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
As of December 31, 2015 and 2014

	December 31,	
(thousands of dollars)	2015	2014
Assets		
Investments, at fair value		
Pfizer Inc. common stock	$1,867,757	$1,894,613
Pfizer Inc. preferred stock	51,514	55,049
Common/collective trust funds	6,529,379	4,579,969
Mutual funds	975,769	2,989,766
T. Rowe Price Stable Value Fund	1,366,931	1,463,223
Total investments, at fair value	10,791,350	10,982,620
Receivables		
Participant contributions	8,260	7,899
Company contributions	66,270	53,357
Notes receivable from participants	81,280	79,039
Securities sold	4,909	3,321
Interest and other	285	155
Total receivables	161,004	143,771
Total assets	10,952,354	11,126,391
Liabilities		
Investment management fees payable	304	244
Net assets available for plan benefits before adjustment	10,952,050	11,126,147
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(11,836)	(35,074)
Net assets available for plan benefits	$10,940,214	$11,091,073

See accompanying Notes to Financial Statements.

PFIZER SAVINGS PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS
For the Years Ended December 31, 2015 and 2014

	Year Ended December 31,	
(thousands of dollars)	2015	2014
Additions/(reductions) to net assets attributed to		
Investment income		
Net appreciation in investments	$12,154	$562,893
Pfizer Inc. common stock dividends	66,147	65,464
Pfizer Inc. preferred stock dividends	1,659	1,894
Interest income	37,341	42,366
Dividend income from other investments	12,597	39,545
Total investment income	129,898	712,162
Interest income from notes receivable from participants	3,366	3,231
Less: Investment management, redemption and loan fees	(1,153)	(1,243)
Net investment and interest income	132,111	714,150
Contributions		
Participant	338,644	326,853
Company	176,091	160,347
Rollovers into the Plan	251,009	75,859
Total contributions	765,744	563,059
Total additions	897,855	1,277,209
Deductions from net assets attributed to		
Benefits paid to participants	923,208	806,833
Rollovers out of the Plan	125,506	37,941
Total deductions	1,048,714	844,774
Net (decrease)/increase	(150,859)	432,435
Net assets available for plan benefits		
Beginning of year	11,091,073	10,658,638
End of year	$10,940,214	$11,091,073

See accompanying Notes to Financial Statements.

PFIZER SAVINGS PLAN
Notes to Financial Statements

1. Description of the Plan

The following description of the Pfizer Savings Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan. Participation in the Plan is open to any employee of Pfizer Inc. (the Company or Plan Sponsor) or an affiliate which has, with the consent of the Plan Sponsor, adopted the Plan and who is included within a group or class designated by the Plan Sponsor as set forth in the Plan document. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA), and the Internal Revenue Code of 1986, as amended (the Code).

Plan Administration

The Plan is administered by the Savings Plan Committee of the Plan Sponsor (the Plan Administrator), a named fiduciary of the Plan. The Plan Administrator monitors and reports on (i) the selection and termination of the trustee, custodian, investment managers, and other service providers to the Plan, and (ii) the investment activity and performance of the Plan.

Administrative Costs

In general, costs and expenses of administering the Plan are paid and absorbed by the Plan or the Plan Sponsor. The Plan's administrative expenses may be paid for through offsets and/or payments associated with one or more of the Plan's investment options. Investment management or related fees associated with certain investment fund options, fees associated with loans and in service withdrawals (for active participants), and check fees are paid by participants.

Contributions

Participants may contribute up to 30% of their eligible compensation on a before-tax basis, an after-tax basis, or a combination of both. For all participants, contributions of up to 3% of eligible compensation are matched 100% by the Company and the next 3% are matched 50% by the Company. Participant contributions in excess of 6% are not matched.

Effective April 1, 2014, Company matching contributions are deposited into the Plan each quarter, rather than on each pay date. In addition, generally participants must be actively employed on the last day of the quarter to receive the match; however, if the participant separates from the Company prior to the last day of the quarter due to retirement (defined as age 55 with 10 years of service or age 65), death, or disability, such participant may still receive the match. In January 2015, the Company funded the fourth quarter 2014 Company matching contributions in the amount of approximately $25.0 million. In January 2016, the Company funded the fourth quarter 2015 Company matching contributions in the amount of approximately $24.8 million.

Effective January 1, 2015, Company matching contributions are invested according to each participant's investment election for his or her contributions. Prior to January 1, 2015, Company matching contributions were directed to the Pfizer Stock Match Fund. This change did not affect any existing holdings in the Pfizer Stock Match Fund, only future investment direction. Pfizer Inc. common stock will continue to be offered as an investment option, but the Company will no longer be directing its matching contributions to this investment.

Under the Code, salary deferral contributions, total annual contributions, and the amount of compensation that may be included for Plan purposes are subject to annual limitations; any excess contributions are refunded to participants in the following year, if applicable.

The Plan includes a Roth 401(k) contribution option which allows participants to contribute after-tax dollars into a Roth 401(k) account within the Plan and allows for tax-free earnings on those contributions. If subsequent distributions are considered "qualified Roth distributions" under the Code, such distributions are not subject to taxes. If a participant has contributions in the Plan that are immediately distributable as money that would be eligible to be rolled over to an individual retirement account, the participant may elect to convert those assets to after-tax Roth 401(k) contributions through the Roth 401(k) In-Plan Conversion feature. A participant's age and date of the first Roth 401(k) contribution will determine which contributions are eligible to satisfy these requirements.

The Plan includes a retirement savings contribution (RSC) for employees hired, rehired or transferred from certain positions on or after January 1, 2011 who are not eligible for the Pfizer Consolidated Pension Plan, a Company sponsored defined benefit plan. On May 8, 2012, the Company announced to employees that as of January 1, 2018, the Company will transition its U.S. and Puerto Rico employees from its defined benefit plans to an enhanced defined contribution savings plan. The RSC provides an additional annual employer-provided contribution based on age and years of service and a participant is 100% vested after 3 years of credited service. In February and April 2015, the Company funded the RSC for Plan year 2014 in the amounts of approximately $30.3 million and $2.1 million, respectively, of which $4 million was funded by the usage of forfeited amounts. In February 2016, the Company funded the RSC for Plan year 2015 in the amount of approximately $41.4 million, of which no forfeited amounts were used.

Participant Accounts

Each participant's account is credited with the participant's contributions, the Company's contributions, and an allocation of Plan earnings/(losses). Allocations are based on participants' account balances, as defined in the Plan.

Vesting

Participants are immediately 100% vested in their contributions and all Company contributions with the exception of the RSC. For the RSC, participants are 100% vested after 3 years of credited service.

Forfeited Amounts

Forfeited balances of terminated participants' nonvested accounts are generally used to reduce future Company contributions. At December 31, 2015 and 2014, the forfeited amounts available to reduce future Company contributions totaled approximately $2.2 million and $4.4 million, respectively.

Rollovers into the Plan

Participants may elect to rollover one or more account balances from Pfizer sponsored or other qualified plans into the Plan.

Investment Options

Nonparticipant-Directed Funds –

Pfizer Stock Match Fund	This fund holds investments in the common stock of Pfizer Inc. Prior to January 1, 2015, Company matching contributions were directed to this fund. See Note 1, Description of the Plan: Contributions, for additional information. All participants can diversify 100% of their investments in the Pfizer Stock Match Fund into any of the other available investment funds at any time. The fund targets a cash position of 0.25% of the fund balance for purposes of liquidity. The cash position may vary day to day.
Pfizer Frozen Stock Fund	This fund holds investments in the common stock of Pfizer Inc. All participants can diversify 100% of their investments in the Pfizer Frozen Stock Fund into any of the other available investment funds at any time. The fund targets a cash position of 0.25% of the fund balance for purposes of liquidity. The cash position may vary day to day.
Pfizer Preferred Stock Fund	This fund holds investments in the preferred stock of Pfizer Inc. which were allocated to participants in the Pharmacia Savings Plan before the merger of that plan into the Plan on January 1, 2008. Dividends paid to a participant's Pfizer Preferred Stock Fund account are substituted for an allocation of Pfizer Inc. common stock.

Participant-Directed Funds – Each participant in the Plan elects to have his or her contributions invested in any one or combination of investment funds in the Plan. Transfers between funds must be made in whole percentages or dollar amounts. Based on the investment option, certain short-term redemption fees or restrictions may apply. Contributions made by participants may subsequently be invested into a self-directed brokerage account. Any contributions for which the participant does not provide investment direction are invested in the participant's Qualified Default Investment Alternative (QDIA) fund based on the participant's year of birth.

The Plan's trust agreement provides that any portion of any of the investment funds may, pending its permanent investment or distribution, be invested in short-term investments.

Effective January 1, 2015, State Street Global Advisors was hired as both the Section 3(21) independent fiduciary and Section 3(38) investment manager, as defined by ERISA, to oversee the common and preferred Company stock funds.

Eligibility

Generally, all U.S.-based employees of the Company are eligible to enroll in the Plan on their date of hire, except for certain employees who (i) are covered by a collective bargaining agreement and have not negotiated to participate in the Plan, (ii) are employed by a unit not designated for participation in the Plan, or (iii) are otherwise eligible for another Company-sponsored savings plan.

Newly eligible participants who do not affirmatively enroll in the Plan within 31 days of hire or transfer into eligible employment are automatically enrolled at a 6% before-tax contribution rate. Contributions are invested in the Plan's QDIA fund based on the participant's year of birth.

Notes Receivable from Participants

Participants may borrow from their account balances with the interest rate set at 1% above the prime rate. The minimum loan is $1,000 and the maximum loan is the lesser of (i) 50% of the vested account balance reduced by any current outstanding loan balance, or (ii) $50,000, reduced by the current outstanding loan balance. Loans must be repaid within five years, unless the funds are used to purchase a primary residence. Primary residence loans must be repaid within 15 years. The repayment period for primary residence loans converted into the Plan from the Pharmacia Savings Plan is 6 to 10 years. Interest rates on outstanding loans ranged from 4.25% to 10.50% at December 31, 2015 and 2014.

Interest paid by the participant is credited to the participant's account. Interest income from notes receivable from participants is recorded by the trustee as earned in the investment funds in the same proportion as the original loan issuance. Repayments may not necessarily be made to the same fund from which the amounts were borrowed. Repayments are credited to the applicable funds based on the participant's investment elections at the time of repayment.

In the event of termination, participants will have 90 days to repay the outstanding loan balance before it is considered a distribution and subject to ordinary income tax in the year it is considered distributed. In addition, a 10% excise tax will generally apply if the participant is younger than age 59½ at the time the distribution occurs.

Payment of Benefits

Upon separation from service, retirement, or total and permanent long-term disability, a participant whose account balance is greater than $1,000 is entitled to receive the full value of their account balance or defer payment to a later date, subject to receiving minimum required distributions starting at age 70½. A participant whose account balance is $1,000 or less will receive his or her account balance upon termination. In the event of a participant's death, a spouse beneficiary generally may elect a lump sum payment or defer payment until a later date, but not beyond the year in which the participant would have reached age 70½. A non-spouse beneficiary generally may defer payment until December 31st of the year following the date of the participant's death.

In-Service Withdrawals

Participants in the Plan may make in-service or hardship withdrawals from their account balances, subject to the provisions of the Plan.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As required, the accompanying statements of net assets available for plan benefits present the fair value of the investment contracts, as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statements of changes in net assets available for plan benefits are prepared on a contract value basis.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires Plan management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Common stock is valued at the closing market price on the last business day of the year. Mutual funds are recorded at fair value based on the closing market prices obtained from national exchanges of the underlying investments of the respective fund as of the last business day of the year. Common/collective trust funds (CCTs) are stated at redemption value as determined by the trustees of such funds based upon the underlying securities stated at fair value. The Plan has the ability to redeem its investments at the NAV at the valuation date. There are no significant restrictions, redemption terms, or holding periods which would limit the ability of the Plan or the participants to transact at the NAV. The T. Rowe Price Stable Value fund represents direct investments in Guaranteed Investment Contracts (GICs), Synthetic Investment Contracts (SICs), and Separate Account Contracts (SACs). The GICs, SICs, and SACs are reported at fair value by the issuer insurance companies and banks with an appropriate adjustment to report such contracts at contract value because these investments are fully benefit-responsive. See Note 5, Investment Contracts, for additional information.

Pfizer Inc. preferred stock provides dividends at the annual rate of 6.25% and is convertible at the holder's option into 2.57487 shares of Pfizer Inc. common stock. The preferred stock may also be redeemed by Pfizer Inc. at a per-share equivalent stated value of $40.30. Pfizer Inc. preferred stock is valued using the higher of the per-share equivalent stated value of $40.30 or the quoted market price of Pfizer Inc. common stock multiplied by 2.57487 on the last business day of the Plan year (preferred stock share balances maintained by the Plan's trustee and recordkeeper are on a basis equal to a multiple of 1,000 of the share balance and one-thousandth of the $40,300 stated value). Pfizer Inc. preferred stock was valued at $83.12 per share and $80.21 per share at December 31, 2015 and 2014, respectively, based on the closing Pfizer Inc. common stock price of $32.28 per share and $31.15 per share on December 31, 2015 and 2014, respectively.

See Note 7, Fair Value Measurements, for additional information regarding the fair value of the Plan's investments.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned.

The Plan presents, in the statements of changes in net assets available for plan benefits, the net appreciation in the value of its investments which consists of the realized and unrealized gains and losses on those investments and the change in contract value of the fund holding investments in GICs, SICs, and SACs. Realized gains and losses on sales of investments represent the difference between the net proceeds and the cost of the investments (average cost if less than the entire investment is sold). Unrealized gains and losses on investments represent the difference between the cost of the investments and their fair value at the end of the year.

Notes Receivable from Participants

Notes receivable from participants, which are subject to various interest rates, are recorded at amortized cost.

Payment of Benefits

Benefits are recorded when paid.

Recently Issued Accounting Standards

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). The amendments in the ASU remove the requirement to categorize within the fair value hierarchy investments whose fair values are measured using the net asset value per share (or its equivalent) as a practical expedient. Further, the new guidance removes certain disclosure requirements for investments measured using the net asset value per share practical expedient. ASU No. 2015-07 is effective for annual reporting periods beginning after December 15, 2015. The Plan Sponsor is currently evaluating the impact of ASU No. 2015-07.

In July 2015, the FASB issued ASU No. 2015-12, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient. Part I eliminates the requirements to measure the fair value of fully benefit-responsive investment contracts and to provide certain disclosures. Contract value is now the only required measure for fully benefit-responsive investment contracts. Part II eliminates the requirements to disclose individual investments that represent 5 percent or more of net assets available for benefits and the net appreciation or depreciation in fair value of investments by general type. Part II also simplifies disclosures of the level of disaggregation of investments that are measured using fair value. Plans will continue to disaggregate investments that are measured using fair value by general type; however, plans are no longer required to also disaggregate investments by nature, characteristics and risks for disclosure purposes. Further, the disclosure of information about fair value measurements shall be provided by general type of plan asset. Part III is not applicable to the Plan. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The Plan Sponsor is currently evaluating the impact of ASU No. 2015-12

3. Tax Status

The Internal Revenue Service (IRS) has determined and informed the Plan Sponsor by letter dated October 22, 2013 that the Plan and related trust are designed in accordance with the applicable sections of the Code. The Plan has been amended since receiving the determination letter. However, the Company's counsel believes the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. Accordingly, no provision has been made for U.S. federal income taxes in the accompanying financial statements.

U.S. GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Company's counsel has confirmed that there are no uncertain positions taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan Administrator believes it is generally no longer subject to income tax examinations for years prior to 2012.

4. Investments

The fair value of individual investments that represented 5% or more of the Plan's net assets available for plan benefits were as follows:

(thousands of dollars)	December 31, 2015	2014
Pfizer Inc. Common Stock*	$1,867,757	$1,894,613
NTGI – S&P 500 Index Fund	1,514,936	1,256,344
Fidelity Large Cap Growth Fund	1,064,676	991,872
Dodge & Cox International Fund**	501,756	592,405

* Includes 40,601,720 nonparticipant-directed shares and 17,259,410 participant-directed shares at December 31, 2015 and 44,288,874 nonparticipant-directed shares and 16,533,374 participant-directed shares at December 31, 2014.

** Investment did not represent 5% or more of the Plan's net assets available for plan benefits as of December 31, 2015.

The Plan's investments (including gains and losses on investments sold, as well as held during the year) appreciated/(depreciated) in value as follows:

(thousands of dollars)	Year Ended December 31, 2015	2014
Net appreciation/(depreciation) in investments		
Pfizer Inc. common stock	$78,330	$31,486
Pfizer Inc. preferred stock	2,247	858
Mutual funds	16,176	205,924
Common/collective trust funds	(84,599)	324,625
Net appreciation in investments	$12,154	$562,893

5. Investment Contracts

Participants in the Plan have a stable value investment option that invests in the T. Rowe Price Stable Value Fund composed primarily of fully benefit-responsive GICs, SICs, and SACs held directly. The contract value of the investment contracts represents contributions made under the contract and related earnings offset by participant withdrawals. There are no reserves against contract value for credit risk of the contract issuers or otherwise.

At December 31, 2015, the Plan did not hold any GICs. At December 31, 2014, the Plan held GICs with a contract value of approximately $10.0 million. At December 31, 2015 and 2014, the Plan held SICs with a contract value of approximately $1.1 billion and $1.2 billion, respectively, and SACs with a contract value of approximately $248.3 million and $257.4 million, respectively. The average portfolio yields for the years ended December 31, 2015 and 2014 were 2.59% and 2.57% respectively. The crediting interest rates for years ended December 31, 2015 and 2014 were 2.44% and 2.66%, respectively.

Traditional investment contracts, such as GICs, provide for a fixed return on principal invested for a specified period of time. The issuer of a traditional contract is a financially responsible counterparty, typically an insurance company, bank, or other financial services institution. The issuer accepts a deposit from a benefit plan or collective trust fund and purchases investments, which are held by the issuer. The issuer is contractually obligated to repay principal and interest at the stated coupon rate to the benefit plan or collective trust fund and guarantees liquidity at contract value prior to maturity for routine permitted participant-initiated withdrawals from a stable value fund that holds these investment contracts. "Permitted participant-initiated withdrawals" refers to withdrawals from the stable value fund which directly result from participant transactions allowed by a benefit plan, such as participant withdrawals for benefits, loans, or transfers to other funds or trusts within the benefit plan.

In contrast to traditional investment contracts, the investments underlying a synthetic structure are owned by a benefit plan or collective trust fund. SICs consist of a portfolio of underlying assets (which may include units of fixed income commingled or common trust funds) owned by a benefit plan or collective trust fund and a wrap contract issued by a financially responsible third party, typically an insurance company, bank or other financial services institution. The issuer of the wrap contract provides for unscheduled withdrawals from the contract at contract value, regardless of the value of the underlying assets, in order to fund routine permitted participant-initiated withdrawals from a stable value fund. SICs provide for a variable crediting rate, which typically resets at least quarterly, and the issuer of the wrap contract provides assurance that future adjustments to the crediting rate cannot result in a crediting rate less than zero.

SACs share certain attributes of both traditional and synthetic investment contracts. A SAC is a contract with a financially responsible counterparty, typically an insurance company. The issuer guarantees liquidity at contract value for permitted participant-initiated withdrawals from the collective trust fund and provides for a variable crediting rate, not less than zero, based on performance of an underlying portfolio of investments. The issuer accepts a deposit of cash and/or securities from the collective trust fund to create the underlying fixed income portfolio. The underlying portfolio holdings are owned by the issuer but are required to be segregated in a separate account and are designed to be protected from the claims of the issuer's general creditors in the event of issuer insolvency. As with a SIC, to the extent the portfolio underlying a SAC is insufficient to cover payment obligations under the contract, the issuer is contractually obligated to make such payments in full. The SAC provides that gains and losses on the underlying portfolio accrue to the benefit of the trust. SACs have no stated maturity but may be discontinued by either party subject to any notice period under the terms of the SAC.

The crediting rate is based, in part, on the relationship between the contract value and the market value of the underlying assets, as well as previously realized gains and losses on underlying assets. The crediting rate will generally reflect, over time, movements in prevailing interest rates. However, at times the crediting rate may be more or less than prevailing rates or the actual income earned on the underlying assets. In most cases, realized and unrealized gains and losses on the underlying investments are not reflected immediately in the net assets of a stable value fund, but rather are amortized either over the time to maturity or the duration of the underlying investments, through adjustments to the future interest crediting rate.

The existence of certain conditions can limit a benefit plan's or collective trust fund's ability to transact at contract value with the issuers of its investment contracts. Specifically, any event outside the normal operation of a benefit plan or collective trust which causes a withdrawal from an investment contract may result in a contract value adjustment with respect to such withdrawal. Examples of such events include, but are not limited to, partial or complete legal termination of the plan or collective trust fund, tax disqualification, certain plan or trust amendments if issuers' consent is not obtained, improper communications to participants, group terminations, group layoffs, early retirement programs, mergers, sales, spin-offs, and bankruptcy. The Plan Sponsor does not believe the occurrence of any such event is probable.

In addition to the limitations noted above, issuers of investment contracts have certain rights to terminate a contract and settle at an amount which differs from contract value. For example, certain breaches by a benefit plan or the investment manager of their obligations, representations, or warranties under the terms of an investment contract can result in its termination at market value, which may differ from contract value. Investment contracts may also provide for termination with no payment obligation from the issuer if the performance of the contract constitutes a prohibited transaction under ERISA or other applicable law. SICs and SACs may also provide issuers with the right to reduce contract value in the event an underlying security suffers a credit event or terminate the contract in the event certain investment guidelines are materially breached and not cured.

6. Nonparticipant-Directed Investments

Information about the net assets and significant components of the changes in net assets relating to the nonparticipant-directed investments in the Pfizer Stock Match Fund, the Pfizer Frozen Stock Fund, and the Pfizer Preferred Stock Fund is as follows:

	As of December 31,	
(thousands of dollars)	2015	2014
Net assets		
Investments, at fair value		
Pfizer Inc. common stock	$1,310,624	$1,379,598
Pfizer Inc. preferred stock	51,512	55,049
Common/collective trust funds	7,329	6,827
Total investments, at fair value	1,369,465	1,441,474
Receivables		
Company contributions	24,847	25,028
Securities sold	2,101	3,321
Total receivables	26,948	28,349
Net assets available for plan benefits	$1,396,413	$1,469,823

	Year Ended December 31,	
(thousands of dollars)	2015	2014
Changes in net assets		
Investment income		
Net appreciation in investments	$58,424	$12,762
Pfizer Inc. common stock dividends	47,624	39,332
Pfizer Inc. preferred stock dividends	1,659	1,894
Interest and dividend income from other investments	11	8
Total investment income	107,718	53,996
Less: Investment management, redemption and loan fees	(66)	(63)
Net investment and interest income	107,652	53,933
Contributions, benefits paid and transfers		
Company contributions	24,749	131,934
Benefits paid to participants	(122,861)	(100,313)
Transfers (to)/from participant-directed investments	(82,950)	141,881
Total contributions, benefits paid and transfers	(181,062)	173,502
Net (decrease)/increase	(73,410)	227,435
Net assets available for plan benefits		
Beginning of year	1,469,823	1,242,388

End of year	$1,396,413	$1,469,823

7. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three levels of inputs to fair value measurements - Level 1 meaning the use of quoted prices for identical instruments in active markets; Level 2 meaning the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; and Level 3 meaning the use of unobservable inputs.

See Note 2, Summary of Significant Accounting Policies: Investment Valuation and Income Recognition, for information regarding the methods used to determine the fair value of the Plan's investments. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2015 and 2014:

(thousands of dollars)	Investments at fair value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Common/collective trusts				
US large cap equity	$-	$2,946,372	$ -	$2,946,372
US small/mid cap equity	-	692,389	-	692,389
Fixed income	-	663,535	-	663,535
Non-US equity	-	134,289	-	134,289
Retirement target date	-	2,092,794	-	2,092,794
	-	6,529,379	-	6,529,379
Mutual funds				
US small/mid cap equity	311,845	-	-	311,845
Non-US equity	501,756	-	-	501,756
Self-directed brokerage account	162,168	-	-	162,168
	975,769	-	-	975,769
Synthetic investment contracts				
Investment contracts	-	1,106,752	-	1,106,752
Wrap contracts	-	8,317	-	8,317
Separate account contracts	-	251,862	-	251,862
	-	1,366,931	-	1,366,931
Pfizer Inc. common stock	1,867,757	-	-	1,867,757
Pfizer Inc. preferred stock	-	51,514	-	51,514
Total investments at fair value	$2,843,526	$7,947,824	$ -	$10,791,350

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(thousands of dollars)	Investments at fair value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Common/collective trusts				
US large cap equity	$-	$1,653,866	$ -	$1,653,866
US small/mid cap equity	-	164,558	-	164,558
Fixed income	-	656,420	-	656,420
Non-US equity	-	156,743	-	156,743
Retirement target date	-	1,948,382	-	1,948,382
	-	4,579,969	-	4,579,969
Mutual funds				
US large cap equity	991,872	-	-	991,872
US small/mid cap equity	1,251,610	-	-	1,251,610
Non-US equity	592,405	-	-	592,405
Self-directed brokerage account	153,879	-	-	153,879
	2,989,766	-	-	2,989,766
Synthetic investment contracts				
Investment contracts	-	1,160,755	-	1,160,755
Wrap contracts	-	26,938	-	26,938
Guaranteed investment contracts	-	10,195	-	10,195
Separate account contracts	-	265,335	-	265,335
	-	1,463,223	-	1,463,223
Pfizer Inc. common stock	1,894,613	-	-	1,894,613
Pfizer Inc. preferred stock	-	55,049	-	55,049
Total investments at fair value	$4,884,379	$6,098,241	$ -	$10,982,620

8. Related Party Transactions and Party-In-Interest Transactions

Northern Trust manages investments in its sponsored funds and, therefore, is deemed a party-in-interest and a related party. Fidelity manages investments in its sponsored funds and, therefore, is deemed a party-in-interest and a related party. The Plan also invests in shares of the Plan Sponsor; therefore, these transactions qualify as party-in-interest transactions.

9. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of termination of the Plan, each participant shall be entitled to the full value of his or her account balance as though he or she had retired as of the date of such termination. No part of the invested assets established pursuant to the Plan will at any time revert to the Company, except as otherwise permitted under ERISA.

10. Risks and Uncertainties

Investment securities, including Pfizer Inc. common and preferred stock, are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in their fair values will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for plan benefits.

11. Reconciliation of Financial Statements to Form 5500

Amounts allocated to withdrawing participants are recorded as benefits paid on Form 5500 for benefit claims that have been processed and approved for payment prior to December 31st but not yet paid as of that date. Deemed distributions, representing withdrawing participants with outstanding loan balances for which no post-default payment activity has occurred, are not reported on Form 5500 in net assets available for plan benefits. Also, investments in the T. Rowe Price Stable Value Fund representing GICs, SACs, and SICs are reported on Form 5500 at fair value, whereas the net assets available for plan benefits in the financial statements report such investments at contract value.

The following is a reconciliation of net assets available for plan benefits per the financial statements to the Form 5500:

	December 31,	
(thousands of dollars)	2015	2014
Net assets available for plan benefits per the financial statements	$10,940,214	$11,091,073
Adjustment of T. Rowe Price Stable Value Fund from contract value to fair value	11,836	35,074
Amounts allocated to withdrawing participants	(1,808)	(2,489)
Deemed distributions	(1,806)	(1,812)
Net assets available for plan benefits per Form 5500	$10,948,436	$11,121,846

The following is a reconciliation of benefits paid, including rollovers, to participants per the financial statements to the Form 5500:

	Year Ended December 31,	
(thousands of dollars)	2015	2014
Benefits paid to participants, including rollovers, per the financial statements	$1,048,714	$844,774
Amounts allocated to withdrawing participants and deemed distributions at end of year	3,614	4,301
Amounts allocated to withdrawing participants and deemed distributions at beginning of year	(4,301)	(3,112)
Benefits paid to participants, including rollovers, per Form 5500	$1,048,027	$845,963

The following is a reconciliation of net (depreciation)/appreciation in investments per the financial statements to the Form 5500:

	Year Ended December 31,	
(thousands of dollars)	2015	2014
Net appreciation in investments per the financial statements	$12,154	$562,893
Adjustment of T.Rowe Price Stable Value Fund from contract value to fair value at end of year	11,836	35,074
Adjustment of T. Rowe Price Stable Value Fund from contract value to fair value at beginning of year	(35,074)	(35,970)
Net (depreciation)/appreciation in investments per Form 5500	$(11,084)	$561,997

12. Subsequent Events

The Plan Sponsor has evaluated subsequent events from the statement of net assets available for plan benefits date through June 23, 2016, the date at which the financial statements were available to be issued, and determined there were no additional items to disclose.

13. Delinquent Participant Contribution and Loan Repayments

During 2014, loan repayments for two participants in the amount of $670 and a late contribution for one participant in the amount of $626 were withheld from the participants' paychecks, but not remitted to the Plan within the period prescribed by ERISA. Subsequently, the Company took corrective steps to transmit the funds to the participant's account with adjustment for lost earnings and interest calculated in accordance with DOL correction procedures.

The Company has taken all necessary steps to bring the Plan into compliance with ERISA. The required Form 5330 and payment of related excise taxes for the late loan repayments was completed in 2014. The filing of Form 5330 and payment of related excise taxes for the 2014 late contribution was completed on July 21, 2015.

PFIZER SAVINGS PLAN
SCHEDULE H, LINE 4a-SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS
Year Ended December 31, 2015

Participant Contributions Transferred Late to Plan	Total that Constitute Non-exempt Prohibited Transactions			Total Fully Corrected Under Voluntary Fiduciary Correction Program (VFCP) and Prohibited Transaction Exemption 2002-51
Check here if Late Participant Loan Repayments are included: X	Contributions Not Corrected	Contributions Corrected Outside VFCP	Contributions Pending Correction in VFCP	
$ 670	—	$ 670*	—	—
626	—	626*	—	—

*As noted in the Notes to the Financial Statements, the required Form 5330s have been submitted with the payment of excise taxes for full compliance under ERISA.

See accompanying report of independent registered public accounting firm.

PFIZER SAVINGS PLAN
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
As of December 31, 2015
(thousands of dollars)

	Identity of Issuer, Borrower, Lessor, or Similar Party	Description of Investment	Rate of Interest	Maturity Date	Number of Shares or Units	Cost	Current Value
*	Pfizer Inc. Common Stock	Common stock			57,861,130	$1,269,115	$1,867,757
*	Pfizer Inc. Preferred Stock	Preferred stock			619,777	24,989	51,514
*	NTGI – S&P 500 Index Fund	Collective trust fund			225,839	974,047	1,514,936
*	NTGI – Russell 2000 Small Cap Index Fund	Collective trust fund			162,136	213,741	249,962
*	NTGI Collective Government Short-Term Investment Fund	Collective trust fund			135,753,843	135,754	135,754
	BlackRock Mid Cap Equity Index Fund	Collective trust fund			7,028,428	475,524	442,427
	BlackRock US Debt Index Fund	Collective trust fund			12,996,813	349,816	418,499
	BlackRock TIPS Index Fund	Collective trust fund			8,426,567	103,753	109,282
	BlackRock International Index Fund	Collective trust fund			1,066,587	11,854	11,039
*	Fidelity Large Cap Growth Fund	Collective trust fund			82,024,352	1,031,135	1,064,676
	Oppenheimer Emerging Markets Equity Fund	Collective trust fund			3,223,899	157,578	123,250
	Boston Partners Large Cap Value Fund	Collective trust fund			22,561,112	339,320	366,760
	Vanguard Target Retirement Income Trust Plus	Collective trust fund			7,136,806	223,730	263,705
	Vanguard Target Retirement 2015 Trust Plus	Collective trust fund			1,732,964	64,290	70,653
	Vanguard Target Retirement 2020 Trust Plus	Collective trust fund			11,279,887	372,529	476,914
	Vanguard Target Retirement 2025 Trust Plus	Collective trust fund			4,343,103	173,337	188,274
	Vanguard Target Retirement 2030 Trust Plus	Collective trust fund			11,533,174	390,260	512,650
	Vanguard Target Retirement 2035 Trust Plus	Collective trust fund			3,455,434	145,515	157,257

	Vanguard Target Retirement 2040 Trust Plus	Collective trust fund	6,706,864	235,802	308,918
	Vanguard Target Retirement 2045 Trust Plus	Collective trust fund	1,468,005	63,563	67,616
	Vanguard Target Retirement 2050 Trust Plus	Collective trust fund	636,382	27,601	29,318
	Vanguard Target Retirement 2055 Trust Plus	Collective trust fund	380,224	16,805	17,489
	Total common/collective trust funds			5,505,954	6,529,379
	T. Rowe Price Small Cap Stock Fund	Mutual fund	16,820,081	342,062	311,845
	Dodge & Cox International Fund	Mutual fund	13,754,286	463,483	501,756
				805,545	813,601
*	Self-Directed Brokerage Account	Mutual fund			162,168
	Total mutual funds				975,769

PFIZER SAVINGS PLAN
SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
As of December 31, 2015
(thousands of dollars)

	Identity of Issuer, Borrower, Lessor, or Similar Party	Description of Investment	Rate of Interest	Maturity Date	Number of Shares or Units	Cost	Current Value
	T. Rowe Price Stable Value Fund –						
	American General Life Insurance Company Contract #GA-IM-266-1658155	Synthetic investment contract	2.64 %	**	187,781,003	187,781	189,500
	Royal Bank of Canada Contract #TRPPFIZER01	Synthetic investment contract	2.60 %	**	144,360,245	144,360	145,459
	State Street Bank and Trust Company Contract #96028	Synthetic investment contract	2.60 %	**	306,048,351	306,048	308,193
	The Bank of Tokyo-Mitsubishi UFJ, LTD Contract #TRO-Pfizer14-1	Synthetic investment contract	2.52 %	**	234,244,134	234,244	235,878
	The Prudential Insurance Company of America Contract #GA-63191	Synthetic investment contract	2.61 %	**	234,318,578	234,319	236,039
	Metropolitan Life Insurance Company Contract #32392	Separate account contract	2.90 %	**	248,342,853	248,343	251,862
	Total T. Rowe Price Stable Value Fund					1,355,095	1,366,931
	Total investments						10,791,350
*	Notes receivable from participants	Interest Rates: 4.25% - 10.50% Maturity Dates: 2016 - 2031					81,280
	Total						$10,872,630

* Party-in-interest as defined by ERISA
** Open-ended maturity

See accompanying report of independent

registered
public
accounting
firm.

PFIZER SAVINGS PLAN
SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS
Year ended December 31, 2015
(thousands of dollars)

Identity of party involved	Description of asset	Purchase price	Selling price	Cost of asset	Current value of asset on transaction date	Net gain/ (loss)
NTGI Collective Government Short-Term Investment Fund*	Collective trust fund shares – 140 acquisitions	$164,308	$ -	$164,308	$ 164,308	$ -
NTGI Collective Government Short-Term Investment Fund*	Collective trust fund shares – 360 dispositions	-	163,830	163,830	163,830	-

* Party-in-interest as defined by ERISA

See accompanying report of independent registered public accounting firm.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the members of the Savings Plan Committee have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

PFIZER SAVINGS PLAN

By: /s/ Brian McMahon

Brian McMahon
Member, Savings Plan Committee
Date: June 23, 2016
20
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Guaranteed mortgage loan securitizations	
	334,495
	117,305
Real estate acquired through foreclosure	
	2,786
Issuance of common stock pursuant to acquisition	
	133,849

Issuance of common stock to employees	
	105

See accompanying notes to condensed consolidated financial statements.

EAST WEST BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2006 and 2005
(Unaudited)

1. BASIS OF PRESENTATION

The consolidated financial statements include the accounts of East West Bancorp, Inc. (referred to herein on an unconsolidated basis as East West and on a consolidated basis as the Company) and its wholly owned subsidiaries, East West Bank and subsidiaries (the Bank) and East West Insurance Services, Inc. Intercompany transactions and accounts have been eliminated in consolidation. East West also has seven wholly-owned subsidiaries that are statutory business trusts (the Trusts). In accordance with Financial Accounting Standards Board Interpretation No. 46R, *Consolidation of Variable Interest Entities*, the Trusts are not consolidated into the accounts of East West Bancorp, Inc.

The interim consolidated financial statements, presented in accordance with accounting principles generally accepted in the United States of America (GAAP), are unaudited and reflect all adjustments which, in the opinion of management, are necessary for a fair statement of financial condition and results of operations for the interim periods. All adjustments are of a normal and recurring nature. Results for the six months ended June 30, 2006 are not necessarily indicative of results that may be expected for any other interim period or for the year as a whole. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted. The unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company s annual report on Form 10-K for the year ended December 31, 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Standards

In December 2003, the Accounting Standards Executive Committee of the AICPA issued Statement of Position No. 03-3 (SOP 03-3), *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*. SOP 03-3 addresses the accounting for differences between contractual cash flows and the cash flows expected to be collected from purchased loans or debt securities if those differences are attributable, in part, to credit quality. SOP 03-3 requires purchased loans and debt securities to be recorded initially at fair value based on the present value of the cash flows expected to be collected with no carryover of any valuation allowance previously recognized by the seller. Interest income should be recognized based on the effective yield from the cash flows expected to be collected. To the extent that the purchased loans or debt securities experience subsequent deterioration in credit quality, a valuation allowance would be established for any additional cash flows that are not expected to be received. However, if more cash flows subsequently are expected to be received than originally estimated, the effective yield would be adjusted on a prospective basis. SOP 03-3 is effective for loans and debt securities acquired by the Company after December 15, 2004. The adoption of this Statement on January 1, 2005 did not have a material impact on the Company s financial position, results of operations, or cash flows.

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share-Based Payment.* This Statement supersedes Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and its related implementation guidance and is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation.* This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions.

This Statement requires a public entity to measure the cost of employee services received in exchange for award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award - the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service. The grant-date fair value of employee share options and similar instruments will be estimated using option-pricing models adjusted for unique characteristics of those instruments (unless observable market prices for the same or similar instruments are available). If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

The Company adopted the revised accounting standards for stock based compensation effective January 1, 2006. SFAS No. 123(R) allows for two alternative transition methods. The Company follows the modified prospective method, which requires application of the new Statement to new awards and to awards modified, repurchased or cancelled after the required effective date. Accordingly, prior period amounts have not been restated. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of January 1, 2006 will be recognized as the requisite services are rendered on or after January 1, 2006. The compensation cost of that portion of awards is based on the grant-date fair value of those awards as calculated for pro forma disclosures under the original SFAS No. 123. Under the transition provisions of SFAS No. 123(R), the Company has reduced additional paid in capital by $8.2 million, representing the remaining deferred compensation balance in the consolidated statement of stockholders equity as of January 1, 2006.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, which addresses accounting for changes in accounting principle, changes in accounting estimates, changes required by an accounting pronouncement in the instance that the pronouncement does not include specific transition provisions and error correction. SFAS No. 154 requires retrospective application to prior periods financial statements of changes in accounting principle and error correction unless impracticable to do so. SFAS No. 154 states an exception to retrospective application when a change in accounting principle, or the method of applying it, may be inseparable from the effect of a change in accounting estimate. When a change in principle is inseparable from a change in estimate, such as depreciation, amortization or depletion, the change to the financial statements is to be presented in a prospective manner. SFAS No. 154 and the required disclosures are effective for accounting changes and error corrections in fiscal years beginning after December 15, 2005.

In November 2005, the FASB issued Staff Position (FSP) Nos. FAS 115-1 and 124-1 to address the determination as to when an investment is considered impaired, whether that impairment is other than temporary and the measurement of an impairment loss. This FSP nullified certain requirements of Emerging Issues Task Force 03-1 *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* (EITF 03-1), and references existing other than temporary guidance. Furthermore, this FSP creates a three step process in determining when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. The FSP is effective for reporting periods beginning after December 15, 2005. The adoption of this FSP did not have a material impact on the Company s financial condition or results of operations.

During December 2005, the FASB issued FSP Statement of Position (SOP) 94-6-1, *Terms of Loan Products That May Give Rise to a Concentration of Credit Risk*, which addresses the circumstances under which the terms of loan products give rise to such risk and the disclosures or other accounting considerations that apply for entities that originate, hold, guarantee, service, or invest in loan products with terms that may give rise to a concentration of credit risk. The guidance under this FSP is effective for interim and annual periods ending after December 19, 2005 and for loan products that are determined to represent a concentration

of credit risk, disclosure requirements of SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, should be provided for all periods presented. The adoption of this FSP did not have a significant impact on the Company s consolidated financial statements.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets* (SFAS No. 156), which provides the following: 1) revised guidance on when a servicing asset and servicing liability should be recognized; 2) requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable; 3) permits an entity to elect to measure servicing assets and servicing liabilities at fair value each reporting date and report changes in fair value in earnings in the period in which the changes occur; 4) upon initial adoption, permits a onetime reclassification of available-for-sale securities to trading securities for securities which are identified as offsetting the entity s exposure to changes in the fair value of servicing assets or liabilities that a servicer elects to subsequently measure at fair value; and 5) requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional footnote disclosures. SFAS No. 156 is effective as of the beginning of an entity s first fiscal year that begins after September 15, 2006 with the effects of initial adoption being reported as a cumulative-effect adjustment to retained earnings. It is not anticipated that adoption will have a material impact on the Company s consolidated financial statements.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) which supplements SFAS No. 109, *Accounting for Income Taxes*, by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. The Interpretation requires that the tax effects of a position be recognized only if it is more-likely-than-not to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold represents a positive assertion by management that a company is entitled to economic benefits of a tax position. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. At adoption, companies must adjust their financial statements to reflect only those tax positions that are more-likely-than-not to be sustained as of the adoption date. Any necessary adjustment would be recorded directly to retained earnings in the period of adoption and reported as a change in accounting principle. FIN 48 is effective for fiscal years beginning after December 15, 2006. It is not anticipated that adoption will have a material impact on the Company s financial condition, results of operations, or cash flows.

3. STOCK-BASED COMPENSATION

The Company issues stock options and restricted stock to employees under share-based compensation plans. As previously mentioned, the Company adopted SFAS No. 123(R) on January 1, 2006 using the modified prospective method. Under this method, the provisions of SFAS No. 123(R) are applied to new awards and to awards modified, repurchased or canceled after December 31, 2005 and to awards outstanding on December 31, 2005 for which requisite service has not yet been rendered. SFAS No. 123(R) requires companies to account for stock options using the fair value method, which generally results in compensation expense recognition. Prior to December 31, 2005, the Company accounted for its fixed stock options using the intrinsic-value method, as prescribed in APB Opinion No. 25. Accordingly, no stock option expense was recorded in periods prior to December 31, 2005.

The adoption of SFAS No. 123(R) resulted in incremental stock-based compensation expense during 2006. Since we have previously recognized compensation expense on restricted stock awards, the incremental stock-based compensation expense recognized pursuant to SFAS No. 123(R) relates only to issued and unvested stock option grants. The incremental stock-based compensation expense caused income before income taxes to decrease by $551 thousand and net income to decrease by $320 thousand for the quarter ended June 30, 2006. For the six months ended June 30, 2006, incremental stock-based compensation expense reduced income before income taxes by $1.1 million and reduced net income by $621 thousand. The impact of this additional expense on basic and diluted earnings per share was a reduction of $0.01 for both the three

and six months ended June 30, 2006. Cash provided by operating activities decreased by $7.5 million and cash provided by financing activities increased by an identical amount for the first half of 2006 related to excess tax benefits from stock-based payment arrangements.

As required under SFAS No. 123(R), the reported net income and earnings per share for the three and six months ended June 30, 2005 have been presented below to reflect the impact had the Company been required to recognize compensation cost based on the fair value at the grant date for stock options. The pro forma amounts are as follows (amounts are reflected in thousands, except per share data):

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
Net income, as reported	$ 25,463	$ 48,982
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	414	795
Deduct: Total stock-based employee compensation expense determined using fair value method, net of related tax effects	(1,046)	(1,713)
Net income, pro forma	$ 24,831	$ 48,064
Basic earnings per share		
As reported	$ 0.49	$ 0.94
Pro forma	$ 0.47	$ 0.92
Diluted earnings per share		
As reported	$ 0.47	$ 0.91
Pro forma	$ 0.46	$ 0.89

During the three and six months ended June 30, 2006, total compensation cost recognized in the consolidated statements of income related to stock options and restricted stock awards amounted to $1.3 million and $2.7 million, respectively, with their related tax benefits of $530 thousand and $1.1 million, respectively. During the three and six months ended June 30, 2005, total compensation cost recognized in the consolidated statements of income related to restricted stock awards amounted to $714 thousand and $1.4 million, respectively, with their related tax benefits of $300 thousand and $576 thousand, respectively.

Stock Options

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

A summary of activity for the Company s stock options as of and for the six months ended June 30, 2006 is presented below:

		Shares		Weighted Average Exercise Price
Outstanding at beginning of period		3,209,183	$	13.51
Granted		227,562		37.15
Exercised		(538,397)		7.58
Forfeited		(13,325)		27.22
Outstanding at end of period		2,885,023	$	16.42
Options exercisable at June 30, 2006		2,156,746		
Weighted average fair value of options granted during the period	$	10.05		

The weighted average grant-date fair value of options granted during the six months ended June 30, 2006 and 2005 was $10.05 and $9.43, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Expected life (1)	4 years	3.5 years	4 years	3.5 years
Expected volatility (2)	27.8%	28.1%	27.8%	28.1%
Expected dividend yield	0.6%	0.6%	0.6%	0.5%
Risk-free interest rate (3)	4.8%	3.8%	4.7%	3.9%

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

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

(3) The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant.

The following table summarizes information about stock options outstanding as of June 30, 2006:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	Number of Outstanding Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Exercisable Options		Weighted Average Exercise Price
$5.00 to $9.99	671,865	$	5.52	2.4 years	671,865	$	5.52
$10.00 to $14.99	685,875		12.59	5.3 years	685,875		12.59
$15.00 to $19.99	1,005,231		16.88	3.2 years	743,231		16.88
$25.00 to $29.99	118,450		26.60	4.6 years	54,150		26.62
$30.00 to $34.99	51,228		33.94	6.1 years	750		32.92
$35.00 to $39.99	351,374		37.32	6.4 years	625		35.14
$40.00 to $44.99	1,000		42.97	5.4 years	250		42.97
$5.00 to $44.99	2,885,023	$	16.42	4.0 years	2,156,746	$	12.24

During the three and six months ended June 30, 2006 and 2005, activities related to stock options are presented as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	(In thousands)			
Total intrinsic value of options exercised	$ 7,583	$ 645	$ 16,517	$ 1,601
Total fair value of options vested	$ 41	$ 59	$ 871	$ 1,331

As of June 30, 2006, total unrecognized compensation cost related to stock options amounted to $3.8 million. This cost is expected to be recognized over a weighted average period of 3.4 years.

Restricted Stock

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

A summary of the activity for restricted stock as of June 30, 2006, including changes during the six months then ended, is presented below:

	Shares	Weighted Average Price
Outstanding at beginning of period	431,392	$ 30.60
Granted	142,875	36.28
Vested	(66,300)	18.21
Forfeited	(27,472)	33.65
Outstanding at end of period	480,495	$ 33.82

In March 2006, the Company also granted performance restricted stock with two-year cliff vesting to an executive officer. The number of shares that the executive will receive under this stock award will ultimately depend on the Company s achievement of specified performance targets. The performance period is January 1, 2006 through December 31, 2007. At the end of the performance period, the number of stock awards issued will be determined by adjusting upward or downward from the target amount of shares in a range between 24% and 124%. The final performance percentage on which the payout will be based, considering performance metrics established for the performance period, will be determined by the Board of Directors or a committee of the Board. If the Company performs below its performance targets, the Board or the committee may, at its discretion, choose not to award any shares. Shares of stock, if any, will be issued following the end of the performance period two years from the date of grant. Compensation costs are accrued over the service period and are based on the probable outcome of the performance condition. The maximum number of shares subject to this grant cannot exceed 41,000 shares.

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As of June 30, 2006, total unrecognized compensation cost related to restricted stock awards amounted to $10.8 million. This cost is expected to be recognized over a weighted average period of 3.5 years.

Employee Stock Purchase Plan

The Company adopted the 1998 Employee Stock Purchase Plan (the Purchase Plan) providing eligible employees of the Company and its subsidiaries participation in the ownership of the Company through the right to purchase shares of its common stock at a discount. Under the terms of the Purchase Plan, prior to April 2005, employees could purchase shares of the Company s common stock at the lesser of 85% of the per-share market price at the date of grant or exercise, subject to an annual limitation of common stock valued at $25,000. In April 2005, the terms of the Purchase Plan were amended to allow the employees to purchase shares at 90% of the per-share market price at the date of exercise, maintaining the annual common stock value limitation of $25,000. As of June 30, 2006, the Purchase Plan qualifies as a non-compensatory plan under Section 423 of the Internal Revenue Code and, accordingly, no compensation expense is recognized under the plan.

The Purchase Plan covers a total of 2,000,000 shares of the Company s common stock. During the six months ended June 30, 2006, 34,319 shares totaling $1.2 million were sold to employees under the Purchase Plan.

4. BUSINESS COMBINATIONS

The Company has completed several business acquisitions that have all been accounted for using the purchase method of accounting. Accordingly all assets and liabilities were adjusted to and recorded at their estimated fair values as of the acquisition date. The excess of purchase price over fair value of net assets acquired, if identifiable, was recorded as a premium on purchased deposits, and if not identifiable, was recorded as goodwill. The estimated tax effect of differences between tax bases and market values has been reflected in deferred income taxes. The results of operations of the acquired entities have been included in the Company s consolidated financial statements from the date of acquisition.

At the close of business on March 17, 2006, the Company completed the acquisition of Standard Bank, a federal savings bank headquartered in Monterey Park, California. The purchase price was $200.3 million which was comprised of $66.4 million in cash and 3,647,440 shares of East West Bancorp, Inc. common stock. The Company recorded total goodwill of $100.8 million and core deposit premium of $8.6 million for this transaction.

The Company completed the acquisition of United National Bank, a commercial bank headquatered in San Marino, California, at the close of business on September 6, 2005. The purchase price was $177.9 million which was comprised of $71.1 million in cash and 3,138,701 shares of East West Bancorp, Inc. common stock. The Company recorded total goodwill of $99.7 million and core deposit premium of $15.0 million for this transaction.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for these two transactions:

	Standard Bank	United National Bank
	(In thousands)	
Cash and cash equivalents	$ 165,834	$ 120,221
Loans receivable	487,110	666,693
Premises and equipment	3,211	10,434
Core deposit premium	8,648	15,044
Goodwill	100,838	99,711
Other assets	239,585	146,970
Total assets acquired	1,005,226	1,059,073
Deposits	728,994	865,070
Other liabilities	75,960	16,143
Total liabilities assumed	804,954	881,213
Net assets acquired	$ 200,272	$ 177,860

The unaudited pro forma combined amounts presented below give effect to the acquisition of Standard Bank as if this transaction had been completed as of the beginning of each period. For the three and six months ended June 30, 2005, the unaudited pro forma combined amounts also include the results of operations for United National Bank as if this transaction had been completed as of the beginning of each period. The unaudited pro forma information is not necessarily indicative of the results of operations that would have resulted had the acquisitions

been completed at the beginning of the applicable period presented, nor is it necessarily indicative of the results of operations in future periods.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006 (1)	2005 (3)	2006 (2)	2005 (3)
	(In thousands, except per share data)			
Net interest income	$ 91,644	$ 80,183	$ 178,796	$ 157,482
Provision for loan losses	1,333	4,665	5,866	9,330
Noninterest income	8,119	9,246	6,801	16,330
Noninterest expense	38,536	35,477	77,587	70,187
Income before provision for income taxes	59,894	49,287	102,144	94,295
Provision for income taxes	23,249	18,222	38,972	34,858
Net income	$ 36,645	$ 31,065	$ 63,172	$ 59,437
EARNINGS PER SHARE				
BASIC	$ 0.61	$ 0.53	$ 1.05	$ 1.01
DILUTED	$ 0.59	$ 0.51	$ 1.03	$ 0.98
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
BASIC	60,270	59,124	60,070	59,077
DILUTED	61,619	60,664	61,488	60,707

(1) Since the acquisition of Standard Bank was completed on March 17, 2006, there is no difference between the pro forma and actual results of operations for the three months ended June 30, 2006.

(2) The pro forma results of operations for the six months ended June 30, 2006 includes $10.3 million in net realized losses on investment securities that were sold by Standard Bank during the first quarter of 2006. Further, the pro forma results of operations for the six months ended June 30, 2006 reflect interest expense related to junior subordinated debt amounting to $30.0 million that was issued in connection with the acquisition of Standard Bank as if this debt instrument was issued at the beginning of the period.

(3) The pro forma results of operations for both periods in 2005 reflect additional interest expense related to $50.0 million in junior subordinated debt that was issued in connection with the acquisitions of United National Bank and Standard Bank as if these debt instruments were issued at the beginning of each period.

5. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

During the second quarter of 2006, the Company entered into two separate long-term transactions totaling $400.0 million involving the sale of securities under repurchase agreements. The first transaction amounting to $200.0 million has an effective date of April 25, 2006 and a maturity date of April 25, 2016. The interest rate is initially floating for the first two years from April 25, 2006 through April 25, 2008 based on the three-month Libor minus 125 basis points. Thereafter, the rate is fixed at 5.128% for the remainder of the term. As of

June 30, 2006, the interest rate on this agreement is 3.85%. The counterparty has the right to call the transaction on April 25, 2008 and quarterly thereafter until maturity. The second transaction, also amounting to $200.0 million, has an effective date of June 6, 2006 and a maturity date of June 6, 2013. The interest rate is initially floating for the first six months from June 6, 2006 through December 6, 2006 based on the three-month Libor minus 255 basis points. Thereafter, the rate is fixed at 5.00% for the remainder of the term. At June 30, 2006, the interest rate on this agreement is 2.72%. The counterparty has the right to call the transaction on December 6, 2006 and quarterly thereafter until maturity.

In June 2006, the Company modified the terms of $50.0 million of its repurchase agreements in response to the increasing interest rate environment. This transaction was initially entered into by the Company in September 2005. Under the original terms of this seven-year agreement, the interest rate for the first year was based on the three-month Libor minus 100 basis points. Thereafter, the rate was fixed at 4.075% through the original maturity date of September 6, 2012. Under the modified terms, the interest rate on this agreement for the period from June 6, 2006 through December 6, 2006 is based on the three-month Libor minus 290 basis points. Thereafter, the rate is fixed at 5.00% through the extended maturity date of June 6, 2013. At June 30, 2006, the interest rate on this repurchase agreement is 2.37%. Under the terms of

the modification, the counterparty has the right to call the transaction on December 6, 2006 and quarterly thereafter until maturity. The difference in the present value of the cash flows under the new terms of the debt instrument is less than 10% of the present value of the remaining cash flows under the original terms. As such, this modification of debt terms is not considered substantial, and therefore, does not constitute an extinguishment of debt in accordance with the provisions of EITF 96-19, *Debtor s Accounting for a Modification or Exchange of Debt Instruments*. No gain or loss was recorded in the consolidated statements of income as a result of this debt modification.

6. JUNIOR SUBORDINATED DEBT

On March 15, 2006, the Company issued $30.9 million in junior subordinated debt securities through a pooled trust preferred offering. Similar to previous offerings, these securities were issued through a newly formed statutory business trust, East West Capital Trust VII (Trust VII), a wholly-owned subsidiary of the Company. The proceeds from the debt securities are loaned by Trust VII to the Company and are included in long-term debt in the accompanying Condensed Consolidated Balance Sheet. The securities issued by Trust VII have a scheduled maturity of June 15, 2036 and bear interest at a per annum rate based on the three-month Libor plus 135 basis points, payable on a quarterly basis. At June 30, 2006, the interest rate on the junior subordinated debt was 6.68%. The junior subordinated debt issued qualifies as Tier I capital for regulatory reporting purposes.

7. COMMITMENTS AND CONTINGENCIES

Credit Extensions - In the normal course of business, the Company has various outstanding commitments to extend credit that are not reflected in the accompanying interim consolidated financial statements. As of June 30, 2006, undisbursed loan commitments and commercial and standby letters of credit amounted to $2.16 billion and $365.6 million, respectively.

Guarantees From time to time, the Company sells loans with recourse in the ordinary course of business. For loans that have been sold with recourse, the recourse component is considered a guarantee. When the Company sells a loan with recourse, it commits to stand ready to perform if the loan defaults, and to make payments to remedy the default. As of June 30, 2006 and December 31, 2005, loans sold with recourse, comprised entirely of residential single family mortgage loans, totaled $29.3 million and $31.6 million, respectively. The Company s recourse reserve related to these loans totaled $67 thousand and $76 thousand as of June 30, 2006 and December 31, 2005, respectively, and is included in accrued expenses and other liabilities in the accompanying consolidated balance sheets.

The Company also sells loans without recourse that may have to be subsequently repurchased if a defect that occurred during the loan origination process results in a violation of a representation or warranty made in connection with the sale of the loan. When a loan sold to an investor without recourse fails to perform according to its contractual terms, the investor will typically review the loan file to determine whether defects in the origination process occurred and if such defects give rise to a violation of a representation or warranty made to the investor in connection with the sale. If such a defect is identified, the Company may be required to either repurchase the loan or indemnify the investor for losses sustained. If there are no such defects, the Company has no commitment to repurchase the loan. As of June 30, 2006 and December 31, 2005, the amount of loans sold without recourse totaled $1.08 billion and $777.6 million, which substantially represents the unpaid principal balance of the Company s loans serviced for others portfolio.

Litigation - Neither the Company nor the Bank is involved in any material legal proceedings at June 30, 2006. The Bank, from time to time, is a party to litigation which arises in the ordinary course of business, such as claims to enforce liens, claims involving the origination and servicing of loans, and other issues related to the business of the Bank. After taking into consideration information furnished by counsel to the

Company and the Bank, management believes that the resolution of such issues will not have a material adverse impact on the financial position, results of operations, or liquidity of the Company or the Bank.

Regulated Investment Company On December 31, 2003**, the California Franchise Tax Board (FTB) announced that it is taking the position that certain tax deductions relating to regulated investment companies will be disallowed pursuant to California Senate Bill 614 and California Assembly Bill 1601, which were signed into law in the fourth quarter of 2003.** East West Securities Company, Inc. (the Fund), a regulated investment company (RIC) formed and funded in July 2000 to raise capital in an efficient and economical manner was dissolved on December 30, 2002 as a result of, among other reasons, proposed legislation to change the tax treatments of RICs. The Fund provided state tax benefits beginning in 2000 until the end of 2002, when the RIC was officially dissolved. While the Company s management continues to believe that the tax benefits realized in previous years were appropriate and fully defensible under the existing tax codes at that time, the Company has deemed it prudent to participate in the voluntary compliance initiative, or VCI offered by the State of California to avoid certain potential penalties should the FTB choose to litigate its announced position about the tax treatment of RICs for periods prior to enactment of the legislation described above and should the FTB be successful in that litigation.

Pursuant to the VCI program, the Company filed amended California income tax returns on April 15, 2004 for all affected years and paid the resulting taxes and interest due to the FTB. This amounted to an aggregate payment of $14.2 million for tax years 2000, 2001, and 2002. The Company s management continues to believe that the tax deductions are appropriate and, as such, refund claims have also been filed for the amounts paid with the amended returns. These refund claims are reflected as assets in the Company s consolidated financial statements. As a result of these actions amending the Company s California income tax returns and subsequent related filing of refund claims the Company retains its potential exposure for assertion of an accuracy-related penalty should the FTB prevail in its position, in addition to our risk of not being successful in our refund claim for taxes and interest. The Company s potential exposure to all other penalties, however, has been eliminated through this course of action.

The FTB is currently in the process of reviewing and assessing our refund claims for taxes and interest for tax years 2000 through 2002. Management is continuing to pursue these claims, to monitor developments in the law in this area, and to monitor the status of tax claims with respect to other registered investment companies.

8. STOCKHOLDERS EQUITY

Earnings Per Share - The actual number of shares outstanding at June 30, 2006 was 60,857,655. Basic earnings per share are calculated on the basis of the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated on the basis of the weighted average number of shares outstanding during the period plus restricted stock and shares issuable upon the assumed exercise of outstanding common stock options and warrants.

The following table sets forth earnings per share calculations for the three and six months ended June 30, 2006 and 2005:

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	Three Months Ended June 30,					
	2006			2005		
	Net Income	Number of Shares	Per Share Amounts	Net Income	Number of Shares	Per Share Amounts
	(In thousands, except per share data)					
Basic earnings per share	$ 36,645	60,270	$ 0.61	$ 25,463	52,338	$ 0.49
Effect of dilutive securities:						
Stock options		1,091	(0.02)		1,311	(0.02)
Restricted stock		167			104	
Stock warrants		91			125	
Dilutive earnings per share	$ 36,645	61,619	$ 0.59	$ 25,463	53,878	$ 0.47

	Six Months Ended June 30,					
	2006			2005		
	Net Income	Number of Shares	Per Share Amounts	Net Income	Number of Shares	Per Share Amounts
	(In thousands, except per share data)					
Basic earnings per share	$ 68,696	58,538	$ 1.17	$ 48,982	52,291	$ 0.94
Effect of dilutive securities:						
Stock options		1,150	(0.02)		1,364	(0.03)
Restricted stock		178			136	
Stock warrants		90			130	
Dilutive earnings per share	$ 68,696	59,956	$ 1.15	$ 48,982	53,921	$ 0.91

Quarterly Dividends The Company s Board of Directors declared and paid quarterly common stock cash dividends of $0.05 per share which was paid May 16, 2006 to shareholders of record on May 3, 2006. Cash dividends totaling $3.0 million were paid to the Company s shareholders during the second quarter of 2006.

9. BUSINESS SEGMENTS

The Company utilizes an internal reporting system to measure the performance of various operating segments within the Bank and the Company overall. The Company has identified four principal operating segments for purposes of management reporting: retail banking, commercial lending, treasury, and residential lending. Information related to the Company s remaining centralized functions and eliminations of inter-segment amounts have been aggregated and included in Other. Although all four operating segments offer financial products and services, they are managed separately based on each segment s strategic focus. While the retail banking segment focuses primarily on retail operations through the Bank s branch network, certain designated branches have responsibility for generating commercial deposits and loans. The commercial lending segment, which includes commercial real estate, primarily generates commercial loans and deposits through the efforts of commercial lending officers located in the Bank s northern and southern California production offices. The treasury department s primary focus is managing the Bank s investments, liquidity, and interest rate risk; the residential lending segment is mainly responsible for the Bank s portfolio of single family and multifamily residential loans.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies described in Note 1 of our annual report on Form 10-K for the year ended December 31,

2005. Operating segment results are based on the Company s internal management reporting process, which reflects assignments and allocations of capital, certain operating and administrative costs and the provision for loan losses. Net interest income is based on the Company s internal funds transfer pricing system which assigns a cost of funds or a credit for funds to assets or liabilities based on their type, maturity or re-pricing characteristics. Non-interest income and non-interest expense, including depreciation and amortization, directly attributable to a segment are assigned to that business. Indirect costs, including overhead expense, are allocated to the segments based on several factors, including, but not limited to, full-time equivalent employees, loan volume and deposit volume. The provision for credit losses is allocated based on actual losses incurred and an allocation of the remaining provision based on new loan originations for the period. The Company evaluates overall performance based on profit or loss from operations before income taxes not including nonrecurring gains and losses.

Future changes in the Company s management structure or reporting methodologies may result in changes in the measurement of operating segment results. Results for prior periods have been restated for comparability for changes in management structure or reporting methodologies. Specifically, an adjustment was made to reallocate the credit provided for the Company s capital to the treasury segment from the Other category. The adjustment resulted in an increase in the treasury segment s pretax profit of $5.7 million and $7.1 million for the three months ended June 30, 2006 and 2005, respectively. For the six months ended June 30, 2006 and 2005, this adjustment resulted in an increase in the treasury segment s pretax profit of $12.2 million and $9.8 million, respectively.

The following tables present the operating results and other key financial measures for the individual operating segments for the three and six months ended June 30, 2006 and 2005:

	Three Months Ended June 30, 2006					
	Retail Banking	Commercial Lending	Treasury	Residential Lending	Other	Total
	(In thousands)					
Interest income	$ 54,597	$ 66,108	$ 15,821	$ 17,537	$ 5,185	$ 159,248
Charge for funds used	(37,782)	(44,450)	(21,715)	(14,045)		(117,992)
Interest spread on funds used	16,815	21,658	(5,894)	3,492	5,185	41,256
Interest expense	(33,964)	(5,060)	(28,580)			(67,604)
Credit on funds provided	67,793	10,013	40,186			117,992
Interest spread on funds provided	33,829	4,953	11,606			50,388
Net interest income	$ 50,644	$ 26,611	$ 5,712	$ 3,492	$ 5,185	$ 91,644
Depreciation and amortization	$ 2,754	$ 177	$ (513)	$ 275	$ 223	$ 2,916
Goodwill	182,545	12,170		48,679	957	244,351
Segment pretax profit (loss)	31,738	23,894	7,292	2,533	(5,563)	59,894
Segment assets	2,379,397	3,105,431	1,536,434	2,436,093	560,936	10,018,291

	Three Months Ended June 30, 2005					
	Retail Banking	Commercial Lending	Treasury	Residential Lending	Other	Total
	(In thousands)					
Interest income	$ 29,929	$ 43,629	$ 6,437	$ 12,856	$ 918	$ 93,769
Charge for funds used	(16,674)	(23,774)	(2,533)	(7,830)		(50,811)
Interest spread on funds used	13,255	19,855	3,904	5,026	918	42,958
Interest expense	(12,625)	(1,728)	(14,456)			(28,809)
Credit on funds provided	29,618	4,087	17,106			50,811
Interest spread on funds provided	16,993	2,359	2,650			22,002
Net interest income	$ 30,248	$ 22,214	$ 6,554	$ 5,026	$ 918	$ 64,960
Depreciation and amortization	$ 1,206	$ 114	$ (186)	$ 216	$ 1,049	$ 2,399
Goodwill	32,133	2,142		8,569	958	43,802
Segment pretax profit (loss)	16,346	18,464	7,268	5,005	(7,060)	40,023
Segment assets	1,534,725	2,276,753	749,391	1,838,356	302,359	6,701,584

	Six Months Ended June 30, 2006					
	Retail Banking	Commercial Lending	Treasury	Residential Lending	Other	Total
	(In thousands)					
Interest income	$ 102,096	$ 125,758	$ 27,252	$ 33,946	$ 7,498	$ 296,550
Charge for funds used	(69,029)	(82,607)	(35,234)	(26,586)		(213,456)
Interest spread on funds used	33,067	43,151	(7,982)	7,360	7,498	83,094
Interest expense	(59,376)	(8,588)	(53,894)			(121,858)
Credit on funds provided	121,517	17,885	74,054			213,456
Interest spread on funds provided	62,141	9,297	20,160			91,598
Net interest income	$ 95,208	$ 52,448	$ 12,178	$ 7,360	$ 7,498	$ 174,692
Depreciation and amortization	$ 5,345	$ 350	$ (1,081)	$ 620	$ 486	$ 5,720
Goodwill	182,545	12,170		48,679	957	244,351
Segment pretax profit (loss)	57,440	45,737	15,849	4,896	(12,246)	111,676
Segment assets	2,379,397	3,105,431	1,536,434	2,436,093	560,936	10,018,291

	Six Months Ended June 30, 2005					
	Retail Banking	Commercial Lending	Treasury	Residential Lending	Other	Total
	(In thousands)					
Interest income	$ 57,345	$ 82,097	$ 12,240	$ 24,887	$ 1,956	$ 178,525
Charge for funds used	(30,956)	(43,111)	(8,067)	(14,562)		(96,696)
Interest spread on funds used	26,389	38,986	4,173	10,325	1,956	81,829
Interest expense	(23,399)	(3,140)	(24,804)			(51,343)
Credit on funds provided	54,380	7,324	34,992			96,696
Interest spread on funds provided	30,981	4,184	10,188			45,353
Net interest income	$ 57,370	$ 43,170	$ 14,361	$ 10,325	$ 1,956	$ 127,182
Depreciation and amortization	$ 2,402	$ 225	$ (326)	$ 481	$ 2,022	$ 4,804
Goodwill	32,133	2,142		8,569	958	43,802
Segment pretax profit (loss)	25,959	36,152	15,135	9,079	(9,668)	76,657
Segment assets	1,534,725	2,276,752	749,391	1,838,356	302,360	6,701,584

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion provides information about the results of operations, financial condition, liquidity, and capital resources of East West Bancorp, Inc. and its subsidiaries. This information is intended to facilitate the understanding and assessment of significant changes and trends related to our financial condition and the results of our operations. This discussion and analysis should be read in conjunction with our 2005 annual report on Form 10-K for the year ended December 31, 2005, and the accompanying interim unaudited consolidated financial statements and notes thereto.

Critical Accounting Policies

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make a number of judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses in our consolidated financial statements and accompanying notes. We believe that the judgments, estimates and assumptions used in the preparation of our consolidated financial statements are appropriate given the factual circumstances as of June 30, 2006.

Various elements of our accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. In particular, we have identified three accounting policies that, due to judgments, estimates and assumptions inherent in those policies, are critical to an understanding of our consolidated financial statements. These policies relate to the classification and valuation of investment securities, the methodologies that determine our allowance for loan losses, and the valuation of retained interests and mortgage servicing assets related to securitizations and sales of loans. In each area, we have identified the variables most important in the estimation process. We have used the best information available to make the estimations necessary to value the related assets and liabilities. Actual performance that differs from our estimates and future changes in the key variables could change future valuations and impact net income.

Our significant accounting policies are described in greater detail in our 2005 Annual Report on Form 10-K in the Critical Accounting Policies section of Management s Discussion and Analysis and in Note 1 to the Consolidated Financial Statements Significant Accounting Policies which are essential to understanding Management s Discussion and Analysis of Results of Operations and Financial Condition.

Overview

During the second quarter of 2006, we again generated record earnings totaling $36.6 million, or $0.61 per basic share and $0.59 per diluted share, compared with $25.5 million, or $0.49 per basic share and $0.47 per diluted share, reported during the second quarter of 2005. Loan growth, operating efficiencies and solid asset quality contributed to our earnings performance for the second quarter of 2006. The annualized return on average assets during the second quarter of 2006 was 1.53%, compared with 1.55% for the same quarter in 2005. The annualized return on average equity was 15.98% during the second quarter of 2006, compared to 18.74% during the same period in 2005. The decrease in the annualized return on average equity is primarily due to additional shares issued in connection with the acquisition of Standard Bank. Based on the results of our performance in the second quarter of 2006 and expected growth for the remainder of 2006, we expect net income per diluted common share for the full year 2006 to be approximately 16% to 17% higher than in 2005. This estimate is based on a projected annualized loan growth of 15% to 17% for the remainder of 2006, annualized deposit growth of 10% to 15% for the remainder of 2006, and an increase in operating expenses of 25% to 28% for the entire year of 2006. Our earnings projection for the full year of 2006 also assumes a stable or marginally increasing interest rate environment and a net interest margin between 4.00% and 4.10%.

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During the second quarter of 2006, we completed two securitization transactions involving both single family and multifamily loans. On April 21, 2006, we securitized $217.0 million in single family loans in a private label guaranteed mortgage securitization issued through East West Mortgage Securities, LLC. The underlying loans for the pass through securities issued were all jumbo single family loans originated by the Bank. We recorded $2.2 million in mortgage servicing assets as a result of this single family securitization transaction as the Bank continues to service the underlying loans. On June 26, 2006, we securitized another $117.5 million of multifamily loans through the Federal National Mortgage Association (FNMA) and recorded $1.5 million in related mortgage servicing assets. We retained all the resulting securities from these securitization transactions in our available-for-sale portfolio. In accordance with SFAS No. 140, ***Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement No. 125*****, both transactions were accounted for as neither sales nor financings and therefore, had no impact on our results of operations. We plan to securitize additional single family and multifamily loans in the foreseeable future for both liquidity and capital management purposes.**

Also during the second quarter of 2006, we entered into two separate long-term transactions involving the sale of securities under repurchase agreements totaling $400.0 million. The repurchase agreements, each amounting to $200.0 million, have a term of ten and seven years. The first agreement is non-callable for the first two years with an interest rate based on the three-month Libor minus 125 basis points for the first two years. Thereafter, the interest rate is fixed rate at 5.128% for the remainder of the term. The second agreement is non-callable for the first six months with an interest rate based on the three-month Libor minus 255 basis points for the first six months. Thereafter, the interest rate is fixed rate at 5.00% for the remainder of the term. The counterparty to these agreements has the right to a quarterly call when the rates change from floating to fixed.

In addition to these new repurchase agreement transactions, we also modified the terms of a $50.0 million repurchase agreement in June 2006 in response to the rising interest rate environment. We initially entered into this repurchase agreement in September 2005. Since the modification terms did not meet the debt extinguishment criteria specified under EITF 96-19, *Debtor s Accounting for a Modification or Exchange of Debt Instruments*, no gain or loss was recognized in our results of operations.

Total consolidated assets at June 30, 2006 increased 21% to $10.02 billion, compared with $8.28 billion at December 31, 2005. A 16% growth in gross loans was the primary driver of this increase, rising to a record $7.87 billion at June 30, 2006. Excluding the impact of the Standard Bank acquisition and loan securitization transactions, organic loan growth was $919.4 million or 14% year to date. The loan portfolio continues to grow steadily and we estimate loan growth for the full year of 2006 to range from 15% to 17%, reflecting the core rate of growth in the Bank s lending markets, the addition of new client relationships, and the utilization of additional lending programs and products.

Total average assets increased 46% to $9.58 billion during the second quarter of 2006, compared to $6.58 billion for the same quarter in 2005, primarily due to growth in average loans. Total average loans grew to $7.72 billion during the quarter ended June 30, 2006, an increase of 39% over the corresponding period in the prior year. The growth in average loans for the second quarter of 2006 was driven by double digit increases in all loan sectors, except for consumer loans. Total average deposits rose 48% during the second quarter of 2006 to $7.00 billion, compared to $4.72 billion for the same quarter in 2005. We experienced double-digit growth in all deposit categories during the second quarter of 2006, with the largest dollar impact coming from money market accounts, time deposits, and savings accounts.

Net interest income increased 41% to $91.6 million during the quarter ended June 30, 2006, compared with $65.0 million during the same quarter in 2005. The substantial increase in net interest income is predominantly due to significant loan growth and steady increases in interest rates by the Federal Reserve during the past year. These factors were partially offset by increases in both the volume and rates paid for time deposits and money market accounts, as well as growth in the volume of both short-term and long-term borrowings and higher rates paid on FHLB advances. Our net interest margin decreased 7 basis points to

4.08% during the second quarter of 2006, compared to 4.15% during the same period in 2005. Our margin was negatively impacted by continued competition in loan and deposit pricing as well as the impact of assets acquired from Standard Bank. Assuming a stable or marginally increasing interest rate environment during 2006, we anticipate the net interest margin for the full year of 2006 to be in the range of 4.00% to 4.10%.

Total noninterest income increased slightly to $8.1 million during the second quarter of 2006, compared with $8.0 million for the corresponding quarter in 2005. This increase is primarily comprised of higher branch-related fee income and other operating income, partially offset by a decrease in net gains on sales of available-for-sale securities and income from secondary market activities. For the full year of 2006, we anticipate our core noninterest income to be comparable to that of the prior year.

As a result of our continued expansion, total noninterest expense increased 36% to $38.5 million during the second quarter of 2006, compared with $28.4 million for the same period in 2005. This increase was largely due to increased staffing levels and an overall increase in operating costs due to the acquisitions of United National Bank in the third quarter of 2005 and Standard Bank in the first quarter of 2006. Occupancy expense also increased due to the recent relocation and expansion of our corporate offices. Our efficiency ratio, which represents noninterest expense (excluding the amortization of intangibles and investments in affordable housing partnerships), divided by the aggregate of net interest income before provision for loan losses and noninterest income decreased to 35% during the second quarter of 2006 compared to 36% during the same period in 2005. We believe this to be a reflection of our ability to efficiently and effectively utilize our resources and operating platform to support our continuing growth. Due to the recent acquisitions of United National Bank and Standard Bank and the overall growth of the Bank, as well as the recent relocation of our corporate headquarters, we anticipate noninterest expenses to increase by 25% to 28% for the full year of 2006, but expect our efficiency ratio to remain in the 36% to 38% range.

Total nonperforming assets amounted to $10.5 million, or 0.11% of total assets at June 30, 2006, compared with $30.1 million, or 0.36% of total assets, at December 31, 2005. The allowance for loan losses totaled $75.8 million at June 30, 2006, or 0.96% of outstanding total loans. Net chargeoffs totaled $305 thousand during the second quarter of 2006, representing an annualized 0.02% of average loans, for the quarter. This compares with $2.4 million in net chargeoffs, or an annualized 0.17% of average loans, during the same quarter in 2005. We anticipate our overall asset quality to remain sound throughout the remainder of 2006. We project that nonperforming assets will continue to be below 0.50% of total assets and that net chargeoffs will remain below an annualized 0.35% of average loans in 2006.

We continue to be well-capitalized under all regulatory guidelines with a Tier 1 risk-based capital ratio of 9.41%, a total risk-based capital ratio of 11.34%, and a Tier 1 leverage ratio of 8.43% at June 30, 2006. As previously mentioned, we raised $30.0 million in additional regulatory capital through the issuance of trust preferred securities in a trust preferred offering during the first quarter of 2006. Trust preferred securities currently qualify as Tier 1 capital for regulatory purposes. The net proceeds from the trust preferred offering were used to partially fund the acquisition of Standard Bank and also to support the continued growth of the Bank.

Results of Operations

We reported second quarter 2006 net income of $36.6 million, or $0.61 per basic share and $0.59 per diluted share, compared with $25.5 million, or $0.49 per basic share and $0.47 per diluted share, reported during the second quarter of 2005. The 44% increase in net income is primarily attributable to higher net interest income and lower provision for loan losses, partially offset by higher operating expenses and a higher provision for income taxes. Our annualized return on average total assets slightly decreased to 1.53% for the quarter ended June 30, 2006, from 1.55% for the same period in 2005. The annualized return on average stockholders equity also decreased to 15.98% for the second quarter of 2006, compared with 18.74% for the second quarter of 2005 primarily due to additional shares issued in connection with the Standard Bank acquisition.

Net income for the six months ended June 30, 2006 increased 40% to $68.7 million, or $1.17 per basic share and $1.15 per diluted share, compared with $49.0 million, or $0.94 per basic share and $0.91 per diluted share, reported during the same period in 2005. The increase in net income for the first six months of 2006 is largely attributable to higher net interest income and noninterest income and lower provision for loan losses, partially offset by higher operating expenses and higher provision for income taxes. Our annualized return on average total assets decreased slightly to 1.51% for the six months ended June 30, 2006, compared to 1.54% for the same period in 2005. For the first half of 2006, the annualized return on average stockholders equity decreased to 16.31% from 18.42% for the same period in 2005 as a result of additional shares issued in connection with the Standard Bank acquisition.

Components of Net Income

	Three Months Ended June 30, 2006	2005	Six Months Ended June 30, 2006	2005
	(In millions)			
Net interest income	$ 91.6	$ 65.0	$ 174.7	$ 127.2
Provision for loan losses	(1.3)	(4.5)	(4.7)	(8.9)
Noninterest income	8.1	8.0	17.0	14.5
Noninterest expense	(38.6)	(28.4)	(75.3)	(56.1)
Provision for income taxes	(23.2)	(14.6)	(43.0)	(27.7)
Net income	$ 36.6	$ 25.5	$ 68.7	$ 49.0
Annualized return on average total assets	1.53%	1.55%	1.51%	1.54%
Annualized return on average stockholders equity	15.98%	18.74%	16.31%	18.42%

Net Interest Income

Our primary source of revenue is net interest income, which is the difference between interest income on earning assets and interest expense on interest-bearing liabilities. Net interest income for the second quarter of 2006 totaled $91.6 million, a 41% increase over net interest income of $65.0 million for the same period in 2005. For the first half of 2006, net interest income increased 37% to $174.7 million, compared to $127.2 million for the first half of 2005.

Total interest and dividend income during the quarter ended June 30, 2006 increased 70% to $159.2 million, compared with $93.8 million during the same period in 2005. Correspondingly, year-to-date interest and dividend income increased 66% to $296.6 million, compared with $178.5 million during the same period in 2005. The increase in interest and dividend income during both the second quarter and first half of 2006 is attributable to the robust growth in average earning assets. Average earning assets grew $2.73 billion and $2.46 billion during the quarter and six months ended June 30, 2006, respectively. Growth in average loans was the primary driver for the growth in average earning assets for both periods. The net growth in average earning assets was largely funded by increases in time deposits, money market accounts, noninterest-bearing demand deposits, borrowings, and long-term debt.

Total interest expense during the second quarter of 2006 increased 135% to $67.6 million, compared with $28.8 million for the same period a year ago. Similarly, year-to-date interest expense through June 30, 2006 increased 137% to $121.9 million, compared with $51.3 million for the same period a year ago. The increase in interest expense during both the second quarter and first half of 2006 can be attributed to both the significant growth in average interest-bearing liabilities, predominantly time deposits, money market accounts, and securities sold under repurchase agreements, as well as higher rates paid on all categories of interest-bearing liabilities, reflecting continuing increases in interest rates and sustained pricing competition in the deposit market.

Net interest margin, defined as taxable equivalent net interest income divided by average earning assets, decreased 7 basis points to 4.08% during the second quarter of 2006, compared with 4.15% during the second quarter of 2005. For the first six months of 2006, the net interest margin decreased to 4.13%, from 4.22% for the corresponding period in the prior year. The overall yield on earning assets increased 109 basis points to 7.09% in the second quarter of 2006, from 6.00% in 2005, due to several consecutive Federal Reserve interest rate increases during the past year. Similarly, the overall yield on earning assets for the first half of 2006 increased 108 basis points to 7.00%, compared with 5.92% for the same period last year.

Our funding cost on interest-bearing liabilities increased by 135 basis points to 3.73% for the three months ended June 30, 2006 from 2.38% in the prior year period. Likewise, our funding cost on interest-bearing liabilities for the six months ended June 30, 2006 increased 136 basis points to 3.56%, from 2.20% in the prior year period. The combined impact of an increasing interest rate environment and heightened competition in the deposit market were the primary drivers of our increased cost of funds during both the second quarter and first half of 2006. To help fund our loan growth, we increased our reliance on time deposits, other borrowings and long-term debt, further contributing to the overall increase in our cost of funds for the quarter and six months ended June 30, 2006.

We also continue to rely heavily on noninterest-bearing demand deposits as a funding source, with average noninterest-bearing demand deposits increasing 18% to $1.28 billion during the second quarter of 2006, compared to $1.09 billion during the same period in 2005. For the first half of 2006, average noninterest-bearing demand deposits increased 15% to $1.23 billion, compared to $1.07 billion for the corresponding period in 2005. Our overall cost of funds, which takes into account our portfolio of noninterest-bearing demand deposits, increased 123 basis points to 3.17% for the quarter ended June 30, 2006, compared to 1.94% for the same quarter in 2005. For the six months ended June 30, 2006, our overall cost of funds also increased 123 basis points to 3.02% from 1.79% for the corresponding period in 2006.

The following table presents the net interest spread, net interest margin, average balances, interest income and expense, and the average yields and rates by asset and liability component for the three months ended June 30, 2006 and 2005:

	Three Months Ended June 30,					
	2006			2005		
	Average Volume	Interest	Yield (1)	Average Volume	Interest	Yield (1)
	(Dollars in Thousands)					
ASSETS						
Interest-earning assets:						
Short-term investments	$ 7,678	$ 107	5.59%	$ 7,708	$ 57	2.97%
Interest bearing deposits in other banks	779	6	3.09%			
Securities purchased under resale agreements	100,000	1,896	7.60%			
Investment securities available-for-sale (2) (3) (4)	1,112,309	12,949	4.67%	632,105	5,582	3.54%
Loans receivable (2) (5)	7,723,615	143,426	7.45%	5,567,272	87,334	6.29%
FHLB and FRB stock	61,510	864	5.63%	65,883	796	4.85%
Total interest-earning assets	9,005,891	159,248	7.09%	6,272,968	93,769	6.00%
Noninterest-earning assets:						
Cash and due from banks	129,338			99,873		
Allowance for loan losses	(75,980)			(55,608)		
Other assets	524,479			260,218		
Total assets	$ 9,583,728			$ 6,577,451		
LIABILITIES AND STOCKHOLDERS EQUITY						
Interest-bearing liabilities:						
Checking accounts	$ 425,440	$ 1,376	1.30%	$ 327,977	$ 615	0.75%
Money market accounts	1,228,093	11,085	3.62%	599,968	3,053	2.04%
Savings deposits	429,311	865	0.81%	315,704	199	0.25%
Time deposits less than $100,000	1,155,660	10,523	3.65%	803,033	4,649	2.32%
Time deposits $100,000 or greater	2,474,445	26,090	4.23%	1,579,695	10,878	2.76%
Fed funds purchased	97,314	1,208	4.98%	6,875	60	3.50%
FHLB Advances	756,206	8,199	4.35%	1,138,783	7,890	2.78%
Securities sold under repurchase agreements	527,198	5,005	3.81%			
Long-term debt	184,023	3,253	7.09%	92,091	1,465	6.38%
Total interest-bearing liabilities	7,277,690	67,604	3.73%	4,864,126	28,809	2.38%
Noninterest-bearing liabilities:						
Demand deposits	1,282,553			1,090,716		
Other liabilities	106,342			79,233		
Stockholders equity	917,143			543,376		
Total liabilities and stockholders equity	$ 9,583,728			$ 6,577,451		
Interest rate spread			3.36%			3.62%
Net interest income and net margin		$ 91,644	4.08%		$ 64,960	4.15%

(1) Annualized.

(2) Includes amortization of premium and accretion of discounts on investment securities and loans receivable totaling $477 thousand and $234 thousand, respectively, for the three months ended June 30, 2006, and $79 thousand and $175 thousand, respectively, for the three months ended June 30, 2005. Also includes the amortization of deferred loan fees totaling $1.9 million and $920 thousand for the three months ended June 30, 2006 and 2005, respectively.

(3) Average balances exclude unrealized gains or losses on available-for-sale securities.

(4) The yields are not presented on a tax-equivalent basis as the effects are not material.

(5) Average balances include nonperforming loans.

The following table presents the net interest spread, net interest margin, average balances, interest income and expense, and the average yields and rates by asset and liability component for the six months ended June 30, 2006 and 2005:

	Six Months Ended June 30,					
	2006			2005		
	Average Volume	Interest	Yield (1)	Average Volume	Interest	Yield (1)
	(Dollars in Thousands)					
ASSETS						
Interest-earning assets:						
Short-term investments	$ 9,238	$ 228	4.98%	$ 7,377	$ 99	2.71%
Interest bearing deposits in other banks	421	8	3.83%			
Securities purchased under resale agreements	89,503	3,243	7.31%			
Investment securities available-for-sale (2) (3) (4)	975,973	22,164	4.58%	606,182	10,839	3.61%
Loans receivable (2) (5)	7,402,991	269,297	7.34%	5,402,818	166,230	6.20%
FHLB and FRB stock	60,811	1,610	5.34%	60,178	1,357	4.55%
Total interest-earning assets	8,538,937	296,550	7.00%	6,076,555	178,525	5.92%
Noninterest-earning assets:						
Cash and due from banks	135,859			100,940		
Allowance for loan losses	(73,220)			(54,011)		
Other assets	476,929			253,977		
Total assets	$ 9,078,505			$ 6,377,461		
LIABILITIES AND STOCKHOLDERS EQUITY						
Interest-bearing liabilities:						
Checking accounts	$ 431,926	$ 2,702	1.26%	$ 331,892	$ 1,248	0.76%
Money market accounts	1,128,207	18,919	3.38%	608,908	6,013	1.99%
Savings deposits	383,574	1,202	0.63%	322,899	389	0.24%
Time deposits less than $100,000	1,075,175	18,507	3.47%	786,474	8,515	2.18%
Time deposits $100,000 or greater	2,354,358	47,498	4.07%	1,548,120	19,520	2.54%
Fed funds purchased	99,651	2,327	4.71%	6,169	102	3.33%
FHLB Advances	826,130	16,907	4.13%	1,021,079	13,071	2.58%
Securities sold under repurchase agreements	426,657	7,882	3.73%			
Long-term debt	171,208	5,914	6.97%	74,879	2,485	6.69%
Total interest-bearing liabilities	6,896,886	121,858	3.56%	4,700,420	51,343	2.20%
Noninterest-bearing liabilities:						
Demand deposits	1,230,939			1,068,146		
Other liabilities	108,266			77,125		
Stockholders equity	842,414			531,770		
Total liabilities and stockholders equity	$ 9,078,505			$ 6,377,461		
Interest rate spread			3.44%			3.72%
Net interest income and net margin		$ 174,692	4.13%		$ 127,182	4.22%

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(1) Annualized.

(2) Includes amortization of premium and accretion of discounts on investment securities and loans receivable totaling $1.0 million and $540 thousand, respectively, for the six months ended June 30, 2006, and $109 thousand and $406 thousand, respectively, for the six months ended June 30, 2005. Also includes the amortization of deferred loan fees totaling $3.6 million and $1.9 million for the six months ended June 30, 2006 and 2005, respectively.

(3) Average balances exclude unrealized gains or losses on available-for-sale securities.

(4) The yields are not presented on a tax-equivalent basis as the effects are not material.

(5) Average balances include nonperforming loans.

Analysis of Changes in Net Interest Margin

Changes in net interest income are a function of changes in rates and volumes of both interest-earning assets and interest-bearing liabilities. The following table sets forth information regarding changes in interest income and interest expense for the periods indicated. The total change for each category of interest-earning asset and interest-bearing liability is segmented into the change attributable to variations in volume (changes in volume multiplied by old rate) and the change attributable to variations in interest rates (changes in rates multiplied by old volume). Nonaccrual loans are included in average loans used to compute this table.

	Three Months Ended June 30, 2006 vs. 2005			Six Months Ended June 30, 2006 vs. 2005		
	Total Change	Changes Due to Volume (1)	Changes Due to Rates (1)	Total Change	Changes Due to Volume (1)	Changes Due to Rates (1)
		(In thousands)			(In thousands)	
INTEREST-EARNING ASSETS:						
Short-term investments	$ 50	$	$ 50	$ 129	$ 30	$ 99
Interest bearing deposits in other banks	6	6		8	8	
Securities purchased under resale agreements	1,896	1,896		3,243	3,243	
Investment securities available-for-sale	7,367	5,192	2,175	11,325	7,850	3,475
Loans receivable	56,092	38,043	18,049	103,067	69,058	34,009
FHLB and FRB stock	68	(55)	123	253	14	239
Total interest and dividend income	$ 65,479	$ 45,082	$ 20,397	$ 118,025	$ 80,203	$ 37,822
INTEREST-BEARING LIABILITIES						
Checking accounts	$ 761	$ 221	$ 540	$ 1,454	$ 454	$ 1,000
Money market accounts	8,032	4,618	3,414	12,906	7,097	5,809
Savings deposits	666	94	572	813	85	728
Time deposits less than $100,000	5,874	2,549	3,325	9,992	3,833	6,159
Time deposits $100,000 or greater	15,212	7,850	7,362	27,978	13,000	14,978
Federal funds purchased	1,148	1,112	36	2,225	2,166	59
FHLB advances	309	(3,209)	3,518	3,836	(2,857)	6,693
Securities sold under resale agreements	5,005	5,005		7,882	7,882	
Long-term debt	1,788	1,609	179	3,429	3,323	106
Total interest expense	38,795	19,849	18,946	70,515	34,983	35,532
CHANGE IN NET INTEREST INCOME	**$ 26,684**	**$ 25,233**	**$ 1,451**	**$ 47,510**	**$ 45,220**	**$ 2,290**

(1) Change in interest income/expense not arising from volume or rate variances are allocated proportionately to rate and volume.

Provision for Loan Losses

The provision for loan losses amounted to $1.3 million for the second quarter of 2006, compared to $4.5 million for the same period in 2005. For the first half of 2006, the provision for loan losses totaled $4.7 million, compared to $8.9 million for the same period in 2005. Provisions for loan losses are charged to income to bring the allowance for credit losses to a level deemed appropriate by management based on the factors discussed under the Allowance for Loan Losses section of this report.

Noninterest Income

Components of Noninterest Income

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(In millions)			
Branch fees	$ 2.89	$ 1.70	$ 5.43	$ 3.29
Letters of credit fees and commissions	2.16	1.96	4.33	4.50
Ancillary loan fees	1.13	0.61	1.91	1.13
Net gain on sales of investment securities available-for-sale	0.14	1.28	1.86	1.73
Income from life insurance policies	0.92	0.82	1.81	1.56
Income from secondary market activities	0.19	0.99	0.37	1.18
Net gain on sale of other real estate owned			0.09	
Other operating income	0.69	0.60	1.21	1.07
Total	$ 8.12	$ 7.96	$ 17.01	$ 14.46

Noninterest income includes revenues earned from sources other than interest income. These sources include: service charges and fees on deposit accounts, fees and commissions generated from trade finance activities and the issuance of letters of credit, income from secondary market activities, ancillary fees on loans, net gains on sales of loans, investment securities available-for-sale and other assets, and other noninterest-related revenues.

Noninterest income increased 2% to $8.1 million during the three months ended June 30, 2006 from $8.0 million for the same quarter in 2005, primarily due to higher branch fees and ancillary loan fees partially offset by decreases in net gain on sales of investment securities available-for-sale and income from secondary market activities. For the first half of 2006, noninterest income increased 18% to $17.0 million, compared to $14.5 million for the first half of 2005 predominantly due to higher branch fees and ancillary loan fees partially offset by a decrease in income from secondary market activities.

Branch fees, which represent revenues derived from branch operations, increased 71% to $2.9 million for the second quarter of 2006 from $1.7 million for the same quarter in 2005. Similarly, branch fee income for the first six months of 2006 increased 65% to $5.4 million, compared to $3.3 million for the six months ended June 30, 2005. The increase in branch-related fee income for both periods can be attributed primarily to higher revenues from alternative investments offered to customers including mutual fund and annuity products, as well as growth in wire transfer fee income and analysis charges on commercial deposit accounts.

Ancillary loan fees increased 85% to $1.1 million for the second quarter of 2006 from $612 thousand for the corresponding quarter in 2005. For the first half of 2006, ancillary loan fees increased 69% to $1.9 million, compared to $1.1 million for the first half of 2005. The increase in ancillary loan fees for both the second quarter and first six months of 2006 is predominantly due to the significant increase in loan origination volume during 2006 relative to 2005.

Income from secondary market activities decreased 81% to $189 thousand for the second quarter of 2006, compared with $992 thousand for the same period in 2005. For the first six months of 2006, income from secondary market activities decreased 68% to $373 thousand, from $1.2 million for the same period in 2005. A significant portion of the income from secondary market activities recorded during the second quarter and first half of 2005 represents a gain of $768 thousand from the sale of $51.7 million in fixed rate single family loans to a third party.

Net gain on sale of other real estate owned (OREO) amounted to $88 thousand during the first six months of 2006, representing the gain on sale of a condominium unit that was held as partial collateral for a commercial business loan. This gain was recorded during the first quarter of 2006. No such gains were recorded during the second quarter of 2006.

Other noninterest income, which includes insurance commissions and insurance-related service fees, rental income, and other miscellaneous income, increased 15% to $689 thousand during the second quarter of

2006, from $597 thousand recorded during the same quarter of 2005. For the first six months of 2006, other noninterest income increased 13% to $1.2 million, compared to $1.1 million for the first six months of 2005.

Noninterest Expense

Components of Noninterest Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	(In millions)			
Compensation and employee benefits	$ 15.83	$ 12.49	$ 32.00	$ 25.34
Occupancy and equipment expense	5.34	3.43	10.12	6.69
Deposit-related expenses	2.64	2.12	4.65	3.76
Amortization of premiums on deposits acquired	1.85	0.60	3.62	1.21
Amortization of investments in affordable housing partnerships	1.46	1.71	2.73	3.39
Data processing	1.03	0.65	1.79	1.22
Deposit insurance premiums and regulatory assessments	0.37	0.23	0.68	0.45
Other operating expenses	10.02	7.17	19.77	14.06
Total	$ 38.54	$ 28.40	$ 75.36	$ 56.12
Efficiency Ratio (1)	35%	36%	36%	36%

(1) Represents noninterest expense (excluding the amortization of intangibles and investments in afffordable housing partnerships) divided by the aggregate of net interest income before provision for loan losses and noninterest income.

Noninterest expense, which is comprised primarily of compensation and employee benefits, occupancy and other operating expenses increased 36% to $38.5 million during the second quarter of 2006, from $28.4 million for the same quarter in 2005. For the first half of 2006, noninterest expense increased 34% to $75.4 million, compared with $56.1 million during the same period in 2005.

Compensation and employee benefits expense increased 27% to $15.8 million during the second quarter of 2006, compared to $12.5 million for the same quarter last year. For the first half of 2006, compensation and employee benefits increased 26% to $32.0 million, compared with $25.3 million for the first half of 2005. The increase in compensation and employee benefits expense for both periods is primarily due to increased staffing levels related to the acquisitions of United National Bank in September 2005 and Standard Bank in March 2006. Moreover, the impact of annual salary adjustments and related cost increases for existing employees further contributed to the rise in compensation expense and employee benefits during both the second quarter and first six months of 2006. During the quarter and six months ended June 30, 2006, we also recorded $551 thousand and $1.1 million, respectively, in compensation expense relating to stock options as a result of adopting SFAS No. 123(R) effective January 1, 2006.

Occupancy and equipment expenses increased 56% to $5.3 million during the quarter ended June 30, 2006, compared with $3.4 million during the same period in 2005. For the first half of 2006, occupancy and equipment expenses totaled $10.1 million, a 51% increase when compared to the $6.7 million incurred during the first half of 2005. The rise in occupancy expenses can be attributed to the recent relocation and expansion of our corporate headquarters to Pasadena, California, increasing rent, common area, and depreciation expenses. Additionally, rent expense attributed to the eleven branch locations acquired from United National Bank in September 2005, the six branch locations acquired from Standard Bank in March 2006, as well as the opening of a new 99 Ranch in-store branch location during March 2006 further contributed to the increase in occupancy and equipment expense during both the second quarter and first six months of 2006.

Deposit-related expenses increased 25% to $2.6 million during the second quarter of 2006, compared to $2.1 million for the same quarter last year. For the first half of 2006, deposit-related expenses increased 24% to $4.7 million, from $3.8 million for the first half of 2005. Deposit-related expenses, which represent various business-related expenses paid by the Bank on behalf of its commercial account customers, are eventually recouped by the Bank through subsequent account analysis charges to individual customer accounts. The increase in deposit-related expenses is directly correlated to the growth in the volume of commercial deposit accounts since the second quarter of 2005.

The amortization of premiums on deposits acquired increased 207% to $1.9 million during the second quarter of 2006, compared with $603 thousand for the corresponding quarter of 2005. For the first six months of 2006, the amortization of premiums on deposits acquired increased 199% to $3.6 million, compared to $1.2 million for the same period in 2005. The increase in amortization expense is due to additional deposit premiums of $15.0 million and $8.6 million recorded in connection with the acquisition of United National Bank in September 2005 and Standard Bank in March 2006, respectively. Premiums on acquired deposits are amortized over their estimated useful lives.

The amortization of investments in affordable housing partnerships decreased 15% to $1.5 million during the quarter ended June 30, 2006, from $1.7 million during the comparable quarter in 2005. For the first half of 2006, the amortization of investments in affordable housing partnerships decreased 19% to $2.7 million, compared to $3.4 million for the first half of 2005. No additional investments in affordable housing partnerships were purchased during 2005 and 2006 year-to-date. Total investments in affordable housing partnerships decreased to $28.3 million as of June 30, 2006, compared to $34.1 million as of June 30, 2005.

Data processing expenses increased 57% to $1.0 million during the second quarter of 2006, compared with $654 thousand for corresponding quarter in 2005. For the six months ended June 30, 2006, data processing expenses increased 47% to $1.8 million, from $1.2 million for the same period in 2005. The increase in data processing expenses is primarily due to increased transaction volume stemming from overall growth, both organically and through acquisitions.

Other operating expenses include advertising and public relations, telephone and postage, stationery and supplies, bank and item processing charges, insurance, legal and other professional fees. Other operating expenses increased 40% to $10.0 million during the second quarter of 2006, from $7.2 million for the same quarter in 2005. Similarly, other operating expenses increased 41% to $19.8 million for the first half of 2005, from $14.1 million for the same period in 2005. The increase in other operating expenses is largely due to additional expenses incurred to support our continued overall expansion. Additionally, we have amplified our advertising, public relations, and marketing efforts to enhance our overall image and visibility in the community and in the industry.

Our efficiency ratio of 35% for the quarter ended June 30, 2006 represents a slight improvement over the 36% efficiency ratio for the corresponding quarter in 2005. For the first half of 2006, the efficiency ratio remained stable at 36% compared to the same period a year ago. Although the Company has experienced significant expansion and growth, we have managed to sustain our operational efficiencies as a result of past and ongoing infrastructure investments compounded by a general company-wide effort to monitor overall operating expenses.

Provision for Income Taxes

The provision for income taxes increased 60% to $23.2 million for the second quarter of 2006, compared with $14.6 million for the same quarter in 2005. For the first half of 2006, the provision for taxes totaled $43.0 million, a 55% increase from the $27.7 million income tax expense recorded for the same period a year ago. The increase in the provision for income taxes is primarily attributable to a 50% and 46% increase in pretax earnings during the second quarter and first half of 2006, respectively. The provision for income taxes for the second quarter of 2006 reflects the utilization of affordable housing tax credits totaling $1.2

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million, compared to $1.5 million utilized during the second quarter of 2005. The second quarter 2006 provision reflects an effective tax rate of 38.8%, compared with 36.4% for the corresponding period in 2005. For the first six months of 2006, the effective tax rate of 38.5% reflects tax credits of $2.3 million, compared with an effective tax rate of 36.1% for the first half of 2005 reflecting tax credits of $2.9 million.

As previously reported, the California Franchise Tax Board announced that it is taking the position that certain tax deductions related to regulated investment companies will be disallowed pursuant to California Senate Bill 614 and California Assembly Bill 1601, which were signed into law in the fourth quarter of 2003. East West Securities Company, Inc., a regulated investment company formed and funded in July 2000 to raise capital in an efficient and economical manner was dissolved on December 30, 2002 as a result of, among other reasons, proposed legislation to change the tax treatments of RICs. The Fund provided state tax benefits beginning in 2000 until the end of 2002, when the RIC was officially dissolved. While the Company s management continues to believe that the tax benefits realized in previous years were appropriate and fully defensible under the existing tax codes at that time, the Company has deemed it prudent to participate in the voluntary compliance initiative offered by the State of California to avoid certain potential penalties should the FTB choose to litigate its announced position about the tax treatment of RICs for periods prior to enactment of the legislation described above and should the FTB be successful in that litigation.

Pursuant to the VCI program, we filed amended California income tax returns on April 15, 2004 for all affected years and paid the resulting taxes and interest due to the FTB. This amounted to an aggregate payment of $14.2 million for tax years 2000, 2001, and 2002. We continue to believe that the tax deductions are appropriate and, as such, we have also filed refund claims for the amounts paid with the amended returns. These refund claims are reflected as assets in the Company s consolidated financial statements. As a result of these actions amending our California income tax returns and subsequent related filing of refund claims we retain our potential exposure for assertion of an accuracy-related penalty should the FTB prevail in its position, in addition to our risk of not being successful in our refund claim for taxes and interest. Our potential exposure to all other penalties, however, has been eliminated through this course of action.

The Franchise Tax Board is currently in the process of reviewing and assessing our refund claims for taxes and interest for tax years 2000 through 2002. Management is continuing to pursue these refund claims, to monitor developments in the law in this area, and to monitor the status of tax claims with respect to other registered investment companies.

Operating Segment Results

The Company has identified four principal operating segments for purposes of management reporting: retail banking, commercial lending, treasury, and residential lending. Although all four operating segments offer financial products and services, they are managed separately based on each segment s strategic focus. While the retail banking segment focuses primarily on retail operations through the Bank s branch network, certain designated branches have responsibility for generating commercial deposits and loans. The commercial lending segment, which includes commercial real estate, primarily generates commercial loans and deposits through the efforts of commercial lending officers located in the Bank s northern and southern California production offices. The treasury department s primary focus is managing the Bank s investments, liquidity, and interest rate risk; the residential lending segment is mainly responsible for the Bank s portfolio of single family and multifamily residential loans. The Company s remaining centralized functions and eliminations of inter-segment amounts have been aggregated and included in Other.

Future changes in the Company s management structure or reporting methodologies may result in changes in the measurement of operating segment results. Results for prior periods have been restated for comparability for changes in management structure or reporting methodologies. Specifically, an adjustment was made to reallocate the credit provided for the Company s capital to the treasury segment from the Other category. The adjustment resulted in an increase in the treasury segment s pretax profit of $5.7 million and $7.1 million for the three months ended June 30, 2006 and 2005, respectively. For the six months ended June

30, 2006 and 2005, this adjustment resulted in an increase in the treasury segment s pretax profit of $12.2 million and $9.8 million, respectively. For more information about our segments, including information about the underlying accounting and reporting process, please see Note 9 to the Company s condensed consolidated financial statements presented elsewhere herein.

Retail Banking Segment

The retail banking segment s pre-tax income for the quarter ended June 30, 2006 increased 94% to $31.7 million, compared to $16.3 million for the corresponding quarter in 2005. For the six months ended June 30, 2006, pre-tax income for the retail banking segment increased 121% to $57.4 million, from $26.0 million for the same period in 2005. The increase in pre-tax income is largely attributable to the growth in net interest income increasing 67% to $50.6 million during the second quarter of 2006, and 66% to $95.2 million for the six months ended June 30, 2006. In comparison, net interest income totaled $30.2 million for the second quarter of 2005 and $57.4 million for the first half of 2005. The increase in net interest income is primarily due to our overall growth both organically and through acquisitions. The acquisitions of United National Bank in September 2005 and Standard Bank in March 2006 added seventeen new locations to our expanding branch network as well as several thousand new customers to our existing customer base.

Noninterest income for this segment increased $2.9 million, or 85%, to $6.4 million for the quarter ended June 30, 2006, compared to $3.4 million recorded during the same quarter in 2005. For the first half of 2006, noninterest income for the retail banking segment increased $4.8 million, or 70%, to $11.5 million, compared to $6.8 million for the same period in 2005. The increase in noninterest income for both periods is primarily due to fee income growth from loan origination and deposit gathering activities, as well as higher fees earned from alternative investment product offerings at the branches.

Noninterest expense for this segment increased 48% to $22.3 million during the second quarter of 2006, compared with $15.0 million recorded during the second quarter of 2005. For the six months ended June 30, 2006, noninterest expense increased 42% to $42.2 million, from $29.7 million for the six months ended June 30, 2005. The increase in noninterest expense for both periods is primarily due to higher compensation and employee benefits, occupancy expenses, commercial deposit related expenses, and other operating expenses. The increase in compensation and employee benefits can be attributed to higher staffing levels due to the acquisitions of United National Bank and Standard Bank, as well as the addition of relationship officers and operational personnel throughout the past year. Higher occupancy expenses are due primarily to increased expenses associated with eleven additional branch locations from United National Bank, six additional branch locations from Standard Bank, and a new in-store branch location opened in March 2006. The increase in commercial deposit related expenses can be correlated to the growth in the volume of commercial deposit accounts during the past year while the increase in other operating expenses can be attributed predominantly to the overall growth in this segment arising from recent acquisitions.

Commercial Lending Segment

The commercial lending segment s pre-tax income increased 29% to $23.9 million during the quarter ended June 30, 2006, compared with $18.5 million for the corresponding quarter in 2005. For the first six months of 2006, pre-tax income for the commercial lending segment increased 27% to $45.7 million, from $36.2 million for the same period in 2005. The primary driver of the increase in pre-tax income for this segment is a 20% increase in net interest income to $26.6 million during the second quarter of 2006, and 22% to $52.4 million for the first half of 2006. In comparison, net interest income totaled $22.2 million for the second quarter in 2005 and $43.2 million for the first half of 2005. The increase in net interest income for both periods is primarily due to the notable growth of our commercial loan portfolio, which includes commercial real estate, construction, and commercial business loans, including trade finance products, during the second quarter and first six months of 2006, relative to the same periods in the prior year. Specifically, the average aggregate balance of all commercial loan categories grew 42% and 41% during the second quarter and first six months of 2006, respectively, compared with the corresponding periods in 2005.

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Noninterest income for this segment increased $1.8 million or 35% to $7.1 million during the second quarter of 2006, compared to the $5.2 million recorded in the corresponding quarter of 2005. For the first half of 2006, noninterest income increased $3.0 million, or 28%, to $13.8 million, from $10.8 million for the same period in 2005. The increase in noninterest income for both periods is primarily due to higher loan fees collected as a result of the growth in loan origination volume during the quarter and six months ended June 30, 2006, relative to the same periods in 2005.

Noninterest expense for this segment also increased 43% to $8.0 million during the second quarter of 2006, from $5.6 million during the same quarter last year. For the first half of 2006, noninterest expense increased 32%, to $15.5 million, from $11.8 million for the same period in 2005. The increase in noninterest expense is largely a result of higher compensation and employee benefits which increased 35% to $5.6 million during the second quarter of 2006 and 32% to $11.2 million during the first six months of 2006. The increase in compensation and employee benefits is a result of increasing staffing levels due to the acquisitions of United National Bank and Standard Bank as well as the addition of relationship officers and operational personnel to support the continuing growth of the Bank.

Treasury Segment

The treasury segment s pre-tax income remained at $7.3 million during the second quarter of 2006 and 2005. For the first six months of 2006, pre-tax income for the treasury segment increased 5% to $15.8 million, from $15.1 million for the same period in 2005. Net interest income decreased 13% to $5.7 million during the quarter ended June 30, 2006, from $6.6 million during the same quarter in 2005. Similarly, net interest income decreased 15% to $12.2 million for the first half of 2006, from $14.4 million for the first half of 2005. The decrease in net interest income for both the second quarter and first half of 2006 is largely a result of increased market rates paid on borrowings relative to the interest earned on investment securities.

Noninterest income for this segment declined 89% to $145 thousand during the quarter ended June 30, 2006, compared to $1.3 million for the corresponding quarter in 2005. The decrease in noninterest income for the second quarter of 2006 can be attributed entirely to lower net gains on sales of investment securities. For the six months ended June 30, 2006, noninterest income for the treasury segment remained relatively flat increasing only 2% to $1.9 million, compared to $1.8 million for the first six months of 2005.

Noninterest expense increased 33% to $334 thousand during the second quarter of 2006, from $251 thousand during the same quarter in 2005. The increase in noninterest expense is primarily due to higher compensation expense resulting from increased staffing levels.

Residential Lending Segment

The residential lending segment s pre-tax income decreased 49% to $2.5 million during the second quarter of 2006, from $5.0 million during the corresponding quarter in 2005. Similarly, pre-tax income for the first half of 2006 also declined 46% to $4.9 million, from $9.1 million for the same period in 2005. The decrease in pre-tax income is partly due to the decrease in net interest income for this segment, which declined 31% to $3.5 million during the second quarter of 2006 and 29% to $7.4 million for the first six months of 2006. In comparison, net interest income totaled $5.0 million and $10.3 million for the three and six months ended June 30, 2005, respectively. The decrease in net interest income for both periods reflects the highly competitive market environment for residential single family and multifamily loans.

Noninterest income for this segment also decreased during the second quarter of 2006 to $1.2 million, a 37% decline from total noninterest income of $1.9 million recorded during the second quarter of 2005. For the first six months of 2006, noninterest income decreased 33% to $1.9 million, compared to $2.9 million earned during the first half of 2005. The decrease in noninterest income for both the quarter and six months ended June 30, 2006 is primarily due to the increase in fees waived on single family and multifamily loan products resulting from competitive market pressures.

Noninterest expense for this segment decreased 8% to $1.4 million for the second quarter of 2006, compared to $1.5 for the corresponding quarter in 2005. For the first six months of 2006, noninterest expense declined 4% to $2.8 million, from $2.9 million for the first half of 2005. The slight decrease in noninterest expense for both the second quarter and first six months of 2006 is due to lower compensation and employee benefits relative to the same period in 2005.

Balance Sheet Analysis

Our total assets increased $1.74 billion, or 21%, to $10.02 billion, as of June 30, 2006, relative to total assets of $8.28 billion at December 31, 2005. The increase in total assets resulted primarily from increases in net loans of $1.07 billion, securities purchased under resale agreements of $50.0 million, and goodwill of $101.1 million. The increase in total assets was largely funded by increases in deposits of $868.4 million, FHLB advances of $224.2 million and securities sold under repurchase agreements of $400.0 million.

Investment Securities Available-for-Sale

Total investment securities available-for-sale increased 56% to $1.35 billion as of June 30, 2006, compared with $869.8 million at December 31, 2005. Total repayments/maturities and proceeds from sales of available-for-sale securities amounted to $704.1 million and $116.6 million, respectively, during the six months ended June 30, 2006. Proceeds from repayments, maturities, sales, and redemptions were applied towards additional investment securities purchases totaling $981.2 million as well as funding a portion of loan originations made during the first half of 2006. We recorded net gains totaling $1.9 million on sales of available-for-sale securities during the first six months of 2006.

During the second quarter of 2006, the Company completed two securitization transactions involving both single family and multifamily loans. On April 21, 2006, the Company securitized $217.0 million in single family loans in a private label guaranteed mortgage securitization issued through East West Mortgage Securities, LLC. The underlying loans for the AAA/Aa1 pass through securities issued were all jumbo single family loans originated by the Bank. We recorded $2.2 million in mortgage servicing assets as a result of this single family securitization transaction as the Bank continues to service the underlying loans. On June 26, 2006, we securitized another $117.5 million of multifamily loans through the Federal National Mortgage Association (FNMA) and recorded $1.5 million in related mortgage servicing assets. We retained all the resulting securities from these securitization transactions in our available-for-sale portfolio. In accordance with SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement No. 125*, both transactions were accounted for as neither sales nor financings which had no impact on our results of operations. We plan to securitize additional single family and multifamily loans in the foreseeable future for both liquidity and capital management purposes.

The Company performs regular impairment analyses on the investment securities available-for-sale portfolio. If the Company determines that a decline in fair value is other-than-than temporary, an impairment writedown is recognized in current earnings. Other-than-temporary declines in fair value are assessed based on the duration the security has been in a continuous unrealized loss position, the severity of the decline in value, the rating of the security and our ability and intent on holding the securities until the fair values recover.

The increase in net unrealized losses in our investment securities available-for-sale portfolio of $14.4 million for the six-month period ended June 30, 2006 is largely a result of market interest rate fluctuations. Specifically, the increase in unrealized loss was largely due to a gross unrealized loss in other mortgage-backed securities of $9.2 million, a gross unrealized loss in U.S Government sponsored enterprise debt securities of $8.2 million and a gross unrealized loss in U.S. Government sponsored enterprise mortgage-backed securities of $2.8 million at June 30, 2006. The issuers of these securities have not, to our knowledge, established any cause for default on these securities and the various rating agencies have reaffirmed these securities long term investment grade status at June 30, 2006. The Company has the ability and the intention to hold these securities until their fair values recover. As such, management does not believe that there are any securities, other than those previously identified in prior periods, that are other-than-temporarily impaired, and therefore, no impairment charges as of June 30, 2006 are warranted.

The following table sets forth the amortized cost and the estimated fair values of investment securities available-for-sale as of June 30, 2006 and December 31, 2005:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(In thousands)		
As of June 30, 2006				
U.S. Treasury securities	$ 2,486	$	$ (4)	$ 2,482
U.S. Government agency securities and U.S. Government sponsored enterprise debt securities	876,962		(8,233)	868,729
U.S. Government sponsored enterprise mortgage-backed securities	221,324	1,079	(2,835)	219,568
Other mortgage-backed securities	218,461		(9,174)	209,287
Corporate debt securities	48,001	48	(271)	47,778
U.S. Government sponsored enterprise equity securities	4,648		(108)	4,540
Residual interest in securitized loans		1,002		1,002
Total investment securities available-for-sale	$ 1,371,882	$ 2,129	$ (20,625)	$ 1,353,386
As of December 31, 2005				
U.S. Treasury securities	$ 1,497	$	$	$ 1,497
U.S. Government agency securities and U.S. Government sponsored enterprise debt securities	615,105		(4,868)	610,237
U.S. Government sponsored enterprise mortgage-backed securities	189,147	2,526	(1,758)	189,915
Other mortgage-backed securities	14,119		(15)	14,104
Corporate debt securities	17,998	41	(227)	17,812
U.S. Government sponsored enterprise equity securities	36,103		(235)	35,868
Residual interest in securitized loans		404		404
Total investment securities available-for-sale	$ 873,969	$ 2,971	$ (7,103)	$ 869,837

Loans

We offer a broad range of products designed to meet the credit needs of our borrowers. Our lending activities consist of residential single family loans, residential multifamily loans, commercial real estate loans, construction loans, commercial business loans, trade finance loans, and consumer loans. Loan growth continued to be strong during the first half of 2006. Total gross loans increased $1.08 billion, or 16% to $7.87 billion at June 30, 2006. Excluding the impact of the $495.1 million in gross loans acquired from Standard Bank and $334.5 million in loan securitizations, organic loan growth for the first half of 2006 amounted to $919.4 million, or an increase of 14% (27% annualized.)

Excluding the impact of loan securitizations as well as the Standard Bank acquisition, the growth in loans is comprised of net increases in single family loans of $193.4 million or 38%, multifamily loans of $173.6 million or 14%, commercial real estate loans of $244.3 million or 7%, construction loans of $186.1 million or 29%, commercial business loans of $129.7 million or 20% and trade finance loans of $6.6 million or 3%. These increases are partially offset by net decreases in consumer loans, including home equity lines of credit, of $14.3 million or 7%.

The following table sets forth the composition of the loan portfolio as of the dates indicated:

	June 30, 2006		December 31, 2005	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Real estate loans:				
Residential, single family	$ 532,095	6.8%	$ 509,151	7.5%
Residential, multifamily	1,600,288	20.3%	1,239,836	18.3%
Commercial and industrial real estate	3,689,227	46.9%	3,321,520	48.9%
Construction	846,294	10.7%	640,654	9.4%
Total real estate loans	6,667,904	84.7%	5,711,161	84.1%
Other loans:				
Commercial business	773,235	9.8%	643,296	9.5%
Trade finance	237,387	3.0%	230,771	3.4%
Automobile	9,913	0.1%	8,543	0.1%
Other consumer	185,592	2.4%	200,254	2.9%
Total other loans	1,206,127	15.3%	1,082,864	15.9%
Total gross loans	7,874,031	100.0%	6,794,025	100.0%
Unearned fees, premiums and discounts, net	(4,911)		(1,070)	
Allowance for loan losses	(75,847)		(68,635)	
Loan receivable, net	$ 7,793,273		$ 6,724,320	

Nonperforming Assets

Nonperforming assets are comprised of nonaccrual loans, loans past due 90 days or more but not on nonaccrual, restructured loans and other real estate owned, net. Nonperforming assets totaled $10.5 million or 0.11% of total assets at June 30, 2006 and $30.1 million or 0.36% of total assets at December 31, 2005. Nonaccrual loans amounted to $7.7 million at June 30, 2006, compared with $24.1 million at year-end 2005. Loans totaling $2.8 million were placed on nonaccrual status during the second quarter of 2006. These additions to nonaccrual loans were offset by $3.7 million in payoffs and principal paydowns, $212 thousand in gross chargeoffs, and $2.2 million in loans brought current. Additions to nonaccrual loans during the second quarter of 2006 were comprised of a $216 thousand single family loan, a $298 thousand multifamily loan, a $1.5 million commercial real estate loan, $697 thousand in commercial business loans, $183 thousand in trade finance loans, a $7 thousand Small Business Administration (SBA) loan, and a $3 thousand automobile loan.

There were no loans past due 90 days or more but not on nonaccrual status at June 30, 2006. This compares to $5.7 million in such loans at December 31, 2005 representing four trade finance loans that were fully guaranteed by the Export-Import Bank of United States. During the first quarter of 2006, three of these loans totaling $2.2 million were paid in full through claims to the Export-Import Bank of the United States. The other loan amounting to $3.4 million was brought current during the first quarter of 2006.

Restructured loans represent loans that have had their original terms modified. Restructured loans totaled $48 thousand as of June 30, 2006, representing four SBA loans to the same borrower. There were no restructured loans as of December 31, 2005.

Other real estate owned includes properties acquired through foreclosure or through full or partial satisfaction of loans. We had one OREO property at June 30, 2006 with a carrying value of $2.8 million representing an industrial property held as collateral for a commercial real estate loan. In comparison, we had one OREO property with a carrying value of $299 thousand at December 31, 2005, representing a condominium unit that was held as partial collateral for a commercial business loan. This OREO property was sold in March 2006 resulting in a gain on sale of $88 thousand.

The following table sets forth information regarding nonaccrual loans, loans past due 90 days or more but not on nonaccrual, restructured loans and other real estate owned as of the dates indicated:

	June 30, 2006	December 31, 2005
	(Dollars in thousands)	
Nonaccrual loans	$ 7,690	$ 24,149
Loans past due 90 days or more but not on nonaccrual		5,670
Total nonperforming loans	7,690	29,819
Restructured loans	48	
Other real estate owned, net	2,786	299
Total nonperforming assets	$ 10,524	$ 30,118
Total nonperforming assets to total assets	0.11%	0.36%
Allowance for loan losses to nonperforming loans	986.31%	230.17%
Nonperforming loans to total gross loans	0.10%	0.44%

We evaluate loan impairment according to the provisions of SFAS No. 114, *Accounting by Creditors for Impairment of a Loan*, as amended. Under SFAS No. 114, loans are considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement, including scheduled interest payments. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan s effective interest rate or, as an expedient, at the loan s observable market price or the fair value of the collateral if the loan is collateral dependent, less costs to sell. If the measure of the impaired loan is less than the recorded investment in the loan, the deficiency will be charged off against the allowance for loan losses.

At June 30, 2006, we classified $7.7 million of our loans as impaired, compared with $24.1 million at December 31, 2005. There were no specific reserves on impaired loans at June 30, 2006, compared with $1.3 million at December 31, 2005. Our average recorded investment in impaired loans for the six months ended June 30, 2006 and 2005 were $8.0 million and $3.8 million, respectively. During the six months ended June 30, 2006 and 2005, gross interest income that would have been recorded on impaired loans, had they performed in accordance with their original terms, totaled $332 thousand and $131 thousand, respectively. Of this amount, actual interest recognized on impaired loans, on a cash basis, was $55 thousand and $19 thousand, respectively.

Allowance for Loan Losses

We are committed to maintaining the allowance for loan losses at a level that is considered to be commensurate with estimated and known risks in the portfolio. Although the adequacy of the allowance is reviewed quarterly, our management performs an ongoing assessment of the risks inherent in the portfolio. While we believe that the allowance for loan losses is adequate at June 30, 2006, future additions to the allowance will be subject to continuing evaluation of estimated and known, as well as inherent, risks in the loan portfolio.

The allowance for loan losses is increased by the provision for loan losses which is charged against current period operating results, and is decreased by the amount of net chargeoffs during the period. At June 30, 2006, the allowance for loan losses amounted to $75.8 million, or 0.96% of total loans, compared with $68.6 million, or 1.01% of total loans, at December 31, 2005, and $55.7 million, or 0.99% of total loans, at June 30, 2005. The $7.2 million increase in the allowance for loan losses at June 30, 2006, from year-end 2005, is comprised of $4.7 million in additional loss provisions and $4.1 million in loss reserves acquired from Standard Bank reduced by $259 thousand in net chargeoffs recorded during the period. Additionally, we

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reclassified $1.3 million from the allowance for loan losses to other liabilities during the first half of 2006. This amount represents additional loss allowances required for unfunded loan commitments and off-balance sheet credit exposures related primarily to our trade finance lending activities. The allowance for unfunded loan commitments and off-balance sheet credit exposures is included in accrued expenses and other liabilities and amounted to $12.3 million at June 30, 2006.

The provision for loan losses of $1.3 million for the second quarter of 2006 represents a 70% decrease from the $4.5 million in loss provisions charged during the second quarter of 2005. Second quarter 2006 net chargeoffs amounted to $305 thousand and represent 0.02% of average loans outstanding for the three months ended June 30, 2006. This compares to net chargeoffs of $2.4 million or 0.17% of average loans outstanding for the same period in 2005. We continue to record loss provisions to compensate for both the sustained growth of our loan portfolio and our continued lending focus on increasing our portfolio of commercial real estate, commercial business, including trade finance, and construction loans.

The following table summarizes activity in the allowance for loan losses for the three and six months ended June 30, 2006 and 2005:

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(Dollars in thousands)			
Allowance balance, beginning of period	$ 75,493	$ 53,868	$ 68,635	$ 50,884
Allowance from acquisition			4,084	
Allowance for unfunded loan commitments and letters of credit	(674)	(240)	(1,279)	(861)
Provision for loan losses	1,333	4,500	4,666	8,870
Chargeoffs:				
Commercial business	291	2,648	291	3,468
Automobile	45		45	44
Other consumer	19		20	
Total chargeoffs	355	2,648	356	3,512
Recoveries:				
Residential, single family	2	3	2	23
Multifamily real estate		75		75
Commercial business	48	151	93	206
Automobile		14	2	38
Total recoveries	50	243	97	342
Net chargeoffs	305	2,405	259	3,170
Allowance balance, end of period	$ 75,847	$ 55,723	$ 75,847	$ 55,723
Average loans outstanding	$ 7,723,615	$ 5,567,272	$ 7,402,991	$ 5,402,818
Total gross loans outstanding, end of period	$ 7,874,031	$ 5,610,593	$ 7,874,031	$ 5,610,593
Annualized net chargeoffs to average loans	0.02%	0.17%	0.01%	0.12%
Allowance for loan losses to total gross loans at the end of period	0.96%	0.99%	0.96%	0.99%

Prior to the third quarter of 2005, we utilized two primary methodologies to determine the overall adequacy of the allowance the classification migration model and the individual loan review analysis methodology. The results from these two methodologies were compared to various ancillary analyses, including historical loss analyses, peer group comparisons, and analyses based on the federal regulatory interagency policy for loan and lease losses to determine an overall allowance requirement amount. Largely in response to the significant growth of the Bank s loan portfolio in the past couple of years, we refined the classification migration analysis in the third quarter of 2005 to take into consideration the increasing diversity and risk profiles of loans within the same loan categories. As a result of our enhanced approach to the classification migration analysis, management has determined that the individual loan review analysis methodology and separate historical loss analyses are no longer necessary in determining the overall adequacy of the allowance since the results of these analyses have been incorporated into the enhanced migration model.

Under the classification migration approach implemented prior to the third quarter of 2005, we utilized only six risk-rated loan pools. This now has been expanded to eighteen categories. Automobile loans and homogeneous loans, which are predominantly consumer-related credits (i.e. home equity lines, overdraft protection, and credit card loans), remain unchanged under the enhanced model. All other categories (i.e. single family residential, multifamily residential, commercial real estate, construction, and commercial business) have been broken down into additional subcategories. For example, instead of one commercial real estate loan category, this category has been segmented into six subcategories based on industry sector, namely, retail, office, industrial, land, hotel/motel, and other miscellaneous. By sectionalizing loan categories into smaller subgroups, we are better able to isolate and identify the risk associated with each subgroup based on historical loss trends.

In addition to increasing the number of loan categories, we have also expanded the loss horizon from five to thirteen years in order to better capture the Bank s historical loss trends to make the analysis more complete and accurate. The thirteen-year loss horizon was selected because this represents the timeframe when the Bank started to monitor and track losses incurred in the loan portfolio. We continue to utilize minimum loss rates as a self-correcting mechanism to better reflect the loss potential for certain categories that have little or no historical losses. Similar to the previous periods, minimum loss rates are established based on relative risk profiles for certain loan categories. However, in contrast to previous periods, the current minimum loss rates utilized under the enhanced methodology more closely reflect historical loss rates than previously utilized minimum loss rates as a result of the expanded loss horizon. For example, minimum loss rates on construction loans will be higher than minimum loss rates established for commercial real estate loans due to their riskier credit profiles. Even within various subgroups in a broad loan category such as commercial real estate, minimum loss rates are also established based on the relative risk profile of various industry sectors. Commercial real estate loans in the retail sector, for example, will have a lower minimum loss rate than commercial real estate loans in the hotel/motel sector. The allowance requirement for each pool continues to be based on the higher of historical loss factors or established minimum loss rates for each classification category (i.e. pass, special mention, substandard, and doubtful).

Besides quantitative adjustments, the enhanced classification migration methodology also utilizes qualitative adjustments which were previously considered in conjunction with the individual loan review analysis methodology. These qualitative adjustments include, but are not limited to, credit concentrations, delinquency, non-accrual and problem loan trends, qualification of lending management and staff, and quality of the loan review system. Qualitative adjustments can either be positive or negative, and generally range from -2% to 5%. Total net qualitative adjustments for each loan pool are reflected as a percent adjustment and are calculated on top of the required allowance amount based on historical losses or minimum loss rates. By incorporating various qualitative adjustments into the migration methodology, we have essentially integrated the principles of the individual loan review analysis methodology.

Previously, we used a 10% estimation risk factor to compensate for the modeling risk associated with the classification migration and individual loan review analysis models. Additionally, we also used a 5% economic risk factor in consideration of the tenuous state of the national economy, recent corporate scandals, continuing geopolitical instability in the Middle East, and the unfavorable impact of Fed rate increases on consumer cash flows. With the enhanced migration model, both the estimation and economic risk factors are included in the qualitative adjustments for each loan category. Although a certain degree of subjectivity is still inevitable in determining the adequacy of the loan loss allowance, it is management s opinion that the new expanded classification migration method is more accurate in assessing the allowance requirement for each loan subcategory.

The following table reflects management s allocation of the allowance for loan losses by loan category and the ratio of each loan category to total loans as of the dates indicated:

	June 30, 2006		December 31, 2005	
	Amount	%	Amount	%
		(Dollars in thousands)		
Residential, single family	$ 2,310	6.8%	$ 1,401	7.5%
Residential, multifamily	6,931	20.3%	5,152	18.3%
Commercial and industrial real estate	22,016	46.9%	22,241	48.9%
Construction	13,765	10.7%	10,751	9.4%
Commercial business	15,457	9.8%	13,452	9.5%
Trade finance	14,499	3.0%	14,680	3.4%
Automobile	242	0.1%	205	0.1%
Other consumer	627	2.4%	753	2.9%
Total	$ 75,847	100.0%	$ 68,635	100.0%

Loss reserves on single family loans increased $909 thousand, or 65%, to $2.3 million due primarily to an increase in criticized (i.e. rated special mention) and classified (i.e. rated substandard and doubtful) single family loans at June 30, 2006 in comparison to year-end 2005 levels. Specifically, criticized and classified single family loans amounted to $1.6 million and $4.3 million, respectively, at June 30, 2006. In comparison, there were no criticized or classified single family loans at December 31, 2005.

Loss reserves on multifamily loans increased $1.8 million, or 35%, to $6.9 million at June 30, 2006 partly due to a 29% increase in the volume of multifamily loans at June 30, 2006 from year-end 2005 levels. Further contributing to the increase in loss allowances on multifamily loans is an increase in criticized and classified loans at June 30, 2006 compared to December 31, 2005. Specifically, multifamily loans rated special mention and substandard increased to $11.5 million and $4.2 million, respectively, at June 30, 2006. This compares to $3.7 million and $2.0 million in special mention and substandard multifamily loans at December 31, 2005.

Despite an 11% increase in the volume of commercial real estate loans at June 30, 2006 relative to December 31, 2005, loss reserves in this loan category decreased $225 thousand, or 1%, to $22.0 million at June 30, 2006 relative to year-end 2005. The decrease in loss reserves for this loan category is primarily due to a $21.0 million decrease in special mention commercial real estate loans to $7.9 million at June 30, 2006, compared to $28.9 million at December 31, 2005. The largest decline in special mention loans at June 30, 2006 came from two loans in the hotel sector totaling $16.8 million that have been upgraded to a pass rating. The decrease in special mentions loans is partially offset by a $3.0 million increase in substandard loans to $11.9 million as of June 30, 2006, from $8.9 million as of December 31, 2005.

Loss reserves on construction loans increased $3.0 million, or 28%, to $13.8 million at June 30, 2006 primarily due to a 32% increase in the volume of loans in this category when compared to December 31, 2005. Furthermore, residential construction loans rated substandard increased to $3.4 million at June 30, 2006, compared to only $2.5 million at December 31, 2005. Partially offsetting these factors is a decrease in residential construction loans rated special mention to $735 thousand at June 30, 2006, compared to $5.0 million at December 31, 2005. There were no criticized or classified construction loans on commercial properties at June 30, 2006 and December 31, 2005. Residential construction loans represented 67% of the total construction loan portfolio at June 30, 2006, with the remaining 33% comprised of commercial construction loans.

Loss reserves on commercial business loans increased $2.0 million, or 15%, to $15.5 million at June 30, 2006 primarily reflecting the 20% increase in the volume of loans in this category at June 30, 2006 relative to year-end 2005.

Despite a 3% increase in the volume of trade finance loans at June 30, 2006 relative to year-end 2005, loss reserves on trade finance loans decreased $181 thousand, or 1%, to $14.5 million at June 30, 2006. This can be attributed in large part to a decline in the historical loss rate in this loan category to 3.36% at June 30, 2006, compared to 3.75% at December 31, 2005. Furthermore, a $2.0 million decrease in trade finance loans rated special mention at June 30, 2006 relative to December 31, 2005 also contributed to the decrease in loss reserves in this loan category. Partially offsetting these factors is an increase in trade finance loans rated substandard to $7.2 million at June 30, 2006, from $1.3 million at December 31, 2005.

Loss reserves on automobile loans increased $37 thousand, or 18%, to $242 thousand as of June 30, 2006, primarily reflecting the 16% increase in the volume of loans in this category at June 30, 2006 relative to December 31, 2005.

Loss reserves on consumer loans decreased $126 thousand, or 17%, to $627 thousand as of June 30, 2006, partly due to the 7% decrease in the volume of consumer loans at June 30, 2006 relative to year-end 2005. Moreover, a slight improvement in loss rates on home equity lines of credit and overdraft protection lines as of June 30, 2006 compared to December 31, 2005 further contributed to the decrease in loss reserves on consumer loans. Consumer loans are comprised predominantly of home equity loans and home equity lines of credit, and to a lesser extent, credit card and overdraft protection lines.

Deposits

Deposits increased 14% to $7.13 billion at June 30, 2006, from $6.26 billion at December 31, 2005, largely due to $728.5 million in deposits acquired from Standard Bank. Deposit growth was comprised of increases in time deposits of $469.1 million or 15%, money market accounts of $314.6 million or 32%, savings accounts of $92.5 million or 28%, and noninterest-bearing demand deposits of $68.1 million or 5%. These increases were partially offset by a decrease in interest-bearing checking accounts of $75.8 million or 16%. The acquisition of Standard Bank accounted for the large increase in time deposits, with their time deposit base comprising 74% of their total deposit portfolio. Core deposits, or non-time deposit accounts, amounted to $3.51 billion at June 30, 2006, representing 49% of total deposits, with time deposits representing the remaining 51%. This is comparable to the 50% core deposit ratio at year-end 2005.

The following table sets forth the composition of the deposit portfolio as of the dates indicated:

	June 30, 2006	December 31, 2005
	(In thousands)	
Noninterest-bearing demand	$ 1,400,048	$ 1,331,992
Interest-bearing checking	396,842	472,611
Money market	1,293,271	978,678
Savings	419,267	326,806
Total core deposits	3,509,428	3,110,087
Time deposits:		
Less than $100,000	1,141,592	927,793

$100,000 or greater		2,475,974		2,220,707
Total time deposits		3,617,566		3,148,500
Total deposits	$	7,126,994	$	6,258,587

Borrowings

We utilize a combination of short-term and long-term borrowings to manage our liquidity position. Federal funds purchased generally mature within one to three business days from the transaction date. At June 30, 2006, federal funds purchased amounted to $104.0 million, a 14% increase from the $91.5 million balance at December 31, 2005. FHLB advances increased 36% to $841.9 million as of June 30, 2006, compared to $617.7 million at December 31, 2005. A large portion of outstanding FHLB advances at June 30, 2006 totaling $288.0 million represents overnight advances, compared to $280.0 million as of December 31, 2005. In January 2006, we entered into $50.0 million in term FHLB advances with 3-year maturity terms at a fixed rate of 4.66%. These advances were made in connection with our community reinvestment initiatives. During March 2006, we assumed $70.0 million in term FHLB advances from Standard Bank with original maturity terms ranging from 15 months to 10 years and fixed interest rates ranging from 4.01% to 5.71%. To help fund our robust loan origination activity, we entered into $200.0 million in additional term FHLB advances during the second quarter of 2006. These advances have two and three-year maturity terms at fixed rates ranging from 5.19% to 5.23%.

In addition to federal funds purchased and FHLB advances, we have outstanding securities sold under repurchase agreements totaling $725.0 million at June 30, 2006. This compares to $325.0 million in outstanding repurchase agreements at December 31, 2005. During the second quarter of 2006, we entered into two separate repurchase agreements totaling $400.0 million. The first transaction, amounting to $200.0 million, has an effective date of April 26, 2006 and a ten-year maturity term. This agreement is non-callable for the first two years with an interest rate based on the three-month Libor minus 125 basis points from April 25, 2006 through April 25, 2008. Thereafter, the interest rate is fixed rate at 5.128% for the remainder of the term through June 6, 2013. The second agreement, also amounting to $200.0 million, has an effective date of June 6, 2006 and a seven-year maturity term. It is non-callable for the first six months with an interest rate based on the three-month Libor minus 255 basis points from June 6, 2006 through December 6, 2006. Thereafter, the interest rate is fixed rate at 5.000% for the remainder of the term through April 25, 2016. The counterparty to these agreements has the right to a quarterly call when the rates change from floating to fixed. Repurchase agreements are accounted for as collateralized financing transactions and recorded at the amounts at which the securities were sold. The collateral for these repurchase agreements consists of private label and agency mortgage-backed securities.

During the second quarter of 2006, we also modified the terms of a $50.0 million repurchase agreement that we initially entered into in September 2005 in response to the rising interest rate environment. Under the original terms of this seven-year agreement, the interest rate for the first year was based on the three-month Libor minus 100 basis points. Thereafter, the rate was fixed at 4.075% through the original maturity date of September 6, 2012. Under the modified terms, the interest rate on this instrument for the period from June 6, 2006 through December 6, 2006 is based on the three-month Libor minus 290 basis points. Thereafter, the rate is fixed at 5.00% through the extended maturity date of June 6, 2013. At June 30, 2006, the interest rate on this repurchase agreement is 2.37%. Under the terms of the modification, the counterparty has the right to call the transaction on December 6, 2006 and quarterly thereafter until maturity. The difference in the present value of the cash flows under the new terms of the debt instrument is less than 10% of the present value of the remaining cash flows under the original terms. As such, this modification of debt terms is not considered substantial, and therefore, does not constitute as debt extinguishment in accordance with the provisions of EITF 96-19, *Debtor s Accounting for a Modification or Exchange of Debt Instruments*. No gain or loss was recorded in the consolidated statements of income as a result of this debt modification.

As of June 30, 2006, long-term debt totaled $184.0 million, compared to $153.1 million at December 31, 2005. Long-term debt is comprised of subordinated debt and junior subordinated debt issued in connection with our various trust preferred securities offerings. The increase in long-term debt at June 30, 2006 is due to the issuance of $30.9 million in junior subordinated debt securities through a pooled trust preferred offering. Similar to previous offerings, these securities were issued through a newly formed statutory business trust, East West Capital Trust VII, a wholly-owned subsidiary of the Company. The securities have a 30-year maturity and bear interest at a per annum rate based on the three-month Libor plus 135 basis points, payable on a quarterly basis.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

During the six months ended June 30, 2006, material changes outside the ordinary course of our business related to off-balance sheet arrangements or contractual obligations include $50.0 million in additional securities purchased under resale agreements, $400.0 million in additional securities sold under repurchase agreements and $30.9 million in additional junior subordinated debt.

The following table presents, as of June 30, 2006, the Company s significant fixed and determinable contractual obligations, within the categories described below, by payment date. These contractual obligations, except for the operating lease obligations, are included in the Condensed Consolidated Statement of Financial Condition. The payment amounts represent the amounts and interest contractually due to the recipient.

	Payment Due by Period (In thousands)					
Contractual Obligations	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**	**Indeterminate Maturity**	**Total**
Deposits	$ 3,353,217	$ 326,129	$ 31,274	$ 1,054	$ 3,509,428	$ 7,221,102
Federal funds purchased	104,015					104,015
FHLB advances	525,353	333,104	16,627	8,727		883,811
Securities sold under repurchase agreements	26,025	52,049	52,049	824,934		955,057
Notes payable					4,646	4,646
Long-term debt obligations	13,243	26,486	26,486	396,383		462,598
Operating lease obligations	9,290	17,216	12,034	30,508		69,048
Total contractual obligations	$ 4,031,143	$ 754,984	$ 138,470	$ 1,261,606	$ 3,514,074	$ 9,700,277

A schedule of significant commitments at June 30, 2006 follows:

	Payment Due (In thousands)
Undisbursed loan commitments	$ 2,166,969
Standby letters of credit	323,648
Commercial letters of credit	41,959

Capital Resources

Our primary source of capital is the retention of net after tax earnings. At June 30, 2006, stockholders equity totaled $937.7 million, a 28% increase from $734.1 million as of December 31, 2005. The increase is comprised of the following: (1) net income of $68.7 million recorded during the first six months of 2006; (2) stock compensation costs amounting to $2.7 million related to grants of restricted stock and stock options; (3) tax benefits of $6.9 million resulting from the exercise of nonqualified stock options; (4) tax benefits of $543 thousand resulting from the vesting of restricted stock; (5) net issuance of common stock totaling $5.3 million, representing 572,716 shares, pursuant to various stock plans and agreements; (6) net issuance of common stock totaling $133.9 million, representing 3,647,440 shares, in connection with the Standard Bank acquisition; and (7) issuance of common stock to Standard Bank employees totaling $105 thousand, representing 2,658 shares. These transactions were offset by (1) payments of quarterly cash dividends totaling $5.9 million; (2) an increase of $8.7 million in unrealized losses on available-for-sale securities; and (3) forfeitures of restricted stock totaling $935 thousand, representing 27,472 restricted shares cancelled during the first six months of 2006.

As previously mentioned, we reduced additional paid-in capital in the amount of $8.2 million, representing the remaining deferred compensation balance in the consolidated statement of stockholders equity as of January 1, 2006. The transaction was recorded in accordance with the transition provisions of SFAS No. 123(R) which we adopted on January 1, 2006.

On March 15, 2006, the Company issued $30.9 million in junior subordinated debt securities through a pooled trust preferred offering. Similar to previous offerings, these securities were issued through a newly formed statutory business trust, Trust VII, a wholly-owned subsidiary of the Company. The proceeds from the debt securities are loaned by Trust VII to the Company and are included in long-term debt in the accompanying Condensed Consolidated Statement of Financial Condition. The securities issued by Trust VII have a scheduled maturity of June 15, 2036 and bear interest at a per annum rate based on the three-month Libor plus 135 basis points, payable on a quarterly basis. At June 30, 2006, the interest rate on the junior subordinated debt was 6.68%. The junior subordinated debt issued qualifies as Tier I capital for regulatory reporting purposes.

Our management is committed to maintaining capital at a level sufficient to assure our shareholders, our customers, and our regulators that our company and our bank subsidiary are financially sound. We are subject to risk-based capital regulations adopted by the federal banking regulators in January 1990. These guidelines are used to evaluate capital adequacy and are based on an institution s asset risk profile and off-balance sheet exposures. According to the regulations, institutions whose Tier 1 and total capital ratios meet or exceed 6% and 10%, respectively, are deemed to be well-capitalized. At June 30, 2006, the Bank s Tier 1 and total capital ratios were 9.3% and 11.3%, respectively, compared to 8.8% and 11.0%, respectively, at December 31, 2005.

The following table compares East West Bancorp, Inc. s and East West Bank s actual capital ratios at June 30, 2006 to those required by regulatory agencies for capital adequacy and well-capitalized classification purposes:

	East West Bancorp	East West Bank	Minimum Regulatory Requirements	Well Capitalized Requirements
Total Capital (to Risk-Weighted Assets)	11.3%	11.3%	8.0%	10.0%
Tier 1 Capital (to Risk-Weighted Assets)	9.4%	9.3%	4.0%	6.0%
Tier 1 Capital (to Average Assets)	8.4%	8.4%	4.0%	5.0%

ASSET LIABILITY AND MARKET RISK MANAGEMENT

Liquidity

Liquidity management involves our ability to meet cash flow requirements arising from fluctuations in deposit levels and demands of daily operations, which include funding of securities purchases, providing for customers credit needs and ongoing repayment of borrowings. Our liquidity is actively managed on a daily basis and reviewed periodically by the Asset/Liability Committee and the Board of Directors. This process is intended to ensure the maintenance of sufficient funds to meet our liquidity needs, including adequate cash flow for off-balance sheet instruments.

Our primary sources of liquidity are derived from financing activities which include the acceptance of customer and broker deposits, federal funds facilities, repurchase agreement facilities and advances from the Federal Home Loan Bank of San Francisco. These funding sources are augmented by payments of principal and interest on loans, the routine liquidation of securities from the available-for-sale portfolio and securitizations of eligible loans. Primary uses of funds include withdrawal of and interest payments on deposits, originations and purchases of loans, purchases of investment securities, and payment of operating expenses.

During the six months ended June 30, 2006, we experienced net cash inflows from operating activities of $59.4 million, compared to net cash inflows of $48.4 million for the first six months of 2005. Net cash inflows from operating activities for the first half of 2006 and 2005 were primarily due to net income earned during the period.

Net cash outflows from investing activities totaled $811.9 million and $637.5 million for the first half of 2006 and 2005, respectively. Net cash outflows from investing activities for both periods can be attributed primarily to the growth in our loan portfolio and purchases of available-for-sale securities. These activities were partially offset by repayments, maturities, redemptions and net sales proceeds from investment securities.

We experienced net cash inflows from financing activities of $738.6 million for the six months ended June 30, 2006, primarily due to proceeds from securities sold under repurchase agreements and FHLB advances, as well as deposit growth. During the same period in 2005, deposit growth and proceeds from the issuance of junior subordinated debt largely accounted for net cash inflows from financing activities totaling $613.3 million.

As a means of augmenting our liquidity sources, we have established federal funds lines with six correspondent banks and several master repurchase agreements with major brokerage companies. At June 30, 2006, our available borrowing capacity includes $266.0 million in federal funds line facilities, $104.7 million in repurchase arrangements, and $2.18 billion in unused FHLB advances. We believe our liquidity sources to be stable and adequate. At June 30, 2006, we are not aware of any information that was reasonably likely to have a material effect on our liquidity position.

The liquidity of East West Bancorp, Inc. is primarily dependent on the payment of cash dividends by its subsidiary, East West Bank, subject to limitations imposed by the Financial Code of the State of California. For the six months ended June 30, 2006 and 2005, total dividends paid by East West Bank to East West Bancorp, Inc. amounted to $5.9 million and $5.3 million respectively. As of June 30, 2006, approximately $229.2 million of undivided profits of East West Bank were available for dividends to East West Bancorp, Inc.

Interest Rate Sensitivity Management

Our success is largely dependent upon our ability to manage interest rate risk, which is the impact of adverse fluctuations in interest rates on our net interest income and net portfolio value. Although in the normal course of business we manage other risks, such as credit and liquidity risk, we consider interest rate risk to be our most significant market risk and could potentially have the largest material effect on our financial condition and results of operations.

The fundamental objective of the asset liability management process is to manage our exposure to interest rate fluctuations while maintaining adequate levels of liquidity and capital. Our strategy is formulated by the Asset/Liability Committee, which coordinates with the Board of Directors to monitor our overall asset and liability composition. The Committee meets regularly to evaluate, among other things, the sensitivity of our assets and liabilities to interest rate changes, the book and market values of assets and liabilities, unrealized gains and losses on our available-for-sale portfolio, purchase and securitization activity, and maturities of investments and borrowings.

Our overall strategy is to monitor the adverse impact of immediate incremental changes in market interest rates (rate shock) on net interest income and net portfolio value. Net portfolio value is defined as the present value of assets, minus the present value of liabilities and off-balance sheet instruments. The attainment of this goal requires a balance between profitability, liquidity and interest rate risk exposure. To minimize the adverse impact of changes in market interest rates, we simulate the effect of instantaneous interest rate changes on net interest income and net portfolio value on a monthly basis. The table below shows the estimated impact of changes in interest rates on our net interest income and market value of equity as of June 30, 2006 and December 31, 2005, assuming a parallel shift of 100 to 200 basis points in both directions:

	Net Interest Income Volatility (1)		**Net Portfolio Value Volatility (2)**	
Change in Interest Rates (Basis Points)	**June 30, 2006**	**December 31, 2005**	**June 30, 2006**	**December 31, 2005**
+200	2.7%	1.1%	(7.5)%	(12.5)%
+100	1.6%	0.9%	(3.0)%	(5.2)%
-100	(2.3)%	(1.6)%	0.3%	2.9%
-200	(5.2)%	(4.1)%	(1.1)%	3.8%

(1) The percentage change represents net interest income for twelve months in a stable interest rate environment versus net interest income in the various rate scenarios.

(2) The percentage change represents net portfolio value of the Bank in a stable interest rate environment versus net portfolio value in the various rate scenarios.

All interest-earning assets, interest-bearing liabilities and related derivative contracts are included in the interest rate sensitivity analysis at June 30, 2006 and December 31, 2005. At June 30, 2006 and December 31, 2005, our estimated changes in net interest income and net portfolio value were within the ranges established by the Board of Directors.

Our primary analytical tool to gauge interest rate sensitivity is a simulation model used by many major banks and bank regulators, and is based on the actual maturity and re-pricing characteristics of interest-rate sensitive assets and liabilities. The model attempts to predict changes in the yields earned on assets and the rates paid on liabilities in relation to changes in market interest rates. As an enhancement to the primary simulation model, prepayment assumptions and market rates of interest provided by independent broker/dealer quotations, an independent pricing model and other available public sources are incorporated into the model. Adjustments are made to reflect the shift in the Treasury and other appropriate yield curves. The model also factors in projections of anticipated activity levels by Bank product line and takes into account our increased ability to control rates offered on deposit products in comparison to our ability to control rates on adjustable-rate loans tied to the published indices.

The following table provides the outstanding principal balances and the weighted average interest rates of our financial instruments as of June 30, 2006. The information presented below is based on the repricing date for variable rate instruments and the expected maturity date for fixed rate instruments.

	Expected Maturity or Repricing Date by Year							Fair Value at
	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter	Total	June 30, 2006
				(Dollars in thousands)				
Assets:								
Federal funds sold	$ 4,000						$ 4,000	$ 4,000
Weighted average rate	4.00%						4.00%	
Interest-bearing deposits in other banks	$ 663						$ 663	$ 660
Weighted average rate	2.77%						2.77%	
Securities purchased under resale agreements		$ 100,000					$ 100,000	$ 98,792
Weighted average rate		7.50%					7.50%	
Investment securities available-for-sale (fixed rate)	$ 317,234	$ 165,978	$ 17,918	$ 131,368	$ 135,568	$ 20,530	$ 788,596	$ 780,457
Weighted average rate	3.65%	4.97%	5.65%	5.40%	5.78%	5.18%	4.67%	
Investment securities available-for-sale (variable rate) (1)	$ 467,674	$ 47,353	43,783	14,866	10,610		$ 584,286	$ 572,929
Weighted average rate	5.48%	4.47%	4.63%	4.60%	5.78%		5.32%	
Total gross loans	$ 5,375,109	$ 546,071	$ 629,407	$ 533,765	$ 411,125	$ 378,554	$ 7,874,031	$ 7,768,024
Weighted average rate	7.85%	6.10%	6.35%	6.15%	6.87%	6.57%	7.38%	
Liabilities:								
Checking accounts	$ 396,842						$ 396,842	$ 396,842
Weighted average rate	1.30%						1.30%	
Money market accounts	$ 1,293,271						$ 1,293,271	$ 1,293,271
Weighted average rate	3.84%						3.84%	
Savings deposits	$ 419,267						$ 419,267	$ 419,267
Weighted average rate	0.86%						0.86%	
Time deposits	$ 3,315,307	$ 281,692	$ 17,055	$ 1,660	$ 1,034	$ 818	$ 3,617,566	$ 3,597,789
Weighted average rate	4.21%	4.66%	2.17%	3.63%	3.80%	4.36%	4.24%	
Federal funds purchased	$ 104,000						$ 104,000	$ 104,000
Weighted average rate	5.27%						5.27%	
FHLB advances (variable rate)	$ 288,000						$ 288,000	$ 288,000
Weighted average rate	5.41%						5.41%	
FHLB term advances (fixed rate)	$ 218,418	$ 171,500	$ 141,000	$ 5,000	$ 10,000	$ 8,000	$ 553,918	$ 544,483
Weighted average rate	3.25%	5.22%	4.83%	4.31%	5.08%	4.45%	4.32%	
Securities sold under repurchase agreements	$ 725,000						$ 725,000	$ 729,231
Weighted average rate	3.59%						3.59%	
Subordinated debt	$ 75,000						$ 75,000	$ 72,900
Weighted average rate	6.29%						6.29%	
Junior subordinated debt (fixed rate)						$ 21,392	$ 21,392	$ 29,939
Weighted average rate						10.91%	10.91%	
Junior subordinated debt (variable rate)	$ 87,631						$ 87,631	$ 104,118
Weighted average rate	7.07%						7.07%	

(1) Includes hybrid securities that have fixed interest rates for the first three or five years.

Thereafter, interest rates become adjustable based on a predetermined index

Expected maturities of assets are contractual maturities adjusted for projected payment based on contractual amortization and unscheduled prepayments of principal as well as repricing frequency. Expected maturities for deposits are based on contractual maturities adjusted for projected rollover rates and changes in pricing for deposits with no stated maturity dates. We utilize assumptions supported by documented analyses for the expected maturities of our loans and repricing of our deposits. We also rely on third party data providers for prepayment projections for amortizing securities. The actual maturities of these instruments could vary significantly if future prepayments and repricing differ from our expectations based on historical experience.

The fair values of short-term investments approximate their book values due to their short maturities. For securities purchased under resale agreements, fair values are calculated by discounting future cash flows based on expected maturities or repricing dates utilizing estimated market discount rates. Bid quotations from securities brokers or third party data providers are the basis for fair values of investment securities available-for-sale. The fair values of loans are estimated for portfolios with similar financial characteristics and take into consideration discounted cash flows based on expected maturities or repricing dates utilizing estimated market discount rates as projected by third party data providers.

Transaction deposit accounts, which include checking, money market and savings accounts, are presumed to have equal book and fair values because the interest rates paid on these accounts are based on prevailing market rates. The fair values of time deposits are based upon the discounted values of contractual cash flows, which are estimated using current rates offered for deposits of similar remaining terms. For federal funds purchased, fair value approximates book value due to their short maturities. The fair value of FHLB advances is estimated by discounting the cash flows through maturity or the next repricing date based on current rates offered by the FHLB for borrowings with similar maturities. The fair values of securities sold under repurchase agreements are calculated by discounting future cash flows based on expected maturities or repricing dates, utilizing estimated market discount rates and taking into consideration the call features of each instrument. For both subordinated and junior subordinated debt instruments, fair values are estimated by discounting cash flows through maturity based on current market rates.

The Asset/Liability Committee is authorized to utilize a wide variety of off-balance sheet financial techniques to assist in the management of interest rate risk. We sometimes use derivative financial instruments as part of our asset and liability management strategy, with the overall goal of minimizing the impact of interest rate fluctuations on our net interest margin and stockholders equity. The use of derivatives has not had a material effect on our operating results or financial position.

In August and November 2004, we entered into four equity swap agreements with a major investment brokerage firm to hedge against market fluctuations in a promotional equity index certificate of deposit product that we offered to Bank customers for a limited time during the latter half of 2004. This product, which has a term of 5 1/2 years, pays interest based on the performance of the Hang Seng China Enterprises Index (the HSCEI). The combined notional amounts of the equity swap agreements total $24.6 million with termination dates similar to the stated maturity date on the underlying certificate of deposit host contracts. For the equity swap agreements, we agreed to pay interest based on the one-month Libor minus a spread on a monthly basis and receive any increase in the HSCEI at swap termination date. Under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, a certificate of deposit that pays interest based on changes in an equity index is a hybrid instrument with an embedded derivative (i.e. equity call option) that must be accounted for separately from the host contract (i.e. the certificate of deposit). In accordance with SFAS No. 133, both the embedded equity call options on the certificates of deposit and the freestanding equity swap agreements are marked-to-market every month with resulting changes in fair value recorded in the consolidated statements of income.

On April 1, 2005, the Company amended the four equity swap agreements entered into in 2004 effectively removing the swap payable leg. The amendments to the swap agreements changed the terms of the agreements such that instead of paying interest based on the one-month Libor minus a spread on a monthly basis for the remaining terms of the agreements, we prepaid this amount based on the current market value of the cash streams. The total amount paid in conjunction with these swap agreement amendments was $4.2 million on April 1, 2005. The fair values of both the embedded derivatives and equity swap agreement amounted to $7.3 million and $3.5 million at June 30, 2006 and December 31, 2005, respectively. The embedded derivatives are included in interest-bearing deposits and the equity swap agreements are included in other assets on the consolidated balance sheets. The fair value of the derivative contracts is estimated using discounted cash flow analyses based on the change in value of the HSCEI based upon the life of the individual swap agreement. The significant increase in the fair value of the derivative contracts since December 31, 2005 can be attributed to a 27% rise in the index value combined with a 116% increase in the implied volatility of the HSCEI call options as of June 30, 2006, relative to year-end 2005.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES OF MARKET RISKS

For quantitative and qualitative disclosures regarding market risks in our portfolio, see Management s Discussion and Analysis of Consolidated Financial Condition and Results of Operations Asset Liability and Market Risk Management.

ITEM 4: CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e). Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report. There have been no significant changes in our internal controls during the fiscal quarter covered by the report that has materially affected or is reasonably likely to materially affect our internal controls over financial reporting.

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Our disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not involved in any material legal proceedings. Our subsidiary, East West Bank, from time to time is party to litigation that arises in the ordinary course of business, such as claims to enforce liens, claims involving the origination and servicing of loans, and other issues related to the business of the Bank. In the opinion of our management, based upon the advice of legal counsel, the resolution of any such issues would not have a material adverse impact on our financial position, results of operations, or liquidity.

ITEM 1A. RISK FACTORS

There are no material changes to our risk factors as presented in the Company s 2005 Form 10-K under the heading Item 1A. Risk Factors.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Repurchases of the Company s securities during the second quarter of 2006 are as follows:

Month Ended	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs
April 30, 2006		$		(2)
May 31, 2006		$		(2)
June 30, 2006		$		(2)
Total		$		$ 7,000,000

(1) Excludes 14,824 shares totaling $495 thousand due to forfeitures of restricted stock awards during the second quarter of 2006 pursuant to the Company s 1998 Stock Incentive Plan.

(2) On November 27, 2001, the Company s Board of Directors announced its sixth repurchase program authorizing the repurchase of up to $7.0 million of its common stock. This repurchase program has no expiration date and, to date, no shares have been purchased under this program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

An annual meeting of shareholders of East West Bancorp, Inc. was held on May 25, 2006 for the purpose of (1) electing three directors to serve until the 2009 Annual Meeting and (2) ratifying the appointment of Deloitte & Touche LLP as the Company s independent auditors. Holders of 44,180,546 of the 60,604,602 outstanding shares as of the record date voted in the annual meeting in person or by proxy.

The three directors elected to serve until the 2009 Annual Meeting are as follows: (1) John Kooken was elected with a vote 43,378,841 in favor, 0 opposed, 801,705 abstaining, and 0 broker non-votes, (2) Jack Liu was elected with a vote of 43,379,422 in favor, 0 opposed, 801,124 abstaining, and 0 broker non-votes, and (3) Keith Renken was elected with a vote of 43,936,131 in favor, 0 opposed, 244,415 abstaining, and 0 broker non-votes. Other directors whose terms of office continued after the meeting were Peggy Cherng, Julia Gouw and John Lee, whose terms will expire at the 2007 Annual Meeting, and Dominic Ng, Rudolph Estrada, and Herman Li, whose terms will expire at the 2008 Annual Meeting.

The votes to ratify Deloitte & Touche LLP as the Company s independent auditors are as follows: 44,108,787 in favor, 14,880 opposed, 56,879 abstaining, and 0 broker non-votes.

ITEM 5. OTHER INFORMATION

No events have transpired which would make response to this item appropriate.

ITEM 6. EXHIBITS

(i)	Exhibit 31.1	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(ii)	Exhibit 31.2	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(iii)	Exhibit 32.1	Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(iv)	Exhibit 32.2	Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

All other material referenced in this report which is required to be filed as an exhibit hereto has previously been submitted.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 9, 2006

EAST WEST BANCORP, INC.

By: /s/ Julia Gouw
JULIA GOUW
Executive Vice President and
Chief Financial Officer

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