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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________________ to ______________________

Commission file number 001-31830

CATHAY GENERAL BANCORP

(Exact name of registrant as specified in its charter)

Delaware	95-4274680
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
777 North Broadway, Los Angeles, California	90012
(Address of principal executive offices)	(Zip Code)

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

____

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

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

Large accelerated filer ☑	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company☐

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

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

Common stock, $.01 par value, 79,704,258 shares outstanding as of October 31, 2014.

CATHAY GENERAL BANCORP AND SUBSIDIARIES
3RD QUARTER 2014 REPORT ON FORM 10-Q
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Forward-Looking Statements

In this Quarterly Report on Form 10-Q, the term “Bancorp” refers to Cathay General Bancorp and the term “Bank” refers to Cathay Bank. The terms “Company,” “we,” “us,” and “our” refer to Bancorp and the Bank collectively.

The statements in this report include forward-looking statements within the meaning of the applicable provisions of the Private Securities Litigation Reform Act of 1995 regarding management’s beliefs, projections, and assumptions concerning future results and events. We intend such forward-looking statements to be covered by the safe harbor provision for forward-looking statements in these provisions. All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including statements about anticipated future operating and financial performance, financial position and liquidity, growth opportunities and growth rates, growth plans, acquisition and divestiture opportunities, business prospects, strategic alternatives, business strategies, financial expectations, regulatory and competitive outlook, investment and expenditure plans, financing needs and availability, and other similar forecasts and statements of expectation and statements of assumptions underlying any of the foregoing. Words such as “aims,” “anticipates,” “believes,” “can,” “continue,” “could,” “estimates,” “expects,” “hopes,” “intends,” “may,” “optimistic,” “plans,” “potential,” “possible,” “predicts,” “projects,” “seeks,” “shall,” “should,” “will,” and variations of these words and similar expressions are intended to identify these forward-looking statements. Forward-looking statements by us are based on estimates, beliefs, projections, and assumptions of management and are not guarantees of future performance. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. Such risks and uncertainties and other factors include, but are not limited to, adverse developments or conditions related to or arising from:

- U.S. and international business and economic conditions;
- possible additional provisions for loan losses and charge-offs;
- credit risks of lending activities and deterioration in asset or credit quality;
- extensive laws and regulations and supervision that we are subject to, including potential supervisory action by bank supervisory authorities;
- increased costs of compliance and other risks associated with changes in regulation, including the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”);
- higher capital requirements from the implementation of the Basel III capital standards;
- compliance with the Bank Secrecy Act and other money laundering statutes and regulations;
- potential goodwill impairment;
- liquidity risk;
- fluctuations in interest rates;
- risks associated with acquisitions and the expansion of our business into new markets;
- inflation and deflation;
- real estate market conditions and the value of real estate collateral;
- environmental liabilities;

- our ability to compete with larger competitors;
- our ability to retain key personnel;
- successful management of reputational risk;
- natural disasters and geopolitical events;
- general economic or business conditions in Asia, and other regions where the Bank has operations;
- failures, interruptions, or security breaches of our information systems;
- our ability to adapt our systems to technological changes;
- risk management processes and strategies;
- adverse results in legal proceedings;
- certain provisions in our charter and bylaws that may affect acquisition of the Company;
- changes in accounting standards or tax laws and regulations;
- market disruption and volatility;
- restrictions on dividends and other distributions by laws and regulations and by our regulators and our capital structure;
- issuance of preferred stock;
- successfully raising additional capital, if needed, and the resulting dilution of interests of holders of our common stock; and
- the soundness of other financial institutions.

These and other factors are further described in Bancorp's Annual Report on Form 10-K for the year ended December 31, 2013 (Item 1A in particular), other reports and registration statements filed with the Securities and Exchange Commission ("SEC"), and other filings it makes with the SEC from time to time. Actual results in any future period may also vary from the past results discussed in this report. Given these risks and uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements, which speak to the date of this report. We have no intention and undertake no obligation to update any forward-looking statement or to publicly announce any revision of any forward-looking statement to reflect future developments or events, except as required by law.

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

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

CATHAY GENERAL BANCORP AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands, except share and per share data)	September 30, 2014	December 31, 2013
Assets		
Cash and due from banks	$ 200,302	$ 153,747
Short-term investments and interest bearing deposits	597,747	516,938
Securities available-for-sale (amortized cost of $1,355,056 in 2014 and $1,637,965 in 2013)	1,340,092	1,586,668
Trading securities	-	4,936
Loans	8,858,254	8,084,563
Less: Allowance for loan losses	(169,198)	(173,889)
Unamortized deferred loan fees, net	(12,903)	(13,487)
Loans, net	8,676,153	7,897,187
Federal Home Loan Bank stock	34,090	25,000
Other real estate owned, net	29,025	52,985
Affordable housing investments, net	96,504	84,108
Premises and equipment, net	100,673	102,045
Customers' liability on acceptances	21,820	32,194
Accrued interest receivable	24,986	24,274
Goodwill	316,340	316,340
Other intangible assets, net	3,459	2,230
Other assets	158,275	190,634
Total assets	$ 11,599,466	$ 10,989,286
Liabilities and Stockholders' Equity		
Deposits		
Non-interest-bearing demand deposits	$ 1,593,003	$ 1,441,858
Interest-bearing deposits:		
NOW deposits	766,622	683,873
Money market deposits	1,514,496	1,286,338
Savings deposits	542,454	499,520
Time deposits under $100,000	1,103,634	931,204
Time deposits of $100,000 or more	3,174,460	3,138,512
Total deposits	8,694,669	7,981,305
Securities sold under agreements to repurchase	550,000	800,000
Advances from the Federal Home Loan Bank	555,000	521,200
Other borrowings for affordable housing investments	18,882	19,062
Long-term debt	119,136	121,136
Acceptances outstanding	21,820	32,194
Other liabilities	69,575	55,418
Total liabilities	10,029,082	9,530,315
Commitments and contingencies	-	-
Stockholders' Equity		
Common stock, $0.01 par value, 100,000,000 shares authorized, 83,905,576 issued and 79,698,011 outstanding at September 30, 2014, and 83,797,434 issued and 79,589,869 outstanding at December 31, 2013	839	838
Additional paid-in-capital	787,889	784,489
Accumulated other comprehensive loss, net	(8,835)	(29,729)
Retained earnings	916,227	829,109
Treasury stock, at cost (4,207,565 shares at September 30, 2014, and at December 31, 2013)	(125,736)	(125,736)
Total equity	1,570,384	1,458,971
Total liabilities and equity	$ 11,599,466	$ 10,989,286

See accompanying notes to unaudited condensed consolidated financial statements

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(In thousands, except share and per share data)			
Interest and Dividend Income				
Loans receivable, including loan fees	$ 100,151	$ 90,838	$ 290,337	$ 267,557
Investment securities- taxable	5,105	10,868	19,389	34,986
Investment securities- nontaxable	-	-	-	995
Federal Home Loan Bank stock	508	449	1,379	1,041
Deposits with banks	571	307	1,499	796
Total interest and dividend income	106,335	102,462	312,604	305,375
Interest Expense				
Time deposits of $100,000 or more	7,107	6,887	20,519	20,466
Other deposits	5,005	3,485	13,462	9,244
Securities sold under agreements to repurchase	5,858	8,402	19,731	29,778
Advances from Federal Home Loan Bank	153	150	849	375
Long-term debt	1,456	930	3,012	2,778
Short-term borrowings	1	-	1	
Total interest expense	19,580	19,854	57,574	62,641
Net interest income before provision for credit losses	86,755	82,608	255,030	242,734
Credit for loan losses	(5,100)	(3,000)	(8,800)	(3,000)
Net interest income after credit for loan losses	91,855	85,608	263,830	245,734
Non-Interest Income				
Securities gains, net	361	8,688	6,827	27,157
Letters of credit commissions	1,559	1,698	4,547	4,608
Depository service fees	1,330	1,371	3,999	4,330
Other operating income	5,724	4,963	17,181	15,867
Total non-interest income	8,974	16,720	32,554	51,962
Non-Interest Expense				
Salaries and employee benefits	22,630	22,751	69,472	67,192
Occupancy expense	3,934	3,812	11,692	10,966
Computer and equipment expense	2,471	2,446	7,307	7,488
Professional services expense	5,991	5,813	16,410	18,484
FDIC and State assessments	2,261	1,712	6,692	5,431
Marketing expense	639	1,097	2,722	2,703
Other real estate owned (income)/expense	(1,011)	527	(629)	886
Operations of affordable housing investments, net	1,672	1,234	5,126	4,952
Amortization of core deposit intangibles	214	1,363	510	4,097
Costs associated with debt redemption	527	6,861	3,348	22,557
Other operating expense	3,279	3,054	10,538	8,758
Total non-interest expense	42,607	50,670	133,188	153,514
Income before income tax expense	58,222	51,658	163,196	144,182
Income tax expense	22,313	19,029	60,944	52,489
Net income	35,909	32,629	102,252	91,693
Less: net income attributable to noncontrolling interest	-	151	-	452
Net income attributable to Cathay General Bancorp	35,909	32,478	102,252	91,241
Dividends on preferred stock and noncash charge from repayment	-	(2,434)	-	(9,685)
Net income attributable to common stockholders	35,909	30,044	102,252	81,556
Other comprehensive income/(loss), net of tax				
Unrealized holding gain/(loss) on securities available-for-sale	170	(1,074)	25,014	(5,908)
Less: reclassification adjustments included in net income	209	5,036	3,957	15,740
Unrealized holding gain/(loss) on cash flow hedge derivatives	100	-	(163)	-
Less: reclassification adjustments included in net income	-	-	-	-
Total other comprehensive gain/(loss), net of tax	61	(6,110)	20,894	(21,648)
Total comprehensive income	$ 35,970	$ 26,368	$ 123,146	$ 69,593
Net income per common share:				
Basic	$ 0.45	$ 0.38	$ 1.28	$ 1.03
Diluted	$ 0.45	$ 0.38	$ 1.28	$ 1.03
Cash dividends paid per common share	$ 0.07	$ 0.01	$ 0.19	$ 0.03
Average common shares outstanding				
Basic	79,677,952	78,894,262	79,639,202	78,853,333
Diluted	80,176,100	79,114,122	80,087,819	78,944,152

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Nine months ended September 30	
	2014	2013
	(In thousands)	
Cash Flows from Operating Activities		
Net income	$ 102,252	$ 91,693
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Credit for loan losses	(8,800)	(3,000)
Provision/(credit) for losses on other real estate owned	1,693	(675)
Deferred tax (asset)/liability	13,846	(12,325)
Depreciation	5,336	4,899
Net gains on sale and transfer of other real estate owned	(3,467)	(843)
Net gains on sale of loans	(300)	(864)
Proceeds from sales of loans	15,791	41,219
Originations of loans held-for-sale	(15,491)	(40,356)
Net change in trading securities	-	(152)
Income associated with debt redemption	(550)	-
Write-downs on venture capital investments	317	295
Write-downs on impaired securities	820	-
Net gains on sales and calls of securities	(7,647)	(27,157)
Amortization/accretion of security premiums/discounts, net	2,266	3,439
Amortization of other intangible assets	575	4,192
Excess tax short-fall from share-based payment arrangements	1,177	143
Stock based compensation and stock issued to officers as compensation	2,948	2,775
Net change in accrued interest receivable and other assets	1,691	24,875
Net change in other liabilities	(8,377)	4,195
Net cash provided by operating activities	104,080	92,353
Cash Flows from Investing Activities		
(Increase)/decrease in short-term investments	(75,873)	22,959
Purchase of investment securities available-for-sale	(892,706)	(1,026,659)
Proceeds from sale of investment securities available-for-sale	543,305	903,915
Proceeds from repayments, maturities and calls of investment securities available-for-sale	640,478	367,026
Proceeds from repayments, maturities and calls of investment securities held-to-maturity	-	50,973
Purchase of Federal Home Loan Bank stock	(17,736)	-
Redemptions of Federal Home Loan Bank stock	8,646	12,589
Net increase in loans	(763,211)	(413,405)
Purchase of premises and equipment	(4,036)	(4,734)
Proceeds from sale of other real estate owned	28,543	9,926
Net increase in investment in affordable housing	(5,617)	(6,167)
Net cash used in investing activities	(538,207)	(83,577)
Cash Flows from Financing Activities		
Net increase in deposits	713,362	534,306
Net decrease in federal funds purchased and securities sold under agreements to repurchase	(250,000)	(450,000)
Advances from Federal Home Loan Bank	8,252,400	1,742,396
Repayment of Federal Home Loan Bank borrowings	(8,218,600)	(1,512,000)
Cash dividends paid	(15,133)	(8,631)
Redemption of series B preferred stock	-	(258,000)
Repurchase of trust preferred securities	(1,450)	-
Proceeds from shares issued under Dividend Reinvestment Plan	1,554	202
Taxes paid related to net share settlement of RSUs	(274)	-
Excess tax short-fall from share-based payment arrangements	(1,177)	(143)
Net cash provided by financing activities	480,682	48,130
Increase in cash and cash equivalents	46,555	56,906
Cash and cash equivalents, beginning of the period	153,747	144,909
Cash and cash equivalents, end of the period	$ 200,302	$ 201,815
Supplemental disclosure of cash flow information		
Cash paid during the period:		
Interest	$ 59,478	$ 65,372
Income taxes paid	$ 52,864	$ 55,537
Non-cash investing and financing activities:		
Net change in unrealized holding (loss)/gain on securities available-for-sale, net of tax	$ 21,057	$ (21,648)
Net change in unrealized holding loss on cash flow hedge derivatives	$ (163)	$ -
Transfers of investment securities to available-for-sale from held-to-maturity	$ -	$ 722,466
Transfers of trading securities to short-term investments	$ 4,936	$ -
Transfers to other real estate owned from loans held for investment	$ (2,810)	$ 11,877
Loans to facilitate the sale of other real estate owned	$ -	$ 75
Transfer of securities sold but not yet settled to other assets	$ -	$ 12,469

See accompanying notes to unaudited condensed consolidated financial statements.

CATHAY GENERAL BANCORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Business

Cathay General Bancorp ("Bancorp") is the holding company for Cathay Bank (the "Bank" and, together, the "Company"), six limited partnerships investing in affordable housing investments in which the Bank is the sole limited partner, and GBC Venture Capital, Inc. The Bancorp also owns 100% of the common stock of five statutory business trusts created for the purpose of issuing capital securities. The Bank was founded in 1962 and offers a wide range of financial services. As of September 30, 2014, the Bank operated 21 branches in Southern California, 12 branches in Northern California, nine branches in New York State, three branches in Illinois, three branches in Washington State, two branches in Texas, one branch in Massachusetts, one branch in New Jersey, one branch in Nevada, one branch in Hong Kong, and a representative office in Shanghai and in Taipei. Deposit accounts at the Hong Kong branch are not insured by the Federal Deposit Insurance Corporation (the "FDIC").

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. For further information, refer to the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

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

3. Recent Accounting Pronouncements

In January 2014, the FASB issued ASU 2014-01, "*Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects*." ASU No. 2014-01 permits a reporting entity to make an accounting policy election to account for its investments in affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the amount of tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense or benefit. ASU 2014-01 becomes effective for interim and annual periods beginning on or after December 15, 2014. The Company is evaluating whether to adopt ASU 2014-01 or to continue to apply the equity method of accounting for investments in affordable housing projects.

In January 2014, the FASB issued ASU 2014-04, "*Receivables—Trouble Debt Restructurings by Creditors*." ASU No. 2014-04 clarifies that upon either the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement, a creditor is considered to have physical possession of residential real estate property collateralizing a consumer mortgage loan. A reporting entity is required to have interim and annual disclosure of both the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in process of foreclosure. ASU 2014-04 becomes effective for interim and annual periods beginning on or after December 15, 2014. Adoption of ASU 2014-04 is not expected to have a significant impact on the Company's consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, "*Presentation of Financial Statements and Property, Plant, and Equipment*." ASU No. 2014-08 defines a discontinued operation as disposal of components of an entity that represent a strategic shift that has or will have a major effect on an entity's operations. ASU No. 2014-08 also requires a reporting entity to present the assets and liabilities of a disposal group that includes a discontinued operation separately in the asset and liability sections, respectively, of the statement of financial position for each comparative period. ASU 2014-08 becomes effective for interim and annual periods beginning on or after December 15, 2014. Adoption of ASU 2014-08 is not expected to have a significant impact on the Company's consolidated financial statements.

In June 2014, the FASB issued ASU 2014-11, "*Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*." ASU No. 2014-11 expands secured borrowing accounting for certain repurchase agreements. It requires the repurchase agreement be separate from the initial transfer of the financial asset in a repurchase financing arrangement. An entity is required to disclose additional information about certain transactions accounted for as a sale in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets through an agreement with the same counterparty. An entity is also required to disclose information about repurchase agreements, securities lending transactions and repurchase-to-maturity transactions that are accounted for as secured borrowings. ASU 2014-11 becomes effective for interim and annual periods beginning on or after December 15, 2014. Adoption of ASU 2014-11 is not expected to have a significant impact on the Company's consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, "*Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*." ASU No. 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. An entity should recognize compensation cost in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. ASU 2014-12 becomes effective for interim and annual periods beginning on or after December 15, 2015. Adoption of ASU 2014-12 is not expected to have a significant impact on the Company's consolidated financial statements.

ASU 2014-15, "*Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*", issued by the FASB in August 2014, requires an entity's management to evaluate and disclose conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. In addition, an entity's management is to disclose management's plans that alleviated or that are intended to mitigate the conditions or events that raise substantial doubt about the entity's ability to continue as a going concern. ASU 2014-15 becomes effective for interim and annual periods beginning on or after December 15, 2016. Adoption of ASU 2014-15 is not expected to have a significant impact on the Company's consolidated financial statements.

4. Earnings per Share

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

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

(Dollars in thousands, except share and per share data)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Net income attributable to Cathay General Bancorp	$35,909	$32,478	$102,252	$91,241
Dividends on preferred stock and noncash charge from repayment	-	(2,434)	-	(9,685)
Net income available to common stockholders	$35,909	$30,044	$102,252	$81,556
Weighted-average shares:				
Basic weighted-average number of common shares outstanding	79,677,952	78,894,262	79,639,202	78,853,333
Dilutive effect of weighted-average outstanding common share equivalents				
Warrants	346,101	171,426	306,306	57,771
Options	109,803	-	103,022	-
Restricted stock units	42,244	48,434	39,289	33,048
Diluted weighted-average number of common shares outstanding	80,176,100	79,114,122	80,087,819	78,944,152
Average stock options and warrants with anti-dilutive effect	1,990,358	3,668,285	1,993,384	4,958,218
Earnings per common share:				
Basic	$0.45	$0.38	$1.28	$1.03
Diluted	$0.45	$0.38	$1.28	$1.03

5. Stock-Based Compensation

Under the Company's equity incentive plans, directors and eligible employees may be granted incentive or non-statutory stock options and/or restricted stock units, or awarded non-vested stock. As of September 30, 2014, the only options granted by the Company were non-statutory stock options to selected Bank officers and non-employee directors at exercise prices equal to the fair market value of a share of the Company's common stock on the date of grant. Such options have a maximum ten-year term and vest in 20% annual increments (subject to early termination in certain events) except certain options granted to the Chief Executive Officer of the Company in 2005 and 2008. If such options expire or terminate without having been exercised, any shares not purchased will again be available for future grants or awards. There were no options granted during the first nine months of 2014 or the year ended December 31, 2013.

Option compensation expense was zero for the three months ended September 30, 2014, and for the three months ended September 30, 2013. For the nine months ended September 30, option compensation expense totaled zero for 2014 and $129,000 for 2013. Stock-based compensation is recognized ratably over the requisite service period for all awards.

No stock options were exercised in the first nine months of 2014 or in the first nine months of 2013. The table below summarizes stock option activity for the periods indicated:

	Shares	Weighted-average exercise price		Remaining Contractual Life (in years)	Intrinsic Value (in thousands)	
Balance, December 31, 2013	2,812,874	$	31.81	1.9	$	2,119
Forfeited	(438,000)		28.70			
Balance, March 31, 2014	2,374,874	$	32.38	2.0	$	1,148
Forfeited	(10,000)		32.26			
Balance, June 30, 2014	2,364,874	$	32.38	1.7	$	4,083
Forfeited	-		-			
Balance, September 30, 2014	2,364,874	$	32.38	1.5	$	3,487
Exercisable, September 30, 2014	2,364,874	$	32.38	1.5	$	3,487

At September 30, 2014, 3,070,663 shares were available under the Company's 2005 Incentive Plan for future grants.

The Company granted restricted stock units for 17,601 shares at an average closing price of $24.66 per share in the first nine months of 2014 and 25,037 shares at an average closing price of $20.68 per share in the year ended December 31, 2013. The restricted stock units granted in 2014 and 2013 are scheduled to vest two years from grant date.

The following table presents information relating to the restricted stock units as of September 30, 2014:

	Units
Balance at December 31, 2013	143,433
Granted	17,601
Forfeited	-
Vested	(42,520)
Balance at September 30, 2014	118,514

The compensation expense related to the restricted stock units was $1.0 million for the three months ended September 30, 2014, compared to $476,000 for the three months ended September 30, 2013. For the nine months ended September 30, compensation expense recorded related to the restricted stock units was $2.9 million in 2014 and $1.6 million in 2013. Unrecognized stock-based compensation expense related to restricted stock units was $4.7 million at September 30, 2014, and is expected to be recognized over the next 2.0 years.

In December 2013, the Company granted performance-based restricted stock units in which the number of units earned is calculated based on the relative total stockholder return ("TSR") of the Company's common stock as compared to the TSR of the KBW Regional Banking Index. In addition, the Company granted performance stock units in which the number of units earned is determined by comparison to the targeted earnings per share ("EPS") for the three years ending December 31, 2016. Performance TSR restricted stock units for 119,840 shares and performance EPS restricted stock units for 116,186 shares were granted to eight executive officers. Both the performance TSR and EPS stock units are scheduled to vest on December 31, 2016. In the first nine months of 2014, the Company did not grant any performance stock units.

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

(Dollars in thousands)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Short-fall of tax deductions in excess of grant-date fair value	$ -	$ (63)	$ (1,177)	$ (143)
Benefit of tax deductions on grant-date fair value	-	95	1,177	702
Total benefit of tax deductions	$ -	$ 32	$ -	$ 559

6. Investment Securities

Investment securities were $1.34 billion at September 30, 2014, compared to $1.59 billion at December 31, 2013. During the first quarter of 2013, due to the ongoing discussions regarding corporate income tax rates which could have a negative impact on the after-tax yields and fair values of the Company's portfolio of municipal securities, the Company determined it may sell such securities in response to market conditions. As a result, the Company reclassified its municipal securities from securities held-to-maturity to securities available-for-sale. Concurrent with this reclassification, the Company also reclassified all other securities held-to-maturity, which together with the municipal securities had an amortized cost on the date of transfer of $722.5 million, to securities available-for-sale. At the reclassification date, a net unrealized gain was recorded in other comprehensive income for these securities totaling $40.5 million.

The following tables reflect the amortized cost, gross unrealized gains, gross unrealized losses, and fair value of investment securities as of September 30, 2014, and December 31, 2013:

	September 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Securities Available-for-Sale				
U.S. treasury securities	$ 539,919	$ 198	$ 29	$ 540,088
Mortgage-backed securities	703,312	1,085	21,073	683,324
Collateralized mortgage obligations	80	-	34	46
Corporate debt securities	94,941	751	1,355	94,337
Mutual funds	6,000	-	183	5,817
Preferred stock of government sponsored entities	7,196	2,056	-	9,252
Other equity securities	3,608	3,620	-	7,228
Total	$ 1,355,056	$ 7,710	$ 22,674	$ 1,340,092

	December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Securities Available-for-Sale				
U.S. treasury securities	$ 460,095	$ 99	$ 1	$ 460,193
Mortgage-backed securities	1,010,294	7,049	64,529	952,814
Collateralized mortgage obligations	5,929	231	54	6,106
Asset-backed securities	123	-	-	123
Corporate debt securities	154,955	298	4,949	150,304
Mutual funds	6,000	-	275	5,725
Preferred stock of government sponsored entities	569	10,834	-	11,403
Total	$ 1,637,965	$ 18,511	$ 69,808	$ 1,586,668

The amortized cost and fair value of investment securities at September 30, 2014, by contractual maturities, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or repayment penalties.

	Securities Available-For-Sale	
	Amortized cost	Fair value
	(In thousands)	
Due in one year or less	$ 115,047	$ 115,156
Due after one year through five years	446,739	447,662
Due after five years through ten years	85,693	84,983
Due after ten years (1)	707,577	692,291
Total	$ 1,355,056	$ 1,340,092

(1) Equity securities are reported in this category

Proceeds from sales of mortgage-backed securities were $458.4 million and from repayments, maturities and calls of mortgage-backed securities were $54.7 million during the first nine months of 2014 compared to proceeds from sales of $348.7 million and proceeds of $237.9 million from repayments, maturities, and calls during the same period a year ago. Proceeds from sales of other investment securities were $84.9 million during the first nine months of 2014 compared to $555.2 million during the same period a year ago. Proceeds from maturities and calls of other investment securities were $585.8 million during the first nine months of 2014 compared to $180.1 million during the same period a year ago. Gains of $17.1 million and losses of $9.5 million were realized on sales and calls of investment securities during the first nine months of 2014 compared to gains of $27.2 million and no losses realized during the same period a year ago.

At September 30, 2014, all of the Company's mortgage-backed securities were rated as investment grade except for one non-agency issue. Total unrealized losses of $21.1 million from all mortgage-backed securities resulted from increases in interest rates subsequent to the date that these securities were purchased. Total unrealized losses of $1.4 million on corporate bonds relates to four issues of investments in bonds of financial institutions, all of which were investment grade at the date of acquisition and as of September 30, 2014. The unrealized losses were primarily caused by the widening of credit and liquidity spreads since the dates of acquisition. The contractual terms of those investments do not permit the issuers to settle the security at a price less than the amortized cost of the investment. The Company currently does not believe it is probable that it will be unable to collect all amounts due according to the contractual terms of the investments. Therefore, it is expected that these mortgage-backed securities and corporate bonds would not be settled at a price less than the amortized cost of the investment. Because the Company does not intend to sell and would not be required to sell these investments until a recovery of fair value, which may be maturity, it does not consider its investments in these mortgaged-backed securities and corporate bonds to be other-than-temporarily impaired at September 30, 2014.

The temporarily impaired securities represent 66.3% of the fair value of investment securities as of September 30, 2014. Unrealized losses for securities with unrealized losses for less than twelve months represent 0.07%, and securities with unrealized losses for twelve months or more represent 3.5%, of the historical cost of these securities. Unrealized losses on these securities generally resulted from increases in interest rates or spreads subsequent to the date that these securities were purchased. During the third quarter of 2014, the Company wrote down the carrying value of its portfolio of agency preferred stock by $820,000..

At September 30, 2014, management believed the impairment was temporary and, accordingly, no impairment loss on debt securities has been recognized in our condensed consolidated statements of operations. The Company expects to recover the amortized cost basis of its debt securities, and has no intent to sell and will not be required to sell available-for-sale debt securities that have declined below their cost before their anticipated recovery.

The tables below show the fair value and unrealized losses of the temporarily impaired securities in our investment securities portfolio as of September 30, 2014, and December 31, 2013:

	September 30, 2014					
	Temporarily impaired securities					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
Securities Available-for-Sale						
U.S. treasury securities	$ 174,959	$ 29	$ -	$ -	$ 174,959	$ 29
Mortgage-backed securities	92,436	151	551,854	20,922	644,290	21,073
Collateralized mortgage obligations	-	-	46	34	46	34
Corporate debt securities	-	-	63,645	1,355	63,645	1,355
Mutual funds	-	-	5,817	183	5,817	183
Total	$ 267,395	$ 180	$ 621,362	$ 22,494	$ 888,757	$ 22,674

	December 31, 2013					
	Temporarily impaired securities					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(Dollars in thousands)					
Securities Available-for-Sale						
U.S. treasury securities	$ 75,064	$ 1	$ -	$ -	$ 75,064	$ 1
Mortgage-backed securities	792,012	64,526	272	2	792,284	64,528
Mortgage-backed securities-Non-agency	94	1	-	-	94	1
Collateralized mortgage obligations	68	4	301	50	369	54
Corporate debt securities	9,970	30	100,081	4,919	110,051	4,949
Mutual funds	-	-	5,724	275	5,724	275
Total securities available-for-sale	$ 877,208	$ 64,562	$ 106,378	$ 5,246	$ 983,586	$ 69,808
Total investment securities	$ 877,208	$ 64,562	$ 106,378	$ 5,246	$ 983,586	$ 69,808

Investment securities having a carrying value of $703.6 million at September 30, 2014, and $926.5 million at December 31, 2013, were pledged to secure public deposits, other borrowings, treasury tax and loan, and securities sold under agreements to repurchase.

7. Loans

Most of the Company’s business activity is with Asian customers located in Southern and Northern California; New York City, New York; Houston and Dallas, Texas; Seattle, Washington; Boston, Massachusetts; Chicago, Illinois; Edison, New Jersey; Las Vegas, Nevada, and Hong Kong. The Company has no specific industry concentration, and generally its loans are secured by real property or other collateral of the borrowers. Loans are generally expected to be paid off from the operating profits of the borrowers, from refinancing by other lenders, or through sale by the borrowers of the secured collateral.

The components of loans in the condensed consolidated balance sheets as of September 30, 2014, and December 31, 2013, were as follows:

	September 30, 2014	December 31, 2013
	(In thousands)	
Type of Loans:		
Commercial loans	$ 2,450,118	$ 2,298,724
Residential mortgage loans	1,516,711	1,355,255
Commercial mortgage loans	4,414,067	4,023,051
Equity lines	172,223	171,277
Real estate construction loans	301,459	221,701
Installment and other loans	3,676	14,555
Gross loans	8,858,254	8,084,563
Less:		
Allowance for loan losses	(169,198)	(173,889)
Unamortized deferred loan fees	(12,903)	(13,487)
Total loans, net	$ 8,676,153	$ 7,897,187

At September 30, 2014, recorded investment in impaired loans totaled $188.3 million and was comprised of non-accrual loans of $65.2 million and accruing troubled debt restructured loans ("TDRs) of $123.1 million. At December 31, 2013, recorded investment in impaired loans totaled $200.8 million and was comprised of non-accrual loans of $83.2 million and accruing TDRs of $117.6 million. For impaired loans, the amounts previously charged off represent 12.6% at September 30, 2014, and 23.9% at December 31, 2013, of the contractual balances for impaired loans. The following table presents the average balance and interest income recognized related to impaired loans for the periods indicated:

	Impaired Loans							
	Average Recorded Investment				Interest Income Recognized			
	Three months ended September 30,		Nine months ended September 30,		Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013	2014	2013	2014	2013
	(In thousands)							
Commercial loans	$ 21,706	$ 32,187	$ 26,741	$ 24,873	$ 205	$ 166	$ 636	$ 395
Real estate construction loans	33,276	34,946	33,459	39,014	66	67	198	199
Commercial mortgage loans	119,611	132,921	114,663	145,380	1,153	730	3,310	3,289
Residential mortgage and equity lines	16,151	16,884	17,889	17,574	128	106	363	227
Total impaired loans	$ 190,744	$ 216,938	$ 192,752	$ 226,841	$ 1,552	$ 1,069	$ 4,507	$ 4,110

The following tables present impaired loans and the related allowance for credit losses as of the dates indicated:

	Impaired Loans					
	September 30, 2014			December 31, 2013		
	Unpaid Principal Balance	Recorded Investment	Allowance	Unpaid Principal Balance	Recorded Investment	Allowance
	(In thousands)					
With no allocated allowance						
Commercial loans	$ 19,792	$ 18,764	$ -	$ 20,992	$ 18,905	$ -
Real estate construction loans	37,403	16,133	-	25,401	15,097	-
Commercial mortgage loans	84,274	82,586	-	105,593	78,930	-
Residential mortgage loans and equity lines	2,541	2,541	-	4,892	4,892	-
Subtotal	$ 144,010	$ 120,024	$ -	$ 156,878	$ 117,824	$ -
With allocated allowance						
Commercial loans	$ 8,951	$ 6,985	$ 2,730	$ 22,737	$ 13,063	$ 2,519
Real estate construction loans	15,377	15,377	2,604	28,475	19,323	3,460
Commercial mortgage loans	33,749	32,973	7,999	39,223	35,613	6,584
Residential mortgage loans and equity lines	13,422	12,988	481	16,535	14,957	721
Subtotal	$ 71,499	$ 68,323	$ 13,814	$ 106,970	$ 82,956	$ 13,284
Total impaired loans	$ 215,509	$ 188,347	$ 13,814	$ 263,848	$ 200,780	$ 13,284

The following tables present the aging of the loan portfolio by type as of September 30, 2014, and as of December 31, 2013:

September 30, 2014							
Type of Loans:	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Non-accrual Loans	Total Past Due	Loans Not Past Due	Total
				(In thousands)			
Commercial loans	$ 8,307	$ 3,920	$ 662	$ 8,851	$ 21,740	$ 2,428,378	$ 2,450,118
Real estate construction loans	-	-	-	25,728	25,728	275,731	301,459
Commercial mortgage loans	171	1,676	-	23,830	25,677	4,388,390	4,414,067
Residential mortgage loans and equity lines	408	807	-	6,849	8,064	1,680,870	1,688,934
Installment and other loans	168	-	-	-	168	3,508	3,676
Total loans	$ 9,054	$ 6,403	$ 662	$ 65,258	$ 81,377	$ 8,776,877	$ 8,858,254

December 31, 2013							
Type of Loans:	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Non-accrual Loans	Total Past Due	Loans Not Past Due	Total
				(In thousands)			
Commercial loans	$ 7,170	$ 16,562	$ -	$ 21,232	$ 44,964	$ 2,253,760	$ 2,298,724
Real estate construction loans	-	-	-	28,586	28,586	193,115	221,701
Commercial mortgage loans	20,043	7,862	982	19,621	48,508	3,974,543	4,023,051
Residential mortgage loans and equity lines	3,508	832	-	13,744	18,084	1,508,448	1,526,532
Installment and other loans	100	-	-	-	100	14,455	14,555
Total loans	$ 30,821	$ 25,256	$ 982	$ 83,183	$ 140,242	$ 7,944,321	$ 8,084,563

The determination of the amount of the allowance for credit losses for impaired loans is based on management's current judgment about the credit quality of the loan portfolio and takes into consideration known relevant internal and external factors that affect collectability when determining the appropriate level for the allowance for credit losses. The nature of the process by which the Bank determines the appropriate allowance for credit losses requires the exercise of considerable judgment. This allowance evaluation process is also applied to troubled debt restructurings since they are considered to be impaired loans.

A troubled debt restructuring is a formal modification of the terms of a loan when the lender, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower. The concessions may be granted in various forms, including a change in the stated interest rate, a reduction in the loan balance or accrued interest, or an extension of the maturity date that causes significant delay in payment.

TDRs on accrual status are comprised of the loans that have, pursuant to the Bank's policy, performed under the restructured terms and have demonstrated sustained performance under the modified terms for six months before being returned to accrual status. The sustained performance considered by management pursuant to its policy includes the periods prior to the modification if the prior performance met or exceeded the modified terms. This would include cash paid by the borrower prior to the restructure to set up interest reserves.

At September 30, 2014, accruing TDRs were $123.1 million and non-accrual TDRs were $34.2 million compared to accruing TDRs of $117.6 million and non-accrual TDRs of $38.8 million at December 31, 2013. The Company allocated specific reserves of $8.0 million to accruing TDRs and $3.9 million to non-accrual TDRs at September 30, 2014, and $6.9 million to accruing TDRs and $2.2 million to non-accrual TDRs at December 31, 2013. The following tables present TDRs that were modified during the first nine months of 2014 and 2013, their specific reserves at September 30, 2014 and 2013, and charge-offs during the first nine months of 2014 and 2013:

	Nine months ended September 30, 2014				September 30, 2014
	No. of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Charge-offs	Specific Reserve
			(Dollars in thousands)		
Commercial loans.................................	6	$ 10,773	$ 10,773	$ -	$ 26
Commercial mortgage loans..............................	3	11,818	11,818	-	564
Residential mortgage loans and equity lines................	5	2,226	2,226	-	16
Total	14	$ 24,817	$ 24,817	$ -	$ 606

	Nine months ended September 30, 2013				September 30, 2013
	No. of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Charge-offs	Specific Reserve
			(Dollars in thousands)		
Commercial loans.................................	9	11,705	10,516	$ 1,189	$ 71
Commercial mortgage loans..............................	3	7,474	7,474	-	191
Residential mortgage loans and equity lines................	11	3,736	3,658	78	125
Total	23	$ 22,915	$ 21,648	$ 1,267	$ 387

Modifications of the loan terms during the first nine months of 2014 were in the form of changes in the stated interest rate, and/or extension of maturity dates, and/or reduction in monthly payment amount. The length of time for which modifications involving a reduction of the stated interest rate or changes in payment terms that were documented ranged from seven months to two years from the modification date.

We expect that the TDRs on accruing status as of September 30, 2014, which were all performing in accordance with their restructured terms, will continue to comply with the restructured terms because of the reduced principal or interest payments on these loans. A summary of TDRs by type of concession and by type of loan, as of September 30, 2014, and December 31, 2013, is shown below:

Accruing TDRs	September 30, 2014 Principal Deferral	Rate Reduction	Rate Reduction and Forgiveness of Principal	Rate Reduction and Payment Deferral	Total
			(In thousands)		
Commercial loans	$ 13,006	$ 1,558	$ -	$ 2,333	$ 16,897
Real estate construction loans	-	-	-	5,782	5,782
Commercial mortgage loans	19,116	8,317	-	64,296	91,729
Residential mortgage loans	3,557	1,013	216	3,895	8,681
Total accruing TDRs	$ 35,679	$ 10,888	$ 216	$ 76,306	$ 123,089

Non-accrual TDRs	September 30, 2014 Interest Deferral	Principal Deferral	Rate Reduction and Forgiveness of Principal	Rate Reduction and Payment Deferral	Total
			(In thousands)		
Commercial loans	$ -	$ 2,186	$ 1,225	$ 243	$ 3,654
Real estate construction loans	-	15,377	-	8,851	24,228
Commercial mortgage loans	226	3,159	-	1,369	4,754
Residential mortgage loans	213	-	-	1,313	1,526
Total non-accrual TDRs	$ 439	$ 20,722	$ 1,225	$ 11,776	$ 34,162

Accruing TDRs	December 31, 2013 Principal Deferral	Rate Reduction	Rate Reduction and Payment Deferral	Total
		(In thousands)		
Commercial loans	$ 9,112	$ 2,916	$ 2,708	$ 14,736
Real estate construction loans	-	-	5,834	5,834
Commercial mortgage loans	11,333	9,389	70,200	90,922
Residential mortgage loans	1,564	1,024	3,517	6,105
Total accruing TDRs	$ 22,009	$ 13,329	$ 82,259	$ 117,597

Non-accrual TDRs	December 31, 2013 Interest Deferral	Principal Deferral	Rate Reduction and Forgiveness of Principal	Rate Reduction and Payment Deferral	Total
			(In thousands)		
Commercial loans	$ -	$ 2,866	$ 1,352	$ -	$ 4,218
Real estate construction loans	-	16,009	-	9,263	25,272
Commercial mortgage loans	1,443	2,168	-	1,843	5,454
Residential mortgage loans	241	2,206	-	1,378	3,825
Total non-accrual TDRs	$ 1,684	$ 23,249	$ 1,352	$ 12,484	$ 38,769

The activity within our TDRs for the periods indicated are shown below:

Accruing TDRs	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
	(In thousands)			
Beginning balance…………………………….	$ 111,136	$ 115,464	$ 117,597	$ 144,695
New restructurings…………………………………	14,900	10,669	22,997	15,485
Restructured loans restored to accrual status………..	660	5,397	1,622	6,851
Charge-offs………………………………………..	-	-	-	(78)
Payments……………………………………………..	(3,607)	(15,274)	(11,897)	(48,663)
Restructured loans placed on nonaccrual………..	-	(316)	(7,230)	(2,350)
Ending balance……………………………………..	$ 123,089	$ 115,940	$ 123,089	$ 115,940

Non-accrual TDRs	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
	(In thousands)			
Beginning balance…………………………….	$ 43,605	$ 48,524	$ 38,769	$ 47,731
New restructurings…………………………………	34	2,415	1,820	6,163
Restructured loans placed on nonaccrual………..	-	316	7,230	2,350
Charge-offs………………………………………..	(234)	(1,188)	(833)	(2,121)
Payments…………………………………………….	(8,583)	(1,062)	(11,202)	(3,664)
Restructured loans restored to accrual status………	(660)	(5,397)	(1,622)	(6,851)
Ending balance……………………………………..	$ 34,162	$ 43,608	$ 34,162	$ 43,608

A loan is considered to be in payment default once it is 60 to 90 days contractually past due under the modified terms. The Company had one commercial mortgage loan in the amount of $62,000 that was modified as a TDR during the previous twelve months and which subsequently defaulted as of September 30, 2014.

Under the Company's internal underwriting policy, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification in order to determine whether a borrower is experiencing financial difficulty.

As of September 30, 2014, there were no commitments to lend additional funds to those borrowers whose loans have been restructured, were considered impaired, or were on non-accrual status.

As part of the on-going monitoring of the credit quality of our loan portfolio, the Company utilizes a risk grading matrix to assign a risk grade to each loan. The risk rating categories can be generally described by the following grouping for non-homogeneous loans:

- **Pass/Watch –** These loans range from minimal credit risk to lower than average, but still acceptable, credit risk.

- **Special Mention –** Borrower is fundamentally sound and loan is currently protected but adverse trends are apparent that, if not corrected, may affect ability to repay. Primary source of loan repayment remains viable but there is increasing reliance on collateral or guarantor support.

- **Substandard –** These loans are inadequately protected by current sound net worth, paying capacity, or collateral. Well-defined weaknesses exist that could jeopardize repayment of debt. Loss may not be imminent, but if weaknesses are not corrected, there is a good possibility of some loss.

- **Doubtful –** The possibility of loss is extremely high, but due to identifiable and important pending events (which may strengthen the loan), a loss classification is deferred until the situation is better defined.

- **Loss –** These loans are considered uncollectible and of such little value that to continue to carry the loan as an active asset is no longer warranted.

The following tables present loan portfolio by risk rating as of September 30, 2014, and as of December 31, 2013:

	September 30, 2014				
	Pass/Watch	Special Mention	Substandard	Doubtful	Total
	(In thousands)				
Commercial loans......................................	$ 2,283,837	$ 82,731	$ 80,180	$ 3,370	$ 2,450,118
Real estate construction loans........................	267,760	-	32,199	1,500	301,459
Commercial mortgage loans..........................	4,124,943	112,825	176,299	-	4,414,067
Residential mortgage loans and equity lines........	1,679,920	-	9,014	-	1,688,934
Installment and other loans...........................	3,676	-	-	-	3,676
Total gross loans.......................................	$ 8,360,136	$ 195,556	$ 297,692	$ 4,870	$ 8,858,254

	December 31, 2013				
	Pass/Watch	Special Mention	Substandard	Doubtful	Total
	(In thousands)				
Commercial loans......................................	$ 2,108,191	$ 84,786	$ 102,088	$ 3,659	$ 2,298,724
Real estate construction loans........................	184,449	-	33,939	3,313	221,701
Commercial mortgage loans..........................	3,686,788	127,436	208,827	-	4,023,051
Residential mortgage loans and equity lines........	1,510,647	-	15,885	-	1,526,532
Installment and other loans...........................	14,555	-	-	-	14,555
Total gross loans.......................................	$ 7,504,630	$ 212,222	$ 360,739	$ 6,972	$ 8,084,563

The allowance for loan losses and the reserve for off-balance sheet credit commitments are significant estimates that can and do change based on management’s process in analyzing the loan portfolio and on management’s assumptions about specific borrowers, underlying collateral, and applicable economic and environmental conditions, among other factors.

The following table presents the balance in the allowance for loan losses by portfolio segment and based on impairment method as of September 30, 2014, and as of December 31, 2013:

	Commercial Loans	Real Estate Construction Loans	Commercial Mortgage Loans	Residential Mortgage Loans and Equity Lines	Installment and Other Loans	Total
	(In thousands)					
September 30, 2014						
Loans individually evaluated for impairment						
Allowance....................................	$ 2,730	$ 2,604	$ 7,999	$ 481	$ -	$ 13,814
Balance......................................	$ 25,749	$ 31,510	$ 115,559	$ 15,529	$ -	$ 188,347
Loans collectively evaluated for impairment						
Allowance....................................	$ 53,566	$ 32,099	$ 58,740	$ 10,962	$ 17	$ 155,384
Balance......................................	$ 2,424,369	$ 269,949	$ 4,298,508	$ 1,673,405	$ 3,676	$ 8,669,907
Total allowance............................	$ 56,296	$ 34,703	$ 66,739	$ 11,443	$ 17	$ 169,198
Total balance................................	$ 2,450,118	$ 301,459	$ 4,414,067	$ 1,688,934	$ 3,676	$ 8,858,254
December 31, 2013						
Loans individually evaluated for impairment						
Allowance....................................	$ 2,519	$ 3,460	$ 6,584	$ 721	$ -	$ 13,284
Balance......................................	$ 31,968	$ 34,420	$ 114,544	$ 19,848	$ -	$ 200,780
Loans collectively evaluated for impairment						
Allowance....................................	$ 62,584	$ 8,539	$ 78,169	$ 11,284	$ 29	$ 160,605
Balance......................................	$ 2,266,756	$ 187,281	$ 3,908,507	$ 1,506,684	$ 14,555	$ 7,883,783
Total allowance............................	$ 65,103	$ 11,999	$ 84,753	$ 12,005	$ 29	$ 173,889
Total balance................................	$ 2,298,724	$ 221,701	$ 4,023,051	$ 1,526,532	$ 14,555	$ 8,084,563

The following table details activity in the allowance for loan losses by portfolio segment for the three and nine months ended September 30, 2014, and September 30, 2013. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

Three months ended September 30, 2014 and 2013

	Commercial Loans	Real Estate Construction Loans	Commercial Mortgage Loans	Residential Mortgage Loans and Equity Lines	Installment and Other Loans	Total
			(In thousands)			
June 30, 2014 Ending Balance……………………	$ 63,239	$ 9,555	$ 83,395	$ 12,870	$ 18	169,077
Provision/(credit) for possible credit losses…….	(10,839)	25,116	(17,950)	(1,427)	(1)	(5,101)
Charge-offs………………………………………	(252)	-	(903)	-	-	(1,155)
Recoveries………………………………………	4,148	32	2,197	-	-	6,377
Net (charge-offs)/recoveries……………………	3,896	32	1,294	-	-	5,222
September 30, 2014 Ending Balance……………	$ 56,296	$ 34,703	$ 66,739	$ 11,443	$ 17	$ 169,198
June 30, 2013 Ending Balance……………………	$ 64,379	$ 13,755	$ 89,678	$ 11,892	$ 29	$ 179,733
Provision/(credit) for possible credit losses…….	2,121	1,660	(5,710)	52	6	(1,871)
Charge-offs………………………………………	(200)	-	(394)	(160)	-	(754)
Recoveries………………………………………	436	1,236	2,514	158	-	4,344
Net (charge-offs)/recoveries……………………	236	1,236	2,120	(2)	-	3,590
September 30, 2013 Ending Balance……………	$ 66,736	$ 16,651	$ 86,088	$ 11,942	$ 35	$ 181,452

Nine months ended September 30, 2014 and 2013

	Commercial Loans	Real Estate Construction Loans	Commercial Mortgage Loans	Residential Mortgage Loans and Equity Lines	Installment and Other Loans	Total
			(In thousands)			
2014 Beginning Balance………………………	$ 65,103	$ 11,999	$ 84,753	$ 12,005	$ 29	$ 173,889
Provision/(credit) for possible credit losses…….	(12,067)	24,460	(20,991)	(562)	(12)	(9,172)
Charge-offs………………………………………	(7,592)	(1,813)	(3,327)	-	-	(12,732)
Recoveries………………………………………	10,852	57	6,304	-	-	17,213
Net (charge-offs)/recoveries……………………	3,260	(1,756)	2,977	-	-	4,481
September 30, 2014 Ending Balance……………	$ 56,296	$ 34,703	$ 66,739	$ 11,443	$ 17	$ 169,198
Reserve for impaired loans………………………	$ 2,730	$ 2,604	$ 7,999	$ 481	$ -	$ 13,814
Reserve for non-impaired loans…………………	$ 53,566	$ 32,099	$ 58,740	$ 10,962	$ 17	$ 155,384
Reserve for off-balance sheet credit commitments…………………………	$ 901	$ 668	$ 410	$ 39	$ -	$ 2,018
2013 Beginning Balance………………………	$ 66,101	$ 23,017	$ 82,473	$ 11,703	$ 28	$ 183,322
Provision/(credit) for possible credit losses…….	3,200	(8,622)	935	780	(4)	(3,711)
Charge-offs………………………………………	(4,580)	-	(3,425)	(766)	-	(8,771)
Recoveries………………………………………	2,015	2,256	6,105	225	11	10,612
Net (charge-offs)/recoveries……………………	(2,565)	2,256	2,680	(541)	11	1,841
September 30, 2013 Ending Balance……………	$ 66,736	$ 16,651	$ 86,088	$ 11,942	$ 35	$ 181,452
Reserve for impaired loans………………………	$ 10,849	$ 5,691	$ 6,129	$ 693	$ -	$ 23,362
Reserve for non-impaired loans…………………	$ 55,887	$ 10,960	$ 79,959	$ 11,249	$ 35	$ 158,090
Reserve for off-balance sheet credit commitments…………………………	$ 953	$ 287	$ 799	$ 34	$ 1	$ 2,074

8. Commitments and Contingencies

The Company is involved in various litigation concerning transactions entered into in the normal course of business. Management, after consultation with legal counsel, does not believe that the resolution of such litigation will have a material effect upon its consolidated financial condition, results of operations, or liquidity taken as a whole. Although the Company establishes accruals for legal proceedings when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated, the Company does not have accruals for all legal proceedings where there is a risk of loss. In addition, amounts accrued may not represent the ultimate loss to the Company from the legal proceedings in question. Thus, ultimate losses may be higher or lower, and possibly significantly so, than the amounts accrued for legal loss contingencies.

In the normal course of business, the Company becomes a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credit in the form of loans, or through commercial or standby letters of credit and financial guarantees. These instruments represent varying degrees of exposure to risk in excess of the amounts included in the accompanying condensed consolidated balance sheets. The contractual or notional amount of these instruments indicates a level of activity associated with a particular class of financial instrument and is not a reflection of the level of expected losses, if any.

9. Borrowed Funds

Securities Sold Under Agreements to Repurchase. Securities sold under agreements to repurchase were $550.0 million with a weighted average rate of 3.78% at September 30, 2014, compared to $800.0 million with a weighted average rate of 3.87% at December 31, 2013. In the first nine months of 2014, the Company prepaid securities sold under agreements to repurchase totaling $100 million with a weighted average rate of 3.5% and incurred prepayment penalties of $3.4 million. In the first nine months of 2013, the Company prepaid securities sold under agreements to repurchase totaling $300.0 million with a weighted average rate of 3.97% and incurred prepayment penalties of $15.7 million. Four floating-to-fixed rate agreements totaling $200.0 million have initial floating rates for a period of time ranging from six months to one year, with floating rates of three-month LIBOR rate minus 340 basis points. Thereafter, the rates are fixed for the remainder of the term, with interest rates ranging from 4.89% to 5.07%. After the initial floating rate term, the counterparties have the right to terminate the transaction at par at the fixed rate reset date and quarterly thereafter. Three fixed-to-floating rate agreements totaling $150.0 million have initial fixed rates ranging from 1.00% to 3.50% with initial fixed rate terms ranging from six months to 18 months. For the remaining term, the rates float at 8% minus the three-month LIBOR rate with a maximum rate of 3.50% and a minimum rate of 0.0%. After the initial fixed rate term, the counterparties have the right to terminate the transaction at par at the floating rate reset date and quarterly thereafter. The table below provides summary data for the $350.0 million of callable securities sold under agreements to repurchase as of September 30, 2014:

(Dollars in millions)	Fixed-to-floating		Floating-to-fixed	Total
Rate type	Float Rate		Fixed Rate	
Rate index	8% minus 3 month LIBOR			
Maximum rate	3.50%	3.50%		
Minimum rate	0.0%	0.0%		
No. of agreements	2	1	4	7
Amount	$ 100.0	$ 50.0	$ 200.0	$ 350.0
Weighted average rate	3.50%	3.50%	5.00%	4.36%
Final maturity	2014	2015	2017	

The table below provides summary data for non-callable fixed rate securities sold under agreements to repurchase as of September 30, 2014:

Maturity	No. of Agreements	Amount (In thousands)	Weighted Average Interest Rate
1 year to 3 years	2	$ 100,000	2.71%
3 years to 5 years	2	100,000	2.86%
Total	4	$ 200,000	2.78%

These transactions are accounted for as collateralized financing transactions and recorded at the amounts at which the securities were sold. The Company may have to provide additional collateral for the repurchase agreements, as necessary. The underlying collateral pledged for the repurchase agreements consists of U.S. Treasury securities, U.S. government agency securities, and mortgage-backed securities with a fair value of $629.3 million as of September 30, 2014, and $906.1 million as of December 31, 2013.

Advances from the FHLB. Advances from the FHLB were $555.0 million with weighted average rate of 0.12% at September 30, 2014, compared to $521.2 million with weighted average rate of 0.17% at December 31, 2013. The following relates to the outstanding advances at September 30, 2014, and December 31, 2013:

	September 30, 2014		December 31, 2013	
Maturity	Amount (In thousands)	Weighted Average Interest Rate	Amount (In thousands)	Weighted Average Interest Rate
Within 90 days	$ 530,000	0.07%	$ 475,000	0.06%
4 - 5 years.............................	25,000	1.13%	46,200	1.24%
	$ 555,000	0.12%	$ 521,200	0.17%

10. Income Taxes

Income tax expense totaled $60.9 million, or an effective tax rate of 37.3%, for the first nine months of 2014, compared to an income tax expense of $52.5 million, or an effective tax rate of 36.5%, for the same period a year ago. The effective tax rate includes the impact of the utilization of low income housing tax credits and recognition of other tax credits for both years.

As of December 31, 2013, the Company had income tax refunds receivable of $8.6 million. These income tax receivables are included in other assets in the accompanying condensed consolidated balance sheets.

The Company’s tax returns are open for audits by the Internal Revenue Service back to 2011 and by the California Franchise Tax Board back to 2003. The Company is under audit by the California Franchise Tax Board for the years 2003 to 2007. As the Company is presently under audit by a number of tax authorities, it is reasonably possible that unrecognized tax benefits could change significantly over the next twelve months. The Company does not expect that any such changes would have a material impact on its annual effective tax rate.

11. Fair Value Measurements

The Company adopted ASC Topic 820 on January 1, 2008, and determined the fair values of our financial instruments based on the following:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable prices in active markets for similar assets or liabilities; prices for identical or similar assets or liabilities in markets that are not active; directly observable market inputs for substantially the full term of the asset and liability; market inputs that are not directly observable but are derived from or corroborated by observable market data.
- Level 3 – Unobservable inputs based on the Company’s own judgment about the assumptions that a market participant would use.

The Company uses the following methodologies to measure the fair value of its financial assets and liabilities on a recurring basis:

Securities Available for Sale. For certain actively traded agency preferred stocks, mutual funds, and U.S. Treasury securities, the Company measures the fair value based on quoted market prices in active exchange markets at the reporting date, a Level 1 measurement. The Company also measures securities by using quoted market prices for similar securities or dealer quotes, a Level 2 measurement. This category generally includes U.S. Government agency securities, state and municipal securities, mortgage-backed securities (“MBS”), commercial MBS, collateralized mortgage obligations, asset-backed securities, corporate bonds and trust preferred securities.

Trading Securities. The Company measures the fair value of trading securities based on quoted market prices in active exchange markets at the reporting date, a Level 1 measurement. The Company also measures the fair value for other trading securities based on quoted market prices for similar securities or dealer quotes, a Level 2 measurement.

Warrants. The Company measures the fair value of warrants based on unobservable inputs based on assumption and management judgment, a Level 3 measurement.

Currency Option and Foreign Exchange Contracts. The Company measures the fair value of currency option and foreign exchange contracts based on dealer quotes on a recurring basis, a Level 2 measurement.

Interest Rate Swaps. Fair value of interest rate swaps is derived from third party models with observable market data, a Level 2 measurement.

The valuation techniques for the assets and liabilities valued on a nonrecurring basis are as follows:

Impaired Loans. The Company does not record loans at fair value on a recurring basis. However, from time to time, nonrecurring fair value adjustments to collateral dependent impaired loans are recorded based on either the current appraised value of the collateral, a Level 2 measurement, or management’s judgment and estimation of value reported on older appraisals that are then adjusted based on recent market trends, a Level 3 measurement.

Goodwill. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. The two-step impairment testing process, if needed, begins by assigning net assets and goodwill to the two reporting units—Commercial Lending and Retail Banking. The Company then completes "step one" of the impairment test by comparing the fair value of each reporting unit (as determined based on the discussion below) with the recorded book value (or "carrying amount") of its net assets, with goodwill included in the computation of the carrying amount. If the fair value of a reporting unit exceeds its carrying amount, goodwill of that reporting unit is not considered impaired, and "step two" of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its fair value, step two of the impairment test is performed to determine the amount of impairment. Step two of the impairment test compares the carrying amount of the reporting unit's goodwill to the "implied fair value" of that goodwill. The implied fair value of goodwill is computed by assuming that all assets and liabilities of the reporting unit would be adjusted to the current fair value, with the offset as an adjustment to goodwill. This adjusted goodwill balance is the implied fair value used in step two. An impairment charge is recognized for the amount by which the carrying amount of goodwill exceeds its implied fair value. In connection with the determination of fair value, certain data and information is utilized, including earnings forecasts at the reporting unit level for the next four years. Other key assumptions include terminal values based on future growth rates and discount rates for valuing the cash flows, which have inputs for the risk-free rate, market risk premium, and adjustments to reflect inherent risk and required market returns. Because of the significance of unobservable inputs in the valuation of goodwill impairment, goodwill subject to nonrecurring fair value adjustments is classified as a Level 3 measurement.

Core Deposit Intangibles. Core deposit intangibles is initially recorded at fair value based on a valuation of the core deposits acquired and is amortized over its estimated useful life to its residual value in proportion to the economic benefits consumed. The Company assesses the recoverability of this intangible asset on a nonrecurring basis using the core deposits remaining at the assessment date and the fair value of cash flows expected to be generated from the core deposits, a Level 3 measurement.

Other Real Estate Owned. Real estate acquired in the settlement of loans is initially recorded at fair value based on the appraised value of the property on the date of transfer, less estimated costs to sell, a Level 2 measurement. From time to time, nonrecurring fair value adjustments are made to other real estate owned based on the current updated appraised value of the property, also a Level 2 measurement, or management's judgment and estimation of value reported on older appraisals that are then adjusted based on recent market trends, a Level 3 measurement.

Investments in Venture Capital. The Company periodically reviews its investments in venture capital for other-than-temporary impairment on a nonrecurring basis. Investments in venture capital were written down to their fair value based on available financial reports from venture capital partnerships and management's judgment and estimation, a Level 3 measurement.

Equity Investments. The Company records equity investments at fair value on a nonrecurring basis based on quoted market prices in active exchange markets at the reporting date, a Level 1 measurement.

The following tables present the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of September 30, 2014, and December 31, 2013:

September 30, 2014	Fair Value Measurements Using			Total at
	Level 1	Level 2	Level 3	Fair Value
Assets		(In thousands)		
Securities available-for-sale				
U.S. Treasury securities	$ 540,088	$ -	$ -	$ 540,088
Mortgage-backed securities	-	683,324	-	683,324
Collateralized mortgage obligations	-	46	-	46
Corporate debt securities	-	94,337	-	94,337
Mutual funds	5,817	-	-	5,817
Preferred stock of government sponsored entities	-	9,252	-	9,252
Other equity securities	7,228	-	-	7,228
Total securities available-for-sale	553,133	786,959	-	1,340,092
Warrants	-	-	12	12
Interest rate swaps	-	442	-	442
Foreign exchange contracts	-	1,936	-	1,936
Total assets	$ 553,133	$ 789,337	$ 12	$ 1,342,482
Liabilities				
Interest rate swaps	$ -	$ 280	$ -	$ 280
Foreign exchange contracts	-	4,437	-	4,437
Total liabilities	$ -	$ 4,717	$ -	$ 4,717

December 31, 2013	Fair Value Measurements Using			Total at
	Level 1	Level 2	Level 3	Fair Value
Assets		(In thousands)		
Securities available-for-sale				
U.S. Treasury securities	$ 460,193	$ -	$ -	$ 460,193
Mortgage-backed securities	-	952,815	-	952,815
Collateralized mortgage obligations	-	6,106	-	6,106
Asset-backed securities	-	123	-	123
Corporate debt securities	-	150,304	-	150,304
Mutual funds	5,724	-	-	5,724
Preferred stock of government sponsored entities	-	11,403	-	11,403
Total securities available-for-sale	465,917	1,120,751	-	1,586,668
Trading securities	-	4,936	-	4,936
Warrants	-	-	30	30
Foreign exchange contracts	-	6,182	-	6,182
Total assets	$ 465,917	$ 1,131,869	$ 30	$ 1,597,816
Liabilities				
Foreign exchange contracts	$ -	$ 6,140	$ -	$ 6,140
Total liabilities	$ -	$ 6,140	$ -	$ 6,140

The Company measured the fair value of its warrants on a recurring basis using significant unobservable inputs. The fair value of warrants was $12,000 at September 30, 2014, compared to $30,000 at December 31, 2013. The fair value adjustment of warrants was included in other operating income in the third quarter of 2014. The significant unobservable inputs in the Black-Scholes option pricing model for the fair value of warrants are their expected life ranging from 1 to 4 years, risk-free interest rate from 0.59% to 1.43%, and stock volatility from 9.4% to 13.0%.

For financial assets measured at fair value on a nonrecurring basis that were still reflected in the condensed consolidated balance sheet at September 30, 2014, the following tables provide the level of valuation assumptions used to determine each adjustment, the carrying value of the related individual assets as of September 30, 2014, and December 31, 2013, and the total losses/(gains) for the periods indicated:

	September 30, 2014				Total Losses / (Gains)			
	Fair Value Measurements Using			Total at	Three Months Ended		Nine Months Ended	
	Level 1	Level 2	Level 3	Fair Value	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Assets				(In thousands)				
Impaired loans by type:								
Commercial loans..................................	$ -	$ -	$ 4,255	$ 4,255	$ -	$ -	$ 17	$ 536
Commercial mortgage loans.......................	-	-	24,974	24,974	515	394	515	459
Construction loans.............................	-	-	12,773	12,773	-	-	-	-
Residential mortgage loans and equity lines.....	-	-	12,507	12,507	32	160	32	191
Total impaired loans..............................	-	-	54,509	54,509	547	554	564	1,186
Other real estate owned (1)..........................	-	14,340	4,110	18,450	(48)	111	277	(1,267)
Investments in venture capital...........	-	-	5,698	5,698	49	84	317	295
Total assets	$ -	$ 14,340	$ 64,317	$ 78,657	$ 548	$ 749	$ 1,158	$ 214

(1) Other real estate owned balance of $29.0 million in the condensed consolidated balance sheet is net of estimated disposal costs.

	December 31, 2013				Total Losses / (Gains)	
	Fair Value Measurements Using			Total at	Twelve Months Ended	
	Level 1	Level 2	Level 3	Fair Value	December 31, 2013	December 31, 2012
Assets				(In thousands)		
Impaired loans by type:						
Commercial loans………………………….….	$ -	$ -	$ 7,584	$ 7,584	$ 5,731	$ -
Commercial mortgage loans……………………………	-	-	29,001	29,001	125	440
Construction- residential………….	-	-	500	500	-	-
Construction- other………….	-	-	15,363	15,363	-	65
Residential mortgage loans and equity lines………….	-	-	14,236	14,236	213	605
Land loans…………………………………………..	-	-	29	29	-	162
Total impaired loans…………………………………	-	-	66,713	66,713	6,069	1,272
Other real estate owned (1)……………………………	-	13,248	26,498	39,746	(3,134)	10,904
Investments in venture capital………..	-	-	8,900	8,900	409	309
Equity investments………………………………………	642	-	-	642	-	181
Total assets	$ 642	$ 13,248	$ 102,111	$ 116,001	$ 3,344	$ 12,666

(1) Other real estate owned balance of $53.0 million in the consolidated balance sheet is net of estimated disposal costs.

The significant unobservable (Level 3) inputs used in the fair value measurement of collateral for collateral-dependent impaired loans was primarily based on the appraised value of collateral adjusted by estimated sales cost and commissions. The Company generally obtains new appraisal reports every nine months. As the Company’s primary objective in the event of default would be to monetize the collateral to settle the outstanding balance of the loan, less marketable collateral would receive a larger discount. During the reported periods, collateral discounts ranged from 55% in the case of accounts receivable collateral to 65% in the case of inventory collateral.

The significant unobservable inputs used in the fair value measurement of loans held for sale was primarily based on the quoted price or sale price adjusted by estimated sales cost and commissions. The significant unobservable inputs used in the fair value measurement of other real estate owned ("OREO") was primarily based on the appraised value of OREO adjusted by estimated sales cost and commissions.

The Company applies estimated sales cost and commissions ranging from 3% to 6% to collateral value of impaired loans, quoted price, or loan sale price of loans held for sale, and appraised value of OREO.

12. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

Cash and Cash Equivalents. For cash and cash equivalents, the carrying amount was assumed to be a reasonable estimate of fair value, a Level 1 measurement.

Short-term Investments. For short-term investments, the carrying amount was assumed to be a reasonable estimate of fair value, a Level 1 measurement.

Securities Purchased under Agreements to Resell. The fair value of securities purchased under agreements to resell is based on dealer quotes, a Level 2 measurement.

Securities. For securities, including securities held-to-maturity, available-for-sale, and for trading, fair values were based on quoted market prices at the reporting date. If a quoted market price was not available, fair value was estimated using quoted market prices for similar securities or dealer quotes. For certain actively traded agency preferred stocks and U.S. Treasury securities, the Company measures the fair value based on quoted market prices in active exchange markets at the reporting date, a Level 1 measurement. The Company also measures securities by using quoted market prices for similar securities or dealer quotes, a Level 2 measurement. This category generally includes U.S. Government agency securities, state and municipal securities, mortgage-backed securities ("MBS"), commercial MBS, collateralized mortgage obligations, asset-backed securities, and corporate bonds.

Loans. Fair values were estimated for portfolios of loans with similar financial characteristics. Each loan category was further segmented into fixed and adjustable rate interest terms and by performing and non-performing categories.

The fair value of performing loans was calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan, a Level 3 measurement.

The fair value of impaired loans was calculated based on the net realizable fair value of the collateral or the observable market price of the most recent sale or quoted price from loans held for sale. The Company does not record loans at fair value on a recurring basis. Nonrecurring fair value adjustments to collateral dependent impaired loans are recorded based on the current appraised value of the collateral, a Level 2 measurement.

Deposit Liabilities. The fair value of demand deposits, savings accounts, and certain money market deposits was assumed to be the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit was estimated using the rates currently offered for deposits with similar remaining maturities, a Level 3 measurement.

Securities Sold under Agreements to Repurchase. The fair value of securities sold under agreements to repurchase is based on dealer quotes, a Level 2 measurement.

Advances from Federal Home Loan Bank ("FHLB"). The fair value of the advances is based on quotes from the FHLB to settle the advances, a Level 2 measurement.

Other Borrowings. This category includes borrowings from other financial institutions. The fair value of other borrowings is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk, a Level 3 measurement.

Long-term Debt. The fair value of long-term debt is estimated based on the quoted market prices or dealer quotes, a Level 2 measurement.

Currency Option and Foreign Exchange Contracts. The Company measures the fair value of currency option and foreign exchange contracts based on dealer quotes, a Level 2 measurement.

Interest Rate Swaps. Fair value of interest rate swaps is derived from third party models with observable market data, a Level 2 measurement.

Off-Balance-Sheet Financial Instruments. The fair value of commitments to extend credit, standby letters of credit, and financial guarantees written were estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. The fair value of guarantees and letters of credit was based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reporting date. The fair value of off-balance-sheet financial instruments was based on the assumptions that a market participant would use, a Level 3 measurement.

Fair value was estimated in accordance with ASC Topic 825. Fair value estimates were made at specific points in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Bank's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Bank's financial instruments, fair value estimates were based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates were subjective in nature and involved uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The following table presents the estimated fair value of financial instruments as of September 30, 2014, and as of December 31, 2013:

	September 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Financial Assets				
Cash and due from banks	$ 200,302	$ 200,302	$ 153,747	$ 153,747
Short-term investments	597,747	597,747	516,938	516,938
Securities available-for-sale	1,340,092	1,340,092	1,586,668	1,586,668
Trading securities	-	-	4,936	4,936
Loans, net	8,676,153	8,576,545	7,897,187	7,760,490
Investment in Federal Home Loan Bank stock	34,090	34,090	25,000	25,000
Warrants	12	12	30	30
	Notional Amount	Fair Value	Notional Amount	Fair Value
Option contracts	$ -	$ -	$ 200	$ 0
Foreign exchange contracts	183,753	1,936	267,644	6,182
Interest rate swaps	147,358	442	-	-
Financial Liabilities	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Deposits	$ 8,694,669	$ 8,692,118	$ 7,981,305	$ 7,977,639
Securities sold under agreements to repurchase	550,000	576,670	800,000	852,835
Advances from Federal Home Loan Bank	555,000	555,000	521,200	521,560
Other borrowings	18,882	15,853	19,062	16,107
Long-term debt	119,136	59,425	121,136	58,970
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign exchange contracts	$ 201,240	$ 4,437	$ 236,350	$ 6,140
Interest rate swaps	119,136	280	-	-
	Notional Amount	Fair Value	Notional Amount	Fair Value
Off-Balance Sheet Financial Instruments				
Commitments to extend credit	$ 1,839,039	$ (3,160)	$ 1,858,669	$ (2,187)
Standby letters of credit	54,304	(331)	45,058	(205)
Other letters of credit	49,623	(29)	54,098	(34)
Bill of lading guarantees	51	-	80	-

The following tables present the level in the fair value hierarchy for the estimated fair values of only financial instruments that are not already included on the condensed consolidated balance sheets at fair value as of September 30, 2014, and December 31, 2013.

	September 30, 2014			
	Estimated Fair Value Measurements	Level 1	Level 2	Level 3
	(In thousands)			
Financial Assets				
Cash and due from banks	$ 200,302	$ 200,302	$ -	$ -
Short-term investments	597,747	597,747	-	-
Securities available-for-sale	1,340,092	553,133	786,959	-
Loans, net	8,576,545	-	-	8,576,545
Investment in Federal Home Loan Bank stock	34,090	-	34,090	-
Warrants	12	-	-	12
Financial Liabilities				
Deposits	8,692,118	-	-	8,692,118
Securities sold under agreements to repurchase	576,670	-	576,670	-
Advances from Federal Home Loan Bank	555,000	-	555,000	-
Other borrowings	15,853	-	-	15,853
Long-term debt	59,425	-	59,425	-

	December 31, 2013			
	Estimated Fair Value Measurements	Level 1	Level 2	Level 3
	(In thousands)			
Financial Assets				
Cash and due from banks	$ 153,747	$ 153,747	$ -	$ -
Short-term investments	516,938	516,938	-	-
Securities available-for-sale	1,586,668	465,917	1,120,751	-
Trading securities	4,936	-	4,936	-
Loans, net	7,760,490	-	-	7,760,490
Investment in Federal Home Loan Bank stock	25,000	-	25,000	-
Warrants	30	-	-	30
Financial Liabilities				
Deposits	7,977,639	-	-	7,977,639
Securities sold under agreements to repurchase	852,835	-	852,835	-
Advances from Federal Home Loan Bank	521,560	-	521,560	-
Other borrowings	16,107	-	-	16,107
Long-term debt	58,970	-	58,970	-

13. Goodwill and Goodwill Impairment

The Company's policy is to assess goodwill for impairment at the reporting unit level on an annual basis or between annual assessments if a triggering event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value.

The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. The two-step impairment testing process, if needed, begins by assigning net assets and goodwill to our two reporting units—Commercial Lending and Retail Banking. The Company then completes "step one" of the impairment test by comparing the fair value of each reporting unit (as determined based on the discussion below) with the recorded book value (or "carrying amount") of its net assets, with goodwill included in the computation of the carrying amount. If the fair value of a reporting unit exceeds its carrying amount, goodwill of that reporting unit is not considered impaired, and "step two" of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its fair value, step two of the impairment test is performed to determine the amount of impairment. Step two of the impairment test compares the carrying amount of the reporting unit's goodwill to the "implied fair value" of that goodwill. The implied fair value of goodwill is computed by assuming that all assets and liabilities of the reporting unit would be adjusted to the current fair value, with the offset as an adjustment to goodwill. This adjusted goodwill balance is the implied fair value used in step two. An impairment charge is recognized for the amount by which the carrying amount of goodwill exceeds its implied fair value.

At September 30, 2014, the Company's market capitalization was above book value and there was no triggering event that required the Company to assess goodwill for impairment as of an interim date.

14. Financial Derivatives

It is the policy of the Company not to speculate on the future direction of interest rates. However, the Company enters into financial derivatives in order to seek mitigation of exposure to interest rate risks related to our interest-earning assets and interest-bearing liabilities. We believe that these transactions, when properly structured and managed, may provide a hedge against inherent interest rate risk in the Company's assets or liabilities and against risk in specific transactions. In such instances, the Company may enter into interest rate swap contracts or other types of financial derivatives. Prior to considering any hedging activities, we seek to analyze the costs and benefits of the hedge in comparison to other viable alternative strategies. All hedges must be approved by the Bank's Investment Committee.

The Company follows ASC Topic 815 that establishes accounting and reporting standards for financial derivatives, including certain financial derivatives embedded in other contracts, and hedging activities. It requires the recognition of all financial derivatives as assets or liabilities in the Company's consolidated balance sheet and measurement of those financial derivatives at fair value. The accounting treatment of changes in fair value is dependent upon whether or not a financial derivative is designated as a hedge and, if so, the type of hedge. Fair value is determined using third-party models with observable market data. For derivatives designated as cash flow hedges, changes in fair value are recognized in other comprehensive income and are reclassified to earnings when the hedged transaction is reflected in earnings. For derivatives designated as fair value hedges, changes in the fair value of the derivatives are reflected in current earnings, together with changes in the fair value of the related hedged item if there is a highly effective correlation between changes in the fair value of the interest rate swaps and changes in the fair value of the underlying asset or liability that is intended to be hedged. If there is not a highly effective correlation between changes in the fair value of the interest rate swap and changes in the fair value of the underlying asset or liability that is intended to be hedged, then only the changes in the fair value of the interest rate swaps are reflected in the Company's consolidated financial statements.

In May 2014, the Bancorp entered into five interest rate swap contracts in the notional amount of $119.1 million for a period of ten years. The objective of these interest rate swap contracts, which were designated as hedging instruments in cash flow hedges, was to hedge the quarterly interest payments on the Bancorp's $119.1 million of junior subordinated debentures that had been issued to five trusts throughout the ten-year period beginning in June 2014 and ending in June 2024, from the risk of variability of these payments resulting from changes in the three-month LIBOR interest rate. The Bancorp pays a weighted average fixed interest rate of 2.61% and receives a variable interest rate of three-month LIBOR at a weighted average rate of 0.23%. As of September 30, 2014, the notional amount of cash flow interest rate swaps was $119.1 million and their unrealized loss of $163,000, net of taxes, was included in other comprehensive income. The amount of periodic net settlement of interest rate swaps included in interest expense was $723,000 for the three months ended and $824,000 for the nine months ended September 30, 2014.

In June 2014, the Bank entered into ten interest rate swap contracts in the notional amount of $148.1 million for various terms from four to eight years. The Bank entered into these interest rate swap contracts that are matched to individual fixed-rate commercial real estate loans in the Bank's loan portfolio. These contracts have been designated as hedging instruments to hedge the risk of changes in the fair value of the underlying commercial real estate loan due to changes in interest rates. The swap contracts are structured so that the notional amounts reduce over time to match the contractual amortization of the underlying loan and allow prepayments with the same pre-payment penalty amounts as the related loan. The Bank pays a weighted average fixed rate of 4.67% and receives a variable rate at one month LIBOR rate plus a weighted average spread of 298 basis points, or at a weighted average rate of 3.13%. As of September 30, 2014, the notional amount of fair value interest rate swaps was $147.4 million and their unrealized gain of $442,000 was included in other non-interest income. The amount of periodic net settlement of interest rate swaps reducing interest income was $580,000 for the three months ended and $606,000 for the nine months ended September 30, 2014. As of September 30, 2014, the ineffective portion of these interest rate swaps was not significant.

Interest rate swap contracts involve the risk of dealing with institutional derivative counterparties and their ability to meet contractual terms. Institutional counterparties must have a strong credit profile and be approved by the Company's Board of Directors. The Company's credit exposure on interest rate swaps is limited to the net favorable value and interest payments of all swaps by each counterparty. Credit exposure may be reduced by the amount of collateral pledged by the counterparty. The Bancorp's interest rate swaps have been assigned by the counterparties to a derivatives clearing organization and daily margin is indirectly maintained with the derivatives clearing organization. Cash posted as collateral by the Bancorp related to derivative contracts totaled $4.3 million as of September 30, 2014.

The Company enters into foreign exchange forward contracts and foreign currency option contracts with various counterparties to mitigate the risk of fluctuations in foreign currency exchange rates for foreign exchange certificates of deposit, foreign exchange contracts, or foreign currency option contracts entered into with our clients. These contracts are not designated as hedging instruments and are recorded at fair value in our condensed consolidated balance sheets. Changes in the fair value of these contracts as well as the related foreign exchange certificates of deposit, foreign exchange contracts, or foreign currency option contracts are recognized immediately in net income as a component of non-interest income. Period end gross positive fair values are recorded in other assets and gross negative fair values are recorded in other liabilities. At September 30, 2014, no option contracts were outstanding. Spot and forward contracts in the total notional amount of $183.8 million had a positive fair value of $1.9 million at September 30, 2014. Spot and forward contracts in the total notional amount of $201.2 million had a negative fair value of $4.4 million at September 30, 2014. At December 31, 2013, the notional amount of option contracts totaled $200,000 with a net positive fair value of $83. Spot and forward contracts in the total notional amount of $267.6 million had a positive fair value of $6.2 million at December 31, 2013. Spot and forward contracts in the total notional amount of $236.3 million had a negative fair value of $6.1 million at December 31, 2013.

15. Balance Sheet Offsetting

Certain financial instruments, including resell and repurchase agreements, securities lending arrangements and derivatives, may be eligible for offset in the consolidated balance sheet and/or subject to master netting arrangements or similar agreements. The Company's securities sold with agreement to repurchase and derivative transactions with upstream financial institution counterparties are generally executed under International Swaps and Derivative Association master agreements which include "right of set-off" provisions. In such cases there is generally a legally enforceable right to offset recognized amounts and there may be an intention to settle such amounts on a net basis. Nonetheless, the Company does not generally offset such financial instruments for financial reporting purposes.

Financial instruments that are eligible for offset in the condensed consolidated balance sheets, as of September 30, 2014, and December 31, 2013, are presented in the following table:

				Gross Amounts Not Offset in the Balance Sheet		
	Gross Amounts of Recognized	Gross Amounts Offset in the Balance Sheet	Net Amounts Presented in the Balance Sheet	Financial Instruments	Collateral Posted	Net Amount
September 30, 2014			(In thousands)			
Assets:						
Derivatives	$ 442	$ -	$ 442	$ -	$ (442)	$ -
Liabilities:						
Securities sold under agreements to repurchase	$ 550,000	$ -	$ 550,000	$ -	$ (550,000)	$ -
Derivatives	$ 280	$ -	$ 280	$ -	$ (280)	$ -
December 31, 2013						
Liabilities:						
Securities sold under agreements to repurchase	$ 800,000	$ -	$ 800,000	$ -	$ (800,000)	$ -

16. Stockholders' Equity

Total equity was $1.57 billion at September 30, 2014, an increase of $111.4 million, or 7.6%, from $1.46 billion at December 31, 2013, primarily due to increases in net income of $102.3 million and increases in other comprehensive income of $20.9 million offset by common stock cash dividends of $15.1 million.

Activity in accumulated other comprehensive income, net of tax, and reclassification out of accumulated other comprehensive income for the three months and nine months ended September 30, 2014, and September 30, 2013, was as follows:

	Three months ended September 30, 2014			Three months ended September 30, 2013		
	Pre-tax	Tax expense/ (Benefit)	Net-of-tax	Pre-tax	Tax expense/ (Benefit)	Net-of-tax
			(In thousands)			
Beginning balance, loss, net of tax						
Securities available-for sale			$ (8,896)			$ (15,073)
Cash flow hedge derivatives			-			-
Total			$ (8,896)			$ (15,073)
Net unrealized gains/(losses) arising during the period						
Securities available-for sale	$ 292	$ 122	$ 170	$ (1,854)	$ (780)	$ (1,074)
Cash flow hedge derivatives	171	71	100	-	-	-
Total	463	193	270	(1,854)	(780)	$ (1,074)
Reclassification adjustment for net losses in net income						
Securities available-for sale	(361)	(152)	(209)	(8,688)	(3,652)	(5,036)
Cash flow hedge derivatives	-	-	-	-	-	-
Total	(361)	(152)	(209)	(8,688)	(3,652)	(5,036)
Total other comprehensive (loss)/income						
Securities available-for sale	(69)	(30)	(39)	(10,542)	(4,432)	(6,110)
Cash flow hedge derivatives	171	71	100	-	-	-
Total	$ 102	$ 41	$ 61	$ (10,542)	$ (4,432)	$ (6,110)
Ending balance, (loss)/income, net of tax						
Securities available-for sale			$ (8,935)			$ (21,183)
Cash flow hedge derivatives			100			-
Total			$ (8,835)			$ (21,183)

	Nine months ended September 30, 2014			Nine months ended September 30, 2013		
	Pre-tax	Tax expense/ (Benefit)	Net-of-tax	Pre-tax	Tax expense/ (Benefit)	Net-of-tax
Beginning balance, (loss)/income, net of tax			(In thousands)			
Securities available-for sale			$ (29,729)			$ 465
Cash flow hedge derivatives			-			-
Total			$ (29,729)			$ 465
Net unrealized gains/(losses) arising during the period						
Securities available-for sale	$ 43,157	$ 18,143	$ 25,014	$ (48,245)	$ (20,282)	$ (27,963)
Cash flow hedge derivatives	(281)	(118)	(163)	-	-	-
Total	42,876	18,025	24,851	(48,245)	(20,282)	$ (27,963)
Reclassification adjustment for net losses in net income						
Securities available-for sale	(6,827)	(2,870)	(3,957)	(27,157)	(11,417)	(15,740)
Cash flow hedge derivatives	-	-	-	-	-	-
Total	(6,827)	(2,870)	(3,957)	(27,157)	(11,417)	(15,740)
Net unrealized gains arising from transferring securities held-to-maturity to available-for-sale	-	-	-	38,052	15,997	22,055
Total other comprehensive income/(loss)						
Securities available-for sale	36,330	15,273	21,057	(37,350)	(15,702)	(21,648)
Cash flow hedge derivatives	(281)	(118)	(163)	-	-	-
Total	$ 36,049	$ 15,155	$ 20,894	$ (37,350)	$ (15,702)	$ (21,648)
Ending balance, loss, net of tax						
Securities available-for sale			$ (8,672)			$ (21,183)
Cash flow hedge derivatives			(163)			-
Total			$ (8,835)			$ (21,183)

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

The following discussion is based on the assumption that the reader has access to and has read the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Critical Accounting Policies

The discussion and analysis of the Company's unaudited condensed consolidated balance sheets and results of operations are based upon its unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues, and expenses, and related disclosures of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Management of the Company considers the following to be critical accounting policies:

Accounting for the allowance for credit losses involves significant judgments and assumptions by management, which have a material impact on the carrying value of net loans. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances as described in "*Allowance for Credit Losses*" under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Accounting for investment securities involves significant judgments and assumptions by management, which have a material impact on the carrying value of securities and the recognition of any "other-than-temporary" impairment to our investment securities. The judgments and assumptions used by management are described in "*Investment Securities*" under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Accounting for income taxes involves significant judgments and assumptions by management, which have a material impact on the amount of taxes currently payable and the income tax expense recorded in the financial statements. The judgments and assumptions used by management are described in "*Income Taxes*" under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Accounting for goodwill and goodwill impairment involves significant judgments and assumptions by management, which have a material impact on the amount of goodwill and noninterest expense recorded in the financial statements. The judgments and assumptions used by management are described in "*Goodwill and Goodwill Impairment*" under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Highlights

- Diluted earnings per share increased 18.4% to $0.45 per share for the third quarter of 2014 compared to $0.38 per share for the same quarter a year ago.
- Total loans increased $293.0 million, or 13.6% annualized, in the third quarter of 2014, to $8.9 billion at September 30, 2014, compared to $8.6 billion at June 30, 2014, and $8.1 billion at December 31, 2013.

Quarterly Statement of Operations Review

Net Income

Net income available to common stockholders for the quarter ended September 30, 2014, was $35.9 million, an increase of $5.9 million, or 19.5%, compared to net income available to common stockholders of $30.0 million for the same quarter a year ago. Diluted earnings per share available to common stockholders for the quarter ended September 30, 2014, was $0.45 compared to $0.38 for the same quarter a year ago due primarily to an increase in net interest income, higher negative provision for credit losses in 2014, a decrease in the cost associated with debt redemption and the elimination of preferred stock dividends, which were partially offset by a decrease in securities gains.

Return on average stockholders' equity was 9.14% and return on average assets was 1.27% for the quarter ended September 30, 2014, compared to a return on average stockholders' equity of 8.37% and a return on average assets of 1.22% for the same quarter a year ago.

Financial Performance

	Three months ended September 30,	
	2014	2013
Net income	$35.9 million	$32.5 million
Net income available to common stockholders	$35.9 million	$30.0 million
Basic earnings per common share	$0.45	$0.38
Diluted earnings per common share	$0.45	$0.38
Return on average assets	1.27%	1.22%
Return on average total stockholders' equity	9.14%	8.37%
Efficiency ratio	44.51%	51.01%

Net Interest Income Before Provision for Credit Losses

Net interest income before provision for credit losses increased $4.2 million, or 5.0%, to $86.8 million during the third quarter of 2014 compared to $82.6 million during the same quarter a year ago. The increase was due primarily to the increase in loan interest income and the decrease in interest expense from securities sold under agreements to repurchase offset by the decrease in interest income from available-for-sale securities.

The net interest margin, on a fully taxable-equivalent basis, was 3.31% for the third quarter of 2014, compared to 3.37% for the second quarter of 2014 and 3.35% for the third quarter of 2013. The decrease in the net interest margin was due mainly to the impact of interest rates swaps and higher levels of short term interest bearing cash deposits.

For the third quarter of 2014, the yield on average interest-earning assets was 4.06%, the cost of funds on average interest-bearing liabilities was 0.97%, and the cost of interest bearing deposits was 0.67%. In comparison, for the third quarter of 2013, the yield on average interest-earning assets was 4.15%, the cost of funds on average interest-bearing liabilities was 1.05%, and the cost of interest bearing deposits was 0.64%. The interest spread, defined as the difference between the yield on average interest-earning assets and the cost of funds on average interest-bearing liabilities, decreased to 3.09% for the quarter ended September 30, 2014, from 3.10% for the same quarter a year ago.

The following table sets forth information concerning average interest-earning assets, average interest-bearing liabilities, and the average yields and rates paid on those assets and liabilities for the three months ended September 30, 2014, and September 30, 2013. Average outstanding amounts included in the table are daily averages.

Interest-Earning Assets and Interest-Bearing Liabilities

	Three months ended September 30,					
	2014			2013		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)(2)	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)(2)
Interest earning assets:						
Commercial loans	$ 2,393,848	$ 23,377	3.87%	$ 2,213,240	$ 21,733	3.90%
Residential mortgage loans	1,659,952	19,569	4.72	1,440,198	16,650	4.62
Commercial mortgage loans	4,343,159	52,823	4.83	3,895,436	49,941	5.09
Real estate construction loans	297,510	4,359	5.81	164,639	2,481	5.98
Other loans and leases	11,254	23	0.81	18,654	33	0.70
Total loans and leases (1)	8,705,723	100,151	4.56	7,732,167	90,838	4.66
Taxable securities	1,288,207	5,105	1.57	1,869,101	10,868	2.31
Federal Home Loan Bank stock	32,057	508	6.29	30,938	449	5.76
Interest bearing deposits	363,722	571	0.62	160,985	307	0.76
Total interest-earning assets	10,389,709	106,335	4.06	9,793,191	102,462	4.15
Non-interest earning assets:						
Cash and due from banks	225,127			136,315		
Other non-earning assets	749,873			783,043		
Total non-interest earning assets	975,000			919,358		
Less: Allowance for loan losses	(171,994)			(180,693)		
Deferred loan fees	(13,282)			(12,365)		
Total assets	$ 11,179,433			$ 10,519,491		
Interest bearing liabilities:						
Interest bearing demand accounts	$ 736,690	$ 326	0.18	$ 647,037	$ 262	0.16
Money market accounts	1,527,888	2,428	0.63	1,234,091	1,818	0.58
Savings accounts	557,578	241	0.17	471,849	86	0.07
Time deposits	4,345,065	9,117	0.83	4,069,612	8,206	0.80
Total interest-bearing deposits	7,167,221	12,112	0.67	6,422,589	10,372	0.64
Securities sold under agreements to repurchase	603,804	5,858	3.85	855,435	8,402	3.90
Other borrowings	102,267	154	0.60	82,822	150	0.72
Long-term debt	119,136	1,456	4.85	171,136	930	2.16
Total interest-bearing liabilities	7,992,428	19,580	0.97	7,531,982	19,854	1.05
Non-interest bearing liabilities:						
Demand deposits	1,549,463			1,353,451		
Other liabilities	78,129			86,452		
Total equity	1,559,413			1,547,606		
Total liabilities and equity	$ 11,179,433			$ 10,519,491		
Net interest spread (3)			3.09%			3.10%
Net interest income (3)		$ 86,755			$ 82,608	
Net interest margin (3)			3.31%			3.35%

(1) Yields and amounts of interest earned include loan fees. Non-accrual loans are included in the average balance.
(2) Calculated by dividing net interest income by average outstanding interest-earning assets.
(3) Net interest income, net interest spread, and net interest margin on interest-earning assets have been adjusted to a fully taxable-equivalent basis using a statutory federal income tax rate of 35%.

The following table summarizes the changes in interest income and interest expense attributable to changes in volume and changes in interest rates:

Taxable-Equivalent Net Interest Income — Changes Due to Rate and Volume(1)

(Dollars in thousands)	Three months ended September 30, 2014-2013 Increase (Decrease) in Net Interest Income Due to: Changes in Volume	Changes in Rate	Total Change
Interest-earning assets:			
Loans and leases	11,207	(1,894)	9,313
Taxable securities	(2,846)	(2,917)	(5,763)
Federal Home Loan Bank stock	17	42	59
Deposits with other banks	326	(62)	264
Total changes in interest income	8,704	(4,831)	3,873
Interest-bearing liabilities:			
Interest bearing demand accounts	38	26	64
Money market accounts	458	152	610
Savings accounts	18	137	155
Time deposits	570	341	911
Securities sold under agreements to repurchase	(2,442)	(102)	(2,544)
Other borrowed funds	32	(28)	4
Long-term debt	(348)	874	526
Total changes in interest expense	(1,674)	1,400	(274)
Changes in net interest income	$ 10,378	$ (6,231)	$ 4,147

(1) Changes in interest income and interest expense attributable to changes in both volume and rate have been allocated proportionately to changes due to volume and changes due to rate.

Provision for Credit Losses

Provision for credit losses was a credit of $5.1 million for the third quarter of 2014 compared to a credit of $3.0 million for the third quarter of 2013. The provision for credit losses was based on the review of the adequacy of the allowance for loan losses at September 30, 2014. The provision or reversal for credit losses represents the charge against or benefit toward current earnings that is determined by management, through a credit review process, as the amount needed to establish an allowance that management believes to be sufficient to absorb credit losses inherent in the Company's loan portfolio, including unfunded commitments. The following table summarizes the charge-offs and recoveries for the periods indicated:

	For the three months ended September 30, 2014	2013	For the nine months ended September 30, 2014	2013
	(In thousands)			
Charge-offs:				
Commercial loans	$ 252	$ 200	$ 7,592	$ 4,580
Construction loans	-	-	1,813	-
Real estate loans (1)	903	554	3,327	2,873
Real estate- land loans	-	-	-	1,318
Total charge-offs	1,155	754	12,732	8,771
Recoveries:				
Commercial loans	4,148	436	10,852	2,015
Construction loans	32	1,236	57	2,256
Real estate loans (1)	2,194	1,225	6,293	4,229
Real estate- land loans	3	1,447	11	2,101
Installment and other loans	-	-	-	11
Total recoveries	6,377	4,344	17,213	10,612
Net recoveries	$ (5,222)	$ (3,590)	$ (4,481)	$ (1,841)

(1) Real estate loans include commercial mortgage loans, residential mortgage loans, and equity lines.

Non-Interest Income

Non-interest income, which includes revenues from depository service fees, letters of credit commissions, securities gains (losses), gains (losses) on loan sales, wire transfer fees, and other sources of fee income, was $9.0 million for the third quarter of 2014, a decrease of $7.7 million, or 46.3%, compared to $16.7 million for the third quarter of 2013. The decrease in non-interest income in the third quarter of 2014 was primarily due to a decrease of $8.3 million in gains on sale of securities offset by increases of $363,000 in commissions from wealth management and $225,000 in income from venture capital investments.

Non-Interest Expense

Non-interest expense decreased $8.1 million, or 15.9%, to $42.6 million in the third quarter of 2014 compared to $50.7 million in the same quarter a year ago. The efficiency ratio was 44.51% in the third quarter of 2014 compared to 51.01% for the same quarter a year ago.

Costs associated with debt redemption decreased $6.3 million to $527,000 in the third quarter of 2014 compared to $6.9 million in the same quarter a year ago. The Company prepaid $171.2 million of advances from Federal Home Loan Bank in the third quarter of 2014, whereas the Company prepaid $150.0 million of securities sold under agreements to repurchase in the same period a year ago. Amortization of core deposit premiums decreased $1.1 million to $214,000 in the third quarter of 2014 compared to $1.4 million in the same quarter a year ago, as a result of the full amortization of the core deposit premium from the General Bank acquisition. Other real estate owned ("OREO") expenses decreased $1.5 million to income of $1.0 million in the third quarter of 2014 compared to expense of $527,000 in the same quarter a year ago, primarily due to increases in gains on sale of OREO of $787,000 and decreases in OREO expenses of $517,000. Partially offsetting the decreases was a $549,000 increase in FDIC and state assessments.

Income Taxes

The effective tax rate for the third quarter of 2014 was 38.3% compared to 36.9% for the third quarter of 2013. The effective tax rate includes the impact of the utilization of low income housing tax credits.

<u>Year-to-Date Statement of Operations Review</u>

Net income attributable to common stockholders for the nine months ended September 30, 2014, was $102.3 million, an increase of $20.7 million, or 25.4%, compared to net income attributable to common stockholders of $81.6 million for the same period a year ago, due primarily to the elimination of dividends on preferred stock, increases in net interest income, a higher negative provision for credit losses, decreases in costs associated with debt redemption, decreases in amortization of core deposit premiums, decreases in professional services expense, and decreases in OREO expense partially offset by decreases in gains on sale of securities, increases in salaries and incentive compensation expense, and higher FDIC and state assessments. Diluted earnings per share attributable to common stockholders for the nine months ended September 30, 2014, was $1.28 compared to $1.03 for the same period a year ago. The net interest margin for the nine months ended September 30, 2014, increased to 3.35% from 3.33% for the same period a year ago.

Return on average stockholders' equity was 8.98% and return on average assets was 1.25% for the nine months ended September 30, 2014, compared to a return on average stockholders' equity of 7.78% and a return on average assets of 1.16% for the same period of 2013. The efficiency ratio for the nine months ended September 30, 2014, was 46.31% compared to 52.09% for the same period a year ago.

The following table sets forth information concerning average interest-earning assets, average interest-bearing liabilities, and the average yields and rates paid on those assets and liabilities for the nine months ended September 30, 2014, and 2013. Average outstanding amounts included in the table are daily averages.

Interest-Earning Assets and Interest-Bearing Liabilities

	Nine months ended September 30,					
	2014			2013		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)(2)	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)(2)
Interest earning assets:						
Commercial loans	$ 2,302,775	$ 66,657	3.87%	$ 2,116,193	$ 63,066	3.98%
Residential mortgage loans	1,618,377	57,277	4.72	1,395,749	48,806	4.66
Commercial mortgage loans	4,221,589	154,688	4.90	3,829,366	148,627	5.19
Real estate construction loans	267,214	11,644	5.83	167,282	6,953	5.56
Other loans and leases	16,270	71	0.58	15,849	105	0.89
Total loans and leases (1)	8,426,225	290,337	4.61	7,524,439	267,557	4.75
Taxable securities	1,458,936	19,389	1.78	1,977,788	34,986	2.37
Tax-exempt securities (3)	-	-	-	38,874	1,531	5.27
Federal Home Loan Bank stock	28,389	1,379	6.49	35,685	1,041	3.90
Interest bearing deposits	255,627	1,499	0.78	182,820	796	0.58
Total interest-earning assets	10,169,177	312,604	4.11	9,759,606	305,911	4.19
Non-interest earning assets:						
Cash and due from banks	167,779			144,992		
Other non-earning assets	769,929			759,161		
Total non-interest earning assets	937,708			904,153		
Less: Allowance for loan losses	(172,960)			(181,206)		
Deferred loan fees	(13,370)			(11,223)		
Total assets	$ 10,920,555			$ 10,471,330		
Interest bearing liabilities:						
Interest bearing demand accounts	$ 707,421	$ 906	0.17	$ 623,554	$ 745	0.16
Money market accounts	1,369,838	6,371	0.62	1,178,812	4,990	0.57
Savings accounts	526,768	549	0.14	483,715	275	0.08
Time deposits	4,259,579	26,155	0.82	3,975,160	23,700	0.80
Total interest-bearing deposits	6,863,606	33,981	0.66	6,261,241	29,710	0.63
Securities sold under agreements to repurchase	669,963	19,731	3.94	1,030,403	29,778	3.86
Other borrowings	166,445	850	0.68	67,613	375	0.74
Long-term debt	120,003	3,012	3.36	171,136	2,778	2.17
Total interest-bearing liabilities	7,820,017	57,574	0.98	7,530,393	62,641	1.11
Non-interest bearing liabilities:						
Demand deposits	1,498,181			1,284,579		
Other liabilities	79,585			79,486		
Total equity	1,522,772			1,576,872		
Total liabilities and equity	$ 10,920,555			$ 10,471,330		
Net interest spread (4)			3.13%			3.08%
Net interest income (4)		$ 255,030			$ 243,270	
Net interest margin (4)			3.35%			3.33%

(1) Yields and amounts of interest earned include loan fees. Non-accrual loans are included in the average balance.
(2) Calculated by dividing net interest income by average outstanding interest-earning assets.
(3) The average yield has been adjusted to a fully taxable-equivalent basis for certain securities of states and political subdivisions and other securities held using a statutory federal income tax rate of 35%.
(4) Net interest income, net interest spread, and net interest margin on interest-earning assets have been adjusted to a fully taxable-equivalent basis using a statutory federal income tax rate of 35%.

The following table summarizes the changes in interest income and interest expense attributable to changes in volume and changes in interest rates:

Taxable-Equivalent Net Interest Income — Changes Due to Rate and Volume(1)

(Dollars in thousands)	Nine months ended September 30, 2014-2013 Increase (Decrease) in Net Interest Income Due to: Changes in Volume	Changes in Rate	Total Change
Interest-earning assets:			
Loans and leases	31,313	(8,533)	22,780
Taxable securities	(8,006)	(7,591)	(15,597)
Tax-exempt securities (2)	(1,531)	-	(1,531)
Federal Home Loan Bank stock	(247)	585	338
Interest bearing deposits	376	327	703
Total changes in interest income	21,905	(15,212)	6,693
Interest-bearing liabilities:			
Interest bearing demand accounts	105	56	161
Money market accounts	858	523	1,381
Savings accounts	26	248	274
Time deposits	1,731	724	2,455
Securities sold under agreements to repurchase	(10,608)	561	(10,047)
Other borrowings	507	(32)	475
Long-term debts	(993)	1,227	234
Total changes in interest expense	(8,374)	3,307	(5,067)
Changes in net interest income	$ 30,279	$ (18,519)	$ 11,760

(1) Changes in interest income and interest expense attributable to changes in both volume and rate have been allocated proportionately to changes due to volume and changes due to rate.

(2) The amount of interest earned on certain securities of states and political subdivisions and other securities held has been adjusted to a fully taxable-equivalent basis using a statutory federal income tax rate of 35%.

Balance Sheet Review

Assets

Total assets were $11.6 billion at September 30, 2014, an increase of $610.2 million, or 5.6%, from $11.0 billion at December 31, 2013, primarily due to a $773.7 million increase in loans and a $80.8 million increase in short-term investments offset by a $246.6 million decrease in securities available-for-sale.

Investment Securities

Investment securities represented 11.6% of total assets at September 30, 2014, compared with 14.4% of total assets at December 31, 2013. The carrying value of investment securities at September 30, 2014, was $1.34 billion compared with $1.59 billion at December 31, 2013. Securities available-for-sale are carried at fair value and had a net unrealized loss, net of tax, of $8.7 million at September 30, 2014, compared with a net unrealized loss, net of tax, of $29.7 million at December 31, 2013. During the first quarter of 2013, due to the ongoing discussions regarding corporate income tax rates which could have a negative impact on the after-tax yields and fair values of the Company's portfolio of municipal securities, the Company determined it may sell such securities in response to market conditions. As a result, the Company reclassified its municipal securities from securities held-to-maturity to securities available-for-sale. Concurrent with this reclassification, the Company also reclassified all other securities held-to-maturity, which together with the municipal securities had an amortized cost on the date of transfer of $722.5 million, to securities available-for-sale. At the reclassification date, a net unrealized gain was recorded in other comprehensive income for these securities totaling $40.5 million.

The following tables reflect the amortized cost, gross unrealized gains, gross unrealized losses, and fair value of investment securities as of September 30, 2014, and December 31, 2013:

	September 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Securities Available-for-Sale				
U.S. treasury securities	$ 539,919	$ 198	$ 29	$ 540,088
Mortgage-backed securities	703,312	1,085	21,073	683,324
Collateralized mortgage obligations	80	-	34	46
Corporate debt securities	94,941	751	1,355	94,337
Mutual funds	6,000	-	183	5,817
Preferred stock of government sponsored entities	7,196	2,056	-	9,252
Other equity securities	3,608	3,620	-	7,228
Total	$ 1,355,056	$ 7,710	$ 22,674	$ 1,340,092

	December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Securities Available-for-Sale				
U.S. treasury securities	$ 460,095	$ 99	$ 1	$ 460,193
Mortgage-backed securities	1,010,294	7,049	64,529	952,814
Collateralized mortgage obligations	5,929	231	54	6,106
Asset-backed securities	123	-	-	123
Corporate debt securities	154,955	298	4,949	150,304
Mutual funds	6,000	-	275	5,725
Preferred stock of government sponsored entities	569	10,834	-	11,403
Total securities available-for-sale	$ 1,637,965	$ 18,511	$ 69,808	$ 1,586,668
Total investment securities	$ 1,637,965	$ 18,511	$ 69,808	$ 1,586,668

For additional information, see Note 6 to the Company's condensed consolidated financial statements presented elsewhere in this report.

Investment securities having a carrying value of $703.6 million at September 30, 2014, and $926.5 million at December 31, 2013, were pledged to secure public deposits, other borrowings, treasury tax and loan, and securities sold under agreements to repurchase.

Loans

Gross loans were $8.86 billion at September 30, 2014, an increase of $773.7 million, or 9.6%, from $8.08 billion at December 31, 2013, primarily due to increases of $391.0 million, or 9.7%, in commercial mortgage loans, $161.5 million, or 11.9%, in residential mortgage loans, $151.4 million, or 6.6%, in commercial loans, and $79.8 million, or 36.0%, in real estate construction loans. The following table sets forth the classification of loans by type, mix, and percentage change as of the dates indicated:

Type of Loans	September 30, 2014	% of Gross Loans	December 31, 2013	% of Gross Loans	% Change
	(Dollars in thousands)				
Commercial loans	$ 2,450,118	27.7%	$ 2,298,724	28.4%	6.6%
Residential mortgage loans	1,516,711	17.1	1,355,255	16.8	11.9
Commercial mortgage loans	4,414,067	49.8	4,023,051	49.8	9.7
Equity lines	172,223	1.9	171,277	2.1	0.6
Real estate construction loans	301,459	3.4	221,701	2.7	36.0
Installment and other loans	3,676	0.1	14,555	0.2	(74.7)
Gross loans	$ 8,858,254	100%	$ 8,084,563	100%	9.6%
Allowance for loan losses	(169,198)		(173,889)		(2.7)
Unamortized deferred loan fees	(12,903)		(13,487)		(4.3)
Total loans, net	$ 8,676,153		$ 7,897,187		9.9%

Non-performing Assets

Non-performing assets include loans past due 90 days or more and still accruing interest, non-accrual loans, and other real estate owned. The Company's policy is to place loans on non-accrual status if interest and/or principal is past due 90 days or more, or in cases where management deems the full collection of principal and interest unlikely. After a loan is placed on non-accrual status, any previously accrued but unpaid interest is reversed and charged against current income and subsequent payments received are generally first applied towards the outstanding principal balance of the loan. Depending on the circumstances, management may elect to continue the accrual of interest on certain past due loans if partial payment is received and/or the loan is well collateralized and in the process of collection. The loan is generally returned to accrual status when the borrower has brought the past due principal and interest payments current and, in the opinion of management, the borrower has demonstrated the ability to make future payments of principal and interest as scheduled.

Management reviews the loan portfolio regularly for problem loans. During the ordinary course of business, management becomes aware of borrowers that may not be able to meet the contractual requirements of the loan agreements. Such loans are placed under closer supervision with consideration given to placing the loans on non-accrual status, the need for an additional allowance for loan losses, and (if appropriate) partial or full charge-off.

The ratio of non-performing assets to total assets was 0.8% at September 30, 2014, compared to 1.3% at December 31, 2013. Total non-performing assets decreased $42.3 million, or 30.8%, to $94.9 million at September 30, 2014, compared to $137.2 million at December 31, 2013, primarily due to a $17.9 million, or 21.5%, decrease in non-accrual loans and a $24.0 million, or 45.2%, decrease in OREO.

As a percentage of gross loans plus OREO, our non-performing assets decreased to 1.07% at September 30, 2014, from 1.69% at December 31, 2013. The non-performing portfolio loan coverage ratio, defined as the allowance for credit losses to non-performing loans, increased to 259.7% at September 30, 2014, from 208.2% at December 31, 2013.

The following table presents the changes in non-performing assets and troubled debt restructurings (TDRs) at September 30, 2014, compared to December 31, 2013, and to September 30, 2013:

(Dollars in thousands)	September 30, 2014	December 31, 2013	% Change	September 30, 2013	% Change
Non-performing assets					
Accruing loans past due 90 days or more	$ 662	$ 982	(33)	$ 499	33
Non-accrual loans:					
Construction- residential loans	-	3,313	(100)	3,495	(100)
Construction- non-residential loans	25,728	25,273	2	25,500	1
Land loans	5,996	6,502	(8)	8,334	(28)
Commercial real estate loans, excluding land loans	17,834	13,119	36	27,662	(36)
Commercial loans	8,851	21,232	(58)	24,506	(64)
Residential mortgage loans	6,849	13,744	(50)	10,364	(34)
Total non-accrual loans:	$ 65,258	$ 83,183	(22)	$ 99,861	(35)
Total non-performing loans	65,920	84,165	(22)	100,360	(34)
Other real estate owned	29,025	52,985	(45)	49,777	(42)
Total non-performing assets	$ 94,945	$ 137,150	(31)	$ 150,137	(37)
Accruing troubled debt restructurings (TDRs)	$ 123,089	$ 117,597	5	$ 115,940	6
Allowance for loan losses	$ 169,198	$ 173,889	(3)	$ 181,452	(7)
Allowance for off-balance sheet credit commitments	2,018	1,362	48	2,074	(3)
Allowance for credit losses	$ 171,216	$ 175,251	(2)	$ 183,526	(7)
Total gross loans outstanding, at period-end	$ 8,858,254	$ 8,084,563	10	$ 7,832,013	13
Allowance for loan losses to non-performing loans, at period-end	256.67%	206.60%		180.80%	
Allowance for credit losses to non-performing loans, at period-end	259.73%	208.22%		182.87%	
Allowance for loan losses to gross loans, at period-end	1.91%	2.15%		2.32%	
Allowance for credit losses to gross loans, at period-end	1.93%	2.17%		2.34%	

Non-accrual Loans

At September 30, 2014, total non-accrual loans were $65.3 million, a decrease of $34.6 million, or 34.7%, from $99.9 million at September 30, 2013, and a decrease of $17.9 million, or 21.5%, from $83.2 million at December 31, 2013. The allowance for the collateral-dependent loans is calculated based on the difference between the outstanding loan balance and the value of the collateral as determined by recent appraisals, sales contracts, or other available market price information. The allowance for collateral-dependent loans varies from loan to loan based on the collateral coverage of the loan at the time of designation as non-performing. We continue to monitor the collateral coverage, based on recent appraisals, of these loans on a quarterly basis and adjust the allowance accordingly. Non-accrual loans also include those troubled debt restructurings that do not qualify for accrual status.

The following tables present the type of properties securing the non-accrual portfolio loans and the type of businesses the borrowers engaged in as of the dates indicated:

	September 30, 2014		December 31, 2013	
	Real Estate (1)	Commercial	Real Estate (1)	Commercial
	(In thousands)			
Type of Collateral				
Single/multi-family residence	$ 9,306	$ 1,259	$ 22,370	$ 2,030
Commercial real estate	41,104	922	33,079	1,366
Land	5,996	-	6,502	-
Unsecured	-	6,671	-	17,836
Total	$ 56,406	$ 8,852	$ 61,951	$ 21,232

(1) Real estate includes commercial mortgage loans, real estate construction loans, residential mortgage loans and equity lines.

	September 30, 2014		December 31, 2013	
	Real Estate (1)	Commercial	Real Estate (1)	Commercial
	(In thousands)			
Type of Business				
Real estate development	$ 37,852	$ 880	$ 31,895	$ 5,866
Wholesale/Retail	12,062	4,814	16,796	3,526
Food/Restaurant	684	996	569	173
Import/Export	-	1,956	-	11,667
Other	5,808	206	12,691	-
Total	$ 56,406	$ 8,852	$ 61,951	$ 21,232

(1) Real estate includes commercial mortgage loans, real estate construction loans, residential mortgage loans and equity lines.

Other Real Estate Owned

At September 30, 2014, OREO totaled $29.0 million, which decreased $24.0 million, or 45.2%, compared to $53.0 million at December 31, 2013, and decreased $20.8 million, or 41.7%, compared to $49.8 million at September 30, 2013.

Impaired Loans

A loan is considered impaired when it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement based on current circumstances and events. The assessment for impairment occurs when and while such loans are on non-accrual as a result of delinquency status of over 90 days or receipt of information indicating that full collection of principal is doubtful, or when the loan has been restructured in a troubled debt restructuring. Those loans with a balance less than our defined selection criteria, generally a loan amount less than $500,000 (less than $100,000 for quarters before June 30, 2012), are treated as a homogeneous portfolio. If loans meeting the defined criteria are not collateral dependent, we measure the impairment based on the present value of the expected future cash flows discounted at the loan's effective interest rate. If loans meeting the defined criteria are collateral dependent, we measure the impairment by using the loan's observable market price or the fair value of the collateral. We obtain an appraisal to determine the amount of impairment at the date that the loan becomes impaired. The appraisals are based on “as is” or bulk sale valuations. To ensure that appraised values remain current, we generally obtain an updated appraisal every twelve months from qualified independent appraisers. If the fair value of the collateral, less cost to sell, is less than the recorded amount of the loan, we then recognize impairment by creating or adjusting an existing valuation allowance with a corresponding charge to the provision for loan losses. If an impaired loan is expected to be collected through liquidation of the collateral, the amount of impairment, excluding disposal costs, which range between 3% to 6% of the fair value, depending on the size of the impaired loan, is charged off against the allowance for loan losses. Non-accrual impaired loans, including TDRs, are not returned to accrual status unless the unpaid interest has been brought current and full repayment of the recorded balance is expected or if the borrower has made six consecutive monthly payments of the scheduled amounts due, and TDRs are reviewed for continued impairment until they are no longer reported as TDRs.

At September 30, 2014, recorded investment in impaired loans totaled $188.3 million and was comprised of non-accrual loans of $65.2 million and accruing TDRs of $123.1 million. At December 31, 2013, recorded investment in impaired loans totaled $200.8 million and was comprised of non-accrual loans of $83.2 million and accruing TDRs of $117.6 million. For impaired loans, the amounts previously charged off represent 12.6% at September 30, 2014, and 23.9% at December 31, 2013, of the contractual balances for impaired loans. As of September 30, 2014, $56.4 million, or 86.4%, of the $65.2 million of non-accrual loans were secured by real estate compared to $62.0 million, or 74.5%, of the $83.2 million of non-accrual loans that were secured by real estate at December 31, 2013. The Bank obtains current appraisals, sales contracts, or other available market price information which provide updated factors in evaluating potential loss.

At September 30, 2014, $13.8 million of the $169.2 million allowance for loan losses was allocated for impaired loans and $155.4 million was allocated to the general allowance. At December 31, 2013, $13.3 million of the $173.9 million allowance for loan losses was allocated for impaired loans and $160.6 million was allocated to the general allowance.

The allowance for credit losses to non-accrual loans increased to 262.4% at September 30, 2014, from 210.7% at December 31, 2013, primarily due to decreases in non-accrual loans. Non-accrual loans also include those TDRs that do not qualify for accrual status.

The following table presents impaired loans and related allowance as of the dates indicated:

	Impaired Loans					
	September 30, 2014			December 31, 2013		
	Unpaid Principal Balance	Recorded Investment	Allowance	Unpaid Principal Balance	Recorded Investment	Allowance
	(In thousands)					
With no allocated allowance						
Commercial loans.................................	$ 19,792	$ 18,764	$ -	$ 20,992	$ 18,905	$ -
Real estate construction loans..........	37,403	16,133	-	25,401	15,097	-
Commercial mortgage loans..............................	84,274	82,586	-	105,593	78,930	-
Residential mortgage loans and equity lines.............	2,541	2,541	-	4,892	4,892	-
Subtotal	$ 144,010	$ 120,024	$ -	$ 156,878	$ 117,824	$ -
With allocated allowance						
Commercial loans.................................	$ 8,951	$ 6,985	$ 2,730	$ 22,737	$ 13,063	$ 2,519
Real estate construction loans..........	15,377	15,377	2,604	28,475	19,323	3,460
Commercial mortgage loans..............................	33,749	32,973	7,999	39,223	35,613	6,584
Residential mortgage loans and equity lines.............	13,422	12,988	481	16,535	14,957	721
Subtotal	$ 71,499	$ 68,323	$ 13,814	$ 106,970	$ 82,956	$ 13,284
Total impaired loans.................................	$ 215,509	$ 188,347	$ 13,814	$ 263,848	$ 200,780	$ 13,284

Loan Interest Reserves

In accordance with customary banking practice, construction loans and land development loans are originated where interest on the loan is disbursed from pre-established interest reserves included in the total original loan commitment. Our construction and land development loans generally include optional renewal terms after the maturity of the initial loan term. New appraisals are obtained prior to extension or renewal of these loans in part to determine the appropriate interest reserve to be established for the new loan term. Loans with interest reserves are underwritten to the same criteria, including loan to value and, if applicable, pro forma debt service coverage ratios, as loans without interest reserves. Construction loans with interest reserves are monitored on a periodic basis to gauge progress towards completion. Interest reserves are frozen if it is determined that additional draws would result in a loan to value ratio that exceeds policy maximums based on collateral property type. Our policy limits in this regard are consistent with supervisory limits and range from 65% in the case of land to 85% in the case of one to four family residential construction projects.

As of September 30, 2014, construction loans of $222.2 million were disbursed with pre-established interest reserves of $29.8 million compared to $160.8 million of such loans disbursed with pre-established interest reserves of $20.0 million at December 31, 2013. The balance for construction loans with interest reserves which have been extended was $37.5 million with pre-established interest reserves of $4.3 million at September 30, 2014, compared to $20.5 million with pre-established interest reserves of $1.8 million at December 31, 2013. Land loans of $72.0 million were disbursed with pre-established interest reserves of $4.1 million at September 30, 2014, compared to $32.8 million land loans disbursed with pre-established interest reserves of $3.0 million at December 31, 2013. The balance for land loans with interest reserves which have been extended was zero at September 30, 2014, compared to $1.7 million land loans with pre-established interest reserves of $53,000 at December 31, 2013.

At September 30, 2014, the Bank had no loans on non-accrual status with available interest reserves. At September 30, 2014, $1.5 million of non-accrual residential construction loans, $24.2 million of non-accrual non-residential construction loans, and zero non-accrual land loans had been originated with pre-established interest reserves. At December 31, 2013, the Bank had no loans on non-accrual status with available interest reserves. At December 31, 2013, $3.3 million of non-accrual residential construction loans, $25.3 million of non-accrual non-residential construction loans, and $32,000 of non-accrual land loans had been originated with pre-established interest reserves. While loans with interest reserves are typically expected to be repaid in full according to the original contractual terms, some loans require one or more extensions beyond the original maturity. Typically, these extensions are required due to construction delays, delays in the sale or lease of property, or some combination of these two factors.

Loan Concentration

Most of the Company's business activities are with customers located in the predominantly Asian areas of Southern and Northern California; New York City, New York; Dallas and Houston, Texas; Seattle, Washington; Boston, Massachusetts; Chicago, Illinois; Edison, New Jersey; Las Vegas, Nevada, and Hong Kong. The Company has no specific industry concentration, and generally its loans are collateralized with real property or other pledged collateral of the borrowers. Loans are generally expected to be paid off from the operating profits of the borrowers, refinancing by another lender, or through sale by the borrowers of the collateral. There were no loan concentrations to multiple borrowers in similar activities which exceeded 10% of total loans as of September 30, 2014, or as of December 31, 2013.

The federal banking regulatory agencies issued final guidance on December 6, 2006, regarding risk management practices for financial institutions with high or increasing concentrations of commercial real estate ("CRE") loans on their balance sheets. The regulatory guidance reiterates the need for sound internal risk management practices for those institutions that have experienced rapid growth in CRE lending, have notable exposure to specific types of CRE, or are approaching or exceeding the supervisory criteria used to evaluate the CRE concentration risk, but the guidance is not to be construed as a limit for CRE exposure. The supervisory criteria are: (1) total reported loans for construction, land development, and other land represent 100% of the institution's total risk-based capital, and (2) both total CRE loans represent 300% or more of the institution's total risk-based capital and the institution's CRE loan portfolio has increased 50% or more within the last thirty-nine months. Total loans for construction, land development, and other land represented 30% of the Bank's total risk-based capital as of September 30, 2014, and 23% as of December 31, 2013. Total CRE loans represented 253% of total risk-based capital as of September 30, 2014, and 249% as of December 31, 2013 and were below the Bank's internal limit for CRE loans of 300% of total capital at both dates.

Allowance for Credit Losses

The Bank maintains the allowance for credit losses at a level that is considered adequate to absorb the estimated and known risks in the loan portfolio and off-balance sheet unfunded credit commitments. Allowance for credit losses is comprised of the allowance for loan losses and the reserve for off-balance sheet unfunded credit commitments. With this risk management objective, the Bank's management has an established monitoring system that is designed to identify impaired and potential problem loans, and to permit periodic evaluation of impairment and the adequacy level of the allowance for credit losses in a timely manner.

In addition, the Bank's Board of Directors has established a written credit policy that includes a credit review and control system which it believes should be effective in ensuring that the Bank maintains an adequate allowance for credit losses. The Board of Directors provides oversight for the allowance evaluation process, including quarterly evaluations, and determines whether the allowance is adequate to absorb losses in the credit portfolio. The determination of the amount of the allowance for credit losses and the provision for credit losses is based on management's current judgment about the credit quality of the loan portfolio and takes into consideration known relevant internal and external factors that affect collectability when determining the appropriate level for the allowance for credit losses. The nature of the process by which the Bank determines the appropriate allowance for credit losses requires the exercise of considerable judgment. Additions to the allowance for credit losses are made by charges to the provision for credit losses. While management utilizes its best judgment based on the information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Bank's control, including the performance of the Bank's loan portfolio, the economy, changes in interest rates, and the view of the regulatory authorities toward loan classifications. Identified credit exposures that are determined to be uncollectible are charged against the allowance for credit losses. Recoveries of previously charged off amounts, if any, are credited to the allowance for credit losses. A weakening of the economy or other factors that adversely affect asset quality could result in an increase in the number of delinquencies, bankruptcies, or defaults, and a higher level of non-performing assets, net charge-offs, and provision for credit losses in future periods.

The allowance for loan losses was $169.2 million and the allowance for off-balance sheet unfunded credit commitments was $2.0 million at September 30, 2014, which represented the amount believed by management to be sufficient to absorb credit losses inherent in the loan portfolio, including unfunded commitments. The allowance for credit losses, which is the sum of the allowances for loan losses and for off-balance sheet unfunded credit commitments, was $171.2 million at September 30, 2014, compared to $175.3 million at December 31, 2013, a decrease of $4.1 million, or 2.3%. The allowance for credit losses represented 1.93% of period-end gross loans and 259.7% of non-performing loans at September 30, 2014. The comparable ratios were 2.17% of period-end gross loans and 208.2% of non-performing loans at December 31, 2013.

The following table sets forth information relating to the allowance for loan losses, charge-offs, recoveries, and the reserve for off-balance sheet credit commitments for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Allowance for Loan Losses		(Dollars in thousands)		
Balance at beginning of period	$ 169,077	$ 179,733	$ 173,889	$ 183,322
Reversal for credit losses	(5,100)	(3,000)	(8,800)	(3,000)
Transfers from/(to) reserve for off-balance sheet credit commitments	(1)	1,129	(372)	(711)
Charge-offs :				
Commercial loans	(252)	(200)	(7,592)	(4,580)
Construction loans-residential	-	-	(1,813)	-
Construction loans-other	-	-	-	-
Real estate loans	(903)	(554)	(3,327)	(2,873)
Land loans	-	-	-	(1,318)
Installment loans and other loans	-	-	-	-
Total charge-offs	(1,155)	(754)	(12,732)	(8,771)
Recoveries:				
Commercial loans	4,148	436	10,852	2,015
Construction loans-residential	32	1,046	48	1,200
Construction loans-other	-	190	9	1,056
Real estate loans	2,194	1,225	6,293	4,229
Land loans	3	1,447	11	2,101
Installment loans and other loans	-	-	-	11
Total recoveries	6,377	4,344	17,213	10,612
Balance at end of period	$ 169,198	$ 181,452	$ 169,198	$ 181,452
Reserve for off-balance sheet credit commitments				
Balance at beginning of period	$ 1,844	$ 3,202	$ 1,362	$ 1,362
Provision/(reversal) for credit losses/transfers	-	(1,128)	482	712
Balance at end of period	$ 1,844	$ 2,074	$ 1,844	$ 2,074
Average loans outstanding during period ended	$ 8,705,723	$ 7,732,167	$ 8,426,225	$ 7,524,439
Total gross loans outstanding, at period-end	$ 8,858,254	$ 7,832,013	$ 8,858,254	$ 7,832,013
Total non-performing loans, at period-end	$ 65,920	$ 100,360	$ 65,920	$ 100,360
Ratio of net charge-offs to average loans outstanding during the period	-0.24%	-0.18%	-0.07%	-0.03%
Provision for loan losses to average loans outstanding during the period	-0.23%	-0.15%	-0.14%	-0.05%
Allowance for loan losses to non-performing loans at period-end	256.67%	180.80%	256.67%	180.80%
Allowance for loan losses to gross loans at period-end	1.91%	2.32%	1.91%	2.32%

Our allowance for loan losses consists of the following:

- Specific allowance: For impaired loans, we provide specific allowances for loans that are not collateral dependent based on an evaluation of the present value of the expected future cash flows discounted at the loan's effective interest rate and for loans that are collateral dependent based on the fair value of the underlying collateral determined by the most recent valuation information received, which may be adjusted based on factors such as changes in market conditions from the time of valuation. 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 or, alternatively, a specific allocation will be established.
- General allowance: The unclassified portfolio is segmented on a group basis. Segmentation is determined by loan type and common risk characteristics. The non-impaired loans are grouped into 19 segments: two commercial segments, ten commercial real estate segments, one residential construction segment, one non-residential construction segment, one SBA segment,

one installment loans segment, one residential mortgage segment, one equity lines of credit segment, and one overdrafts segment. The allowance is provided for each segmented group based on the group's historical loan loss experience aggregated based on loan risk classifications which takes into account the current financial condition of the borrowers and guarantors, the prevailing value of the underlying collateral if collateral dependent, charge-off history, management's knowledge of the portfolio, general economic conditions, environmental factors including the trends in delinquency and non-accrual, and other significant factors, such as the national and local economy, volume and composition of the portfolio, strength of management and loan staff, underwriting standards, and concentration of credit. In addition, management reviews reports on past-due loans to ensure appropriate classification. In the second quarter of 2009, the look-back period was reduced from five years to four years, and in the second quarter of 2010, management increased the weighting given to the most recent four quarters to 50%, and reduced the weighting of the earliest and second earliest four quarters to 10% and 15%, respectively, for pass rated loans, to place greater emphasis on losses taken by the Bank during the economic downturn. In the third quarter of 2014, management reevaluated the look-back period and restored the five year look-back period in order to capture a sufficient history of loss data. Additionally, risk factor calculations for pass rated loans included a specified loss emergence period and were determined based on the higher of the not-weighted five year average or weighted at 50.0 percent for the most recent four quarters, 25.0 percent for the next four quarters,12.5 percent for the next four quarters, 7.5% for the next four quarters and 5.0% for the next four quarters. In light of the changes above, the relevant environmental factors were reduced. These refinements maintained the Bank's allowance at a level consistent with the prior quarter.

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

(Dollars in thousands)	September 30, 2014		December 31, 2013	
Type of Loan:	Amount	Percentage of Loans in Each Category to Average Gross Loans	Amount	Percentage of Loans in Each Category to Average Gross Loans
Commercial loans	$ 56,296	27.3%	$ 65,103	28.2%
Residential mortgage loans (1)	11,443	19.2	12,005	18.6
Commercial mortgage loans	66,739	50.1	84,753	50.7
Real estate construction loans	34,703	3.2	11,999	2.3
Installment and other loans	17	0.2	29	0.2
Total	$ 169,198	100%	$ 173,889	100%

(1) Residential mortgage loans includes equity lines.

The allowance allocated to commercial loans was $56.3 million at September 30, 2014, compared to $65.1 million at December 31, 2013. The decrease is due primarily to a reduction in loss factors as a result of the net recoveries for the first three quarters of 2014 and the decrease in Substandard commercial loans from $102.1 million at December 31, 2013, to $80.2 million at September 30, 2014.

The allowance allocated to commercial mortgage loans decreased from $84.8 million at December 31, 2013, to $66.7 million at September 30, 2014, which was due primarily to decreases in loss experience from commercial mortgage loans and to the net recoveries of $2.9 million during the first nine months of 2014. The overall allowance for total commercial mortgage loans was 1.5% at September 30, 2014, and 2.1% at December 31, 2013.

The allowance allocated for construction loans increased to $34.7 million, or 11.5%, of construction loans at September 30, 2014, compared to $12.0 million, or 5.4%, of construction loans at December 31, 2013, primarily due to the increase in outstanding construction loans, a lengthening of the loss emergence period and due to higher loss factors resulting from the change from a four year recent period weighted loss migration methodology to a five year average weighted loss migration methodology.

Deposits

Total deposits were $8.69 billion at September 30, 2014, an increase of $713.4 million, or 8.9%, from $7.98 billion at December 31, 2013, primarily due to a $228.2 million, or 17.7%, increase in money market deposits, a $172.4 million, or 18.5%, increase in time deposits under $100,000, a $151.1 million, or 10.5%, increase in non-interest bearing demand deposits, a $82.7 million, or 12.1%, increase in NOW deposits, and a $35.9 million, or 1.1%, increase in time deposits of $100,000 or more. The following table displays the deposit mix as of the dates indicated:

	September 30, 2014	% of Total	December 31, 2013	% of Total
Deposits	**(Dollars in thousands)**			
Non-interest-bearing demand deposits	$ 1,593,003	18.3%	$ 1,441,858	18.1%
NOW deposits	766,622	8.8	683,873	8.6
Money market deposits	1,514,496	17.4	1,286,338	16.1
Savings deposits	542,454	6.3	499,520	6.2
Time deposits under $100,000	1,103,634	12.7	931,204	11.7
Time deposits of $100,000 or more	3,174,460	36.5	3,138,512	39.3
Total deposits	$ 8,694,669	100.0%	$ 7,981,305	100.0%

Borrowings

Borrowings include federal funds purchased, securities sold under agreements to repurchase, funds obtained as advances from the Federal Home Loan Bank (“FHLB”) of San Francisco, and borrowings from other financial institutions.

Securities Sold Under Agreements to Repurchase. Securities sold under agreements to repurchase were $550.0 million with a weighted average rate of 3.78% at September 30, 2014, compared to $800.0 million with a weighted average rate of 3.87% at December 31, 2013. In the first nine months of 2014, the Company prepaid securities sold under agreements to repurchase totaling $100 million with a weighted average rate of 3.5% and incurred prepayment penalties of $3.4 million. In the first nine months of 2013, the Company prepaid securities sold under agreements to repurchase totaling $300.0 million with a weighted average rate of 3.97% and incurred prepayment penalties of $15.7

million. Four floating-to-fixed rate agreements totaling $200.0 million have initial floating rates for a period of time ranging from six months to one year, with floating rates of three-month LIBOR rate minus 340 basis points. Thereafter, the rates are fixed for the remainder of the term, with interest rates ranging from 4.89% to 5.07%. After the initial floating rate term, the counterparties have the right to terminate the transaction at par at the fixed rate reset date and quarterly thereafter. Three fixed-to-floating rate agreements totaling $150.0 million have initial fixed rates ranging from 1.00% to 3.50% with initial fixed rate terms ranging from six months to 18 months. For the remaining term, the rates float at 8% minus the three-month LIBOR rate with a maximum rate of 3.50% and a minimum rate of 0.0%. After the initial fixed rate term, the counterparties have the right to terminate the transaction at par at the floating rate reset date and quarterly thereafter. The table below provides summary data for the $350.0 million of callable securities sold under agreements to repurchase as of September 30, 2014:

(Dollars in millions)	Fixed-to-floating		Floating-to-fixed	Total
Rate type	Float Rate		Fixed Rate	
Rate index	8% minus 3 month LIBOR			
Maximum rate	3.50%	3.50%		
Minimum rate	0.0%	0.0%		
No. of agreements	2	1	4	7
Amount	$ 100.0	$ 50.0	$ 200.0	$ 350.0
Weighted average rate	3.50%	3.50%	5.00%	4.36%
Final maturity	2014	2015	2017	

The table below provides summary data for non-callable fixed rate securities sold under agreements to repurchase as of September 30, 2014:

Maturity	**No. of Agreements**	**Amount (In thousands)**	**Weighted Average Interest Rate**
1 year to 3 years	2	$ 100,000	2.71%
3 years to 5 years	2	100,000	2.86%
Total	4	$ 200,000	2.78%

These transactions are accounted for as collateralized financing transactions and recorded at the amounts at which the securities were sold. The Company may have to provide additional collateral for the repurchase agreements, as necessary. The underlying collateral pledged for the repurchase agreements consists of U.S. Treasury securities, U.S. government agency securities, and mortgage-backed securities with a fair value of $629.3 million as of September 30, 2014, and $906.1 million as of December 31, 2013.

Advances from the FHLB. Advances from the FHLB were $555.0 million with weighted average rate of 0.12% at September 30, 2014, compared to $521.2 million with weighted average rate of 0.17% at December 31, 2013. The following relates to the outstanding advances at September 30, 2014, and December 31, 2013:

Maturity	September 30, 2014 Amount (In thousands)	Weighted Average Interest Rate	December 31, 2013 Amount (In thousands)	Weighted Average Interest Rate
Within 90 days	$ 530,000	0.07%	$ 475,000	0.06%
4 - 5 years	25,000	1.13%	46,200	1.24%
	$ 555,000	0.12%	$ 521,200	0.17%

Long-term Debt

Long-term debt was $119.1 million at September 30, 2014, compared to $121.1 million at December 31, 2013. Long-term debt is comprised of Junior Subordinated Notes, which qualifies as Tier I capital for regulatory purposes, issued in connection with our various pooled trust preferred securities offerings.

Off-Balance-Sheet Arrangements and Contractual Obligations

The following table summarizes the Company's contractual obligations to make future payments as of September 30, 2014. Payments for deposits and borrowings do not include interest. Payments related to leases are based on actual payments specified in the underlying contracts.

	Payment Due by Period				
	1 year or less	More than 1 year but less than 3 years	3 years or more but less than 5 years	5 years or more	Total
			(In thousands)		
Contractual obligations:					
Deposits with stated maturity dates	$ 3,360,528	$ 686,095	$ 231,434	$ 37	$ 4,278,094
Securities sold under agreements to repurchase (1)	150,000	200,000	-	-	350,000
Securities sold under agreements to repurchase (2)	-	100,000	100,000	-	200,000
Advances from the Federal Home Loan Bank	530,000	-	25,000	-	555,000
Other borrowings	-	-	-	18,882	18,882
Long-term debt	-	-	-	119,136	119,136
Operating leases	6,228	9,140	5,406	2,941	23,715
Total contractual obligations and other commitments	$ 4,046,756	$ 995,235	$ 361,840	$ 140,996	$ 5,544,827

(1) These repurchase agreements have a final maturity of 7-years and 10-years from origination date but are callable on a quarterly basis after six months, 12 months, or one year for the 7-year term and one year for the 10-year term.

(2) These repurchase agreements are non-callable.

In the normal course of business, we enter into various transactions, which, in accordance with U.S. generally accepted accounting principles, are not included in our consolidated balance sheets. We enter into these transactions to meet the financing needs of our customers. These transactions include commitments to extend credit and standby letters of credit, which involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized in the condensed consolidated balance sheets.

Loan Commitments. We enter into contractual commitments to extend credit, normally with fixed expiration dates or termination clauses, at specified rates and for specific purposes. Substantially all of our commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of loan funding. We minimize our exposure to loss under these commitments by subjecting them to credit approval and monitoring procedures. Management assesses the credit risk associated with certain commitments to extend credit in determining the level of the allowance for credit losses.

Standby Letters of Credit. Standby letters of credit are written conditional commitments issued by us to secure the obligations of a customer to a third party. In the event the customer does not perform in accordance with the terms of an agreement with the third party, we would be required to fund the commitment. The maximum potential amount of future payments we could be required to make is represented by the contractual amount of the commitment. If the commitment is funded, we would be entitled to seek reimbursement from the customer. Our policies generally require that standby letter of credit arrangements contain security and debt covenants similar to those contained in loan agreements.

Capital Resources

Total equity was $1.57 billion at September 30, 2014, an increase of $111.4 million, or 7.6%, from $1.46 billion at December 31, 2013, primarily due to increases in net income of $102.3 million and decreases in unrealized losses on securities available-for-sale of $20.9 million offset by common stock cash dividends of $15.1 million.

The following table summarizes changes in total equity for the nine months ended September 30, 2014:

(In thousands)	Nine months ended September 30, 2014
Net income	$ 102,252
Stock issued to directors	350
Proceeds from shares issued through the Dividend Reinvestment Plan	1,553
Shares withheld related to net share settlement of RSUs	(274)
Net tax short-fall from stock-based compensation expense	(1,177)
Share-based compensation	2,948
Other comprehensive income	20,894
Cash dividends paid to common stockholders	(15,133)
Net increase in total equity	$ 111,413

Capital Adequacy Review

Management seeks to maintain the Company's capital at a level sufficient to support future growth, protect depositors and stockholders, and comply with various regulatory requirements.

Both the Bancorp's and the Bank's regulatory capital continued to exceed the regulatory minimum requirements as of September 30, 2014. In addition, the capital ratios of the Bank place it in the "well capitalized" category which is defined as institutions with a Tier 1 risk-based capital ratio equal to or greater than 6.0%, total risk-based capital ratio equal to or greater than 10.0%, and Tier 1 leverage capital ratio equal to or greater than 5.0%.

The following table presents Bancorp's and the Bank's capital and leverage ratios as of September 30, 2014, and December 31, 2013:

	Cathay General Bancorp				Cathay Bank			
	September 30, 2014		December 31, 2013		September 30, 2014		December 31, 2013	
(Dollars in thousands)	Balance	%	Balance	%	Balance	%	Balance	%
Tier 1 capital (to risk-weighted assets)	$1,377,153	14.77	$1,288,892	15.04	$1,344,282	14.44	$1,244,480	14.53
Tier 1 capital minimum requirement	373,014	4.00	342,899	4.00	372,482	4.00	342,701	4.00
Excess	$1,004,139	10.77	$945,993	11.04	$971,800	10.44	$901,779	10.53
Total capital (to risk-weighted assets)	$1,496,866	16.05	$1,401,319	16.35	$1,461,359	15.69	$1,352,415	15.79
Total capital minimum requirement	746,029	8.00	685,799	8.00	744,965	8.00	685,402	8.00
Excess	$750,837	8.05	$715,520	8.35	$716,394	7.69	$667,013	7.79
Tier 1 capital (to average assets) – Leverage ratio	$1,377,153	12.66	$1,288,892	12.48	$1,344,282	12.37	$1,244,480	12.06
Minimum leverage requirement	435,028	4.00	413,158	4.00	434,521	4.00	412,815	4.00
Excess	$942,125	8.66	$875,734	8.48	$909,761	8.37	$831,665	8.06
Risk-weighted assets	$9,325,359		$8,572,487		$9,312,058		$8,567,523	
Total average assets (1)	$10,875,697		$10,328,952		$10,863,021		$10,320,368	

(1) The quarterly total average assets reflect all debt securities at amortized cost, equity security with readily determinable fair values at the lower of cost or fair value, and equity securities without readily determinable fair values at historical cost.

In July 2013, the federal bank regulatory agencies adopted final regulations which revised their risk-based and leverage capital requirements for banking organizations to meet requirements of the Dodd-Frank Act and to implement international agreements reached by the Basel Committee on Banking Supervision that were intended to improve both the quality and quantity of banking organizations' capital ("Basel III"). Although many of the rules contained in these final regulations are applicable only to large, internationally active banks, some of them will apply on a phased in basis to all banking organizations, including the Company and the Bank.

The following are among the new requirements that will be phased in beginning January 1, 2015:

- An increase in the minimum Tier 1 capital ratio from 4.00% to 6.00% of risk-weighted assets.
- A new category and a required 4.50% of risk-weighted assets ratio is established for "common equity Tier 1" as a subset of Tier 1 capital limited to common equity.
- A minimum non-risk-based leverage ratio is set at 4.00% eliminating a 3.00% exception for higher rated banks.
- Changes in the permitted composition of Tier 1 capital to exclude trust preferred securities,

mortgage servicing rights and certain deferred tax assets and include unrealized gains and losses on available-for-sale debt and equity securities.

- A new additional capital conservation buffer of 2.5% of risk weighted assets over each of the required capital ratios that will be phased in from 2016 to 2019 must be met to avoid limitations in the ability of the Bank to pay dividends, repurchase shares or pay discretionary bonuses.

- The risk-weights of certain assets for purposes of calculating the risk-based capital ratios are changed for high volatility commercial real estate acquisition, development and construction loans, certain past due non-residential mortgage loans and certain mortgage-backed and other securities exposures.

- An additional "countercyclical capital buffer" is required for larger and more complex institutions.

Management believes that, as of September 30, 2014, Bancorp and the Bank would meet all capital adequacy requirements under the Basel III rules on a fully phased-in basis as if such requirements were currently in effect.

Dividend Policy

Holders of common stock are entitled to dividends as and when declared by our Board of Directors out of funds legally available for the payment of dividends. Although we have historically paid cash dividends on our common stock, we are not required to do so. The amount of future dividends will depend on our earnings, financial condition, capital requirements and other factors, and will be determined by our Board of Directors. We are subject to Federal Reserve supervisory policies, including informing and consulting with the Federal Reserve Bank of San Francisco sufficiently in advance of any planned capital actions (i.e. increased dividend payments or stock redemptions) and, after prior notification to the Federal Reserve Bank of San Francisco, our Board of Directors increased the common stock dividend to $.07 per share in June 2014. There can be no assurance that our regulators will not object to any capital actions. The terms of our Junior Subordinated Notes also limit our ability to pay dividends.

The Company declared cash dividends of $.07 per share on 79,678,241 shares outstanding on September 2, 2014, for distribution to holders of our common stock on September 12, 2014, $.07 per share on 79,656,124 shares outstanding on June 12, 2014, and $.05 per share on 79,595,528 shares on March 7,2014. Total cash dividends of $15.1 million were paid during the nine months ended September 30, 2014.

Country Risk Exposures

The Company's total assets were $11.6 billion and total foreign country risk net exposures were $805.6 million at September 30, 2014. Total foreign country risk net exposures at September 30, 2014, were comprised primarily of $364.0 million from Hong Kong, $179.3 million from China, $90.7 million from England, $45.0 million from France, $34.7 million from Switzerland, $30.1 million from Australia, $17.1 million from the Philippines, $15.9 million from Taiwan, $11.2 million from

Germany, $8.8 million from Singapore, $6.4 million from Canada, and $1.8 million from Macau. Risk is determined based on location of the borrowers, issuers, and counterparties.

All foreign country risk net exposures were to non-sovereign counterparties except $36.8 million due from the Hong Kong Monetary Authority at September 30, 2014.

Unfunded loan to foreign entities exposures were $93.3 million at September 30, 2014, and were comprised primarily of $50.0 million unfunded loans to borrowers of Hong Kong residence, $35.7 million unfunded loans to three financial institution in China, $4.5 million unfunded loans to borrowers of Taiwan residence, and $2.9 million unfunded loans to borrowers of Philippines residence.

Financial Derivatives

It is the policy of the Company not to speculate on the future direction of interest rates. However, the Company enters into financial derivatives in order to seek mitigation of exposure to interest rate risks related to our interest-earning assets and interest-bearing liabilities. We believe that these transactions, when properly structured and managed, may provide a hedge against inherent interest rate risk in the Company's assets or liabilities and against risk in specific transactions. In such instances, the Company may enter into interest rate swap contracts or other types of financial derivatives. Prior to considering any hedging activities, we seek to analyze the costs and benefits of the hedge in comparison to other viable alternative strategies. All hedges must be approved by the Bank's Investment Committee.

The Company follows ASC Topic 815 that establishes accounting and reporting standards for financial derivatives, including certain financial derivatives embedded in other contracts, and hedging activities. It requires the recognition of all financial derivatives as assets or liabilities in the Company's consolidated balance sheet and measurement of those financial derivatives at fair value. The accounting treatment of changes in fair value is dependent upon whether or not a financial derivative is designated as a hedge and, if so, the type of hedge. Fair value is determined using third-party models with observable market data. For derivatives designated as cash flow hedges, changes in fair value are recognized in other comprehensive income and are reclassified to earnings when the hedged transaction is reflected in earnings. For derivatives designated as fair value hedges, changes in the fair value of the derivatives are reflected in current earnings, together with changes in the fair value of the related hedged item if there is a highly effective correlation between changes in the fair value of the interest rate swaps and changes in the fair value of the underlying asset or liability that is intended to be hedged. If there is not a highly effective correlation between changes in the fair value of the interest rate swap and changes in the fair value of the underlying asset or liability that is intended to be hedged, then only the changes in the fair value of the interest rate swaps are reflected in the Company's consolidated financial statements.

In May 2014, the Bancorp entered into five interest rate swap contracts in the notional amount of $119.1 million for a period of ten years. The objective of these interest rate swap contracts, which were designated as hedging instruments in cash flow hedges, was to hedge the quarterly interest payments on the Bancorp's $119.1 million of junior subordinated debentures that had been issued to five trusts throughout the ten-year period beginning in June 2014 and ending in June 2024, from the risk of variability of these payments resulting from changes in the three-month LIBOR interest rate.

The Bancorp pays a weighted average fixed interest rate of 2.61% and receives a variable interest rate of three-month LIBOR at a weighted average rate of 0.23%. As of September 30, 2014, the notional amount of cash flow interest rate swaps was $119.1 million and their unrealized loss of $163,000, net of taxes, was included in other comprehensive income. The amount of periodic net settlement of interest rate swaps included in interest expense was $723,000 for the three months ended and $824,000 for the nine months ended September 30, 2014.

In June 2014, the Bank entered into ten interest rate swap contracts in the notional amount of $148.1 million for various terms from four to eight years. The Bank entered into these interest rate swap contracts that are matched to individual fixed-rate commercial real estate loans in the Bank's loan portfolio. These contracts have been designated as hedging instruments to hedge the risk of changes in the fair value of the underlying commercial real estate loan due to changes in interest rates. The swap contracts are structured so that the notional amounts reduce over time to match the contractual amortization of the underlying loan and allow prepayments with the same pre-payment penalty amounts as the related loan. The Bank pays a weighted average fixed rate of 4.67% and receives a variable rate at one month LIBOR rate plus a weighted average spread of 298 basis points, or at a weighted average rate of 3.13%. As of September 30, 2014, the notional amount of fair value interest rate swaps was $147.4 million and their unrealized gain of $442,000 was included in other non-interest income. The amount of periodic net settlement of interest rate swaps reducing interest income was $580,000 for the three months ended and $606,000 for the nine months ended September 30, 2014. As of September 30, 2014, the ineffective portion of these interest rate swaps was not significant.

Interest rate swap contracts involve the risk of dealing with institutional derivative counterparties and their ability to meet contractual terms. Institutional counterparties must have a strong credit profile and be approved by the Company's Board of Directors. The Company's credit exposure on interest rate swaps is limited to the net favorable value and interest payments of all swaps by each counterparty. Credit exposure may be reduced by the amount of collateral pledged by the counterparty. The Bancorp's interest rate swaps have been assigned by the counterparties to a derivatives clearing organization and daily margin is indirectly maintained with the derivatives clearing organization. Cash posted as collateral by the Bancorp related to derivative contracts totaled $4.3 million as of September 30, 2014.

The Company enters into foreign exchange forward contracts and foreign currency option contracts with various counterparties to mitigate the risk of fluctuations in foreign currency exchange rates for foreign exchange certificates of deposit, foreign exchange contracts, or foreign currency option contracts entered into with our clients. These contracts are not designated as hedging instruments and are recorded at fair value in our condensed consolidated balance sheets. Changes in the fair value of these contracts as well as the related foreign exchange certificates of deposit, foreign exchange contracts, or foreign currency option contracts are recognized immediately in net income as a component of non-interest income. Period end gross positive fair values are recorded in other assets and gross negative fair values are recorded in other liabilities. At September 30, 2014, no option contracts were outstanding. Spot and forward contracts in the total notional amount of $183.8 million had a positive fair value of $1.9 million at September 30, 2014. Spot and forward contracts in the total notional amount of $201.2 million had a negative fair value of $4.4 million at September 30, 2014. At December 31, 2013, the notional amount of option contracts totaled $200,000 with a net positive fair value of $83. Spot and forward contracts in the total notional amount of $267.6 million had a positive fair value of $6.2 million at December 31, 2013. Spot and forward contracts in the total notional amount of $236.3 million had a negative fair value of $6.1 million at December 31, 2013.

Liquidity

Liquidity is our ability to maintain sufficient cash flow to meet maturing financial obligations and customer credit needs, and to take advantage of investment opportunities as they are presented in the marketplace. Our principal sources of liquidity are growth in deposits, proceeds from the maturity or sale of securities and other financial instruments, repayments from securities and loans, federal funds purchased, securities sold under agreements to repurchase, and advances from the FHLB. At September 30, 2014, our liquidity ratio (defined as net cash plus short-term and marketable securities to net deposits and short-term liabilities) was 15.3% compared to 15.3% at December 31, 2013.

The Bank is a shareholder of the FHLB of San Francisco, enabling it to have access to lower cost FHLB financing when necessary. As of September 30, 2014, the Bank had an approved credit line with the FHLB totaling $3.6 billion. Advances from the FHLB were $555.0 million at September 30, 2014. The Bank expects to be able to access this source of funding, if required, in the near term. The Bank has pledged a portion of its commercial loans to the Federal Reserve Bank's Discount Window under the Borrower-in-Custody program to secure these borrowings. At September 30, 2014, the borrowing capacity under the Borrower-in-Custody program was $82.0 million.

Liquidity can also be provided through the sale of liquid assets, which consist of federal funds sold, securities sold under agreements to repurchase, and unpledged investment securities. At September 30, 2014, investment securities totaled $1.34 billion, with $703.6 million pledged as collateral for borrowings and other commitments. The remaining $636.5 million was available as additional liquidity or to be pledged as collateral for additional borrowings.

Approximately 78.6% of the Company's time deposits mature within one year or less as of September 30, 2014. Management anticipates that there may be some outflow of these deposits upon maturity due to the keen competition in the Bank's marketplace. However, based on our historical run-off experience, we expect that the outflow will be minimal and can be replenished through our normal growth in deposits. Management believes the above-mentioned sources will provide adequate liquidity to the Bank to meet its daily operating needs.

The business activities of Bancorp consist primarily of the operation of the Bank and limited activities in other investments. The Bank paid dividends to Bancorp totaling $138.0 million during 2013. The Bank did not pay dividends to Bancorp in the first nine months of 2014.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We use a net interest income simulation model to measure the extent of the differences in the behavior of the lending and funding rates to changing interest rates, so as to project future earnings or market values under alternative interest rate scenarios. Interest rate risk arises primarily through the Company's traditional business activities of extending loans and accepting deposits. Many factors, including economic and financial conditions, movements in interest rates, and consumer preferences affect the spread between interest earned on assets and interest paid on liabilities. The net interest income simulation model is designed to measure the volatility of net interest income and net portfolio value, defined as net present value of assets and liabilities, under immediate rising or falling interest rate scenarios in 100 basis point increments.

Although the modeling is very helpful in managing interest rate risk, it does require significant assumptions for the projection of loan prepayment rates on mortgage related assets, loan volumes and pricing, and deposit and borrowing volume and pricing, that might prove inaccurate. Because these assumptions are inherently uncertain, the model cannot precisely estimate net interest income, or precisely predict the effect of higher or lower interest rates on net interest income. Actual results will differ from simulated results due to the timing, magnitude, and frequency of interest rate changes, the differences between actual experience and the assumed volume, changes in market conditions, and management strategies, among other factors. The Company monitors its interest rate sensitivity and attempts to reduce the risk of a significant decrease in net interest income caused by a change in interest rates.

We have established a tolerance level in our policy to define and limit net interest income volatility to a change of plus or minus 15% when the hypothetical rate change is plus or minus 200 basis points. When the net interest rate simulation projects that our tolerance level will be met or exceeded, we seek corrective action after considering, among other things, market conditions, customer reaction, and the estimated impact on profitability. The Company's simulation model also projects the net economic value of our portfolio of assets and liabilities. We have established a tolerance level in our policy to value the net economic value of our portfolio of assets and liabilities to a change of plus or minus 15% when the hypothetical rate change is plus or minus 200 basis points.

The table below shows the estimated impact of changes in interest rate on net interest income and market value of equity as of September 30, 2014:

Change in Interest Rate (Basis Points)	Net Interest Income Volatility (1)	Market Value of Equity Volatility (2)
+200	10.3	1.9
+100	4.2	1.7
-100	-1.1	-7.2
-200	-1.9	-11.5

(1) The percentage change in this column represents net interest income of the Company for 12 months in a stable interest rate environment versus the net interest income in the various rate scenarios.
(2) The percentage change in this column represents net portfolio value of the Company in a stable interest rate environment versus the net portfolio value in the various rate scenarios.

ITEM 4. CONTROLS AND PROCEDURES.

The Company's principal executive officer and principal financial officer have evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this quarterly report. Based upon their evaluation, the principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

There has not been any change in our internal control over financial reporting that occurred during the third fiscal quarter of 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Bancorp's wholly-owned subsidiary, Cathay Bank, is a party to ordinary routine litigation from time to time incidental to various aspects of its operations. Management does not believe that any such litigation is expected to have a material adverse impact on the Company's consolidated financial condition or results of operations.

ITEM 1A. RISK FACTORS.

There is no material change in the risk factors as previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, in response to Item 1A in Part I of Form 10-K.

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

ISSUER PURCHASES OF EQUITY SECURITIES				
Period	**(a) Total Number of Shares (or Units) Purchased**	**(b) Average Price Paid per Share (or Unit)**	**(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs**	**(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs**
Month #1 (July 1, 2014 - July 31, 2014)	0	$0	0	622,500
Month #2 (August 1, 2014 - August 31, 2014)	0	$0	0	622,500
Month #3 (September 1, 2014 - September 30, 2014)	0	$0	0	622,500
Total	0	$0	0	622,500

For a discussion of limitations on the payment of dividends, see “*Dividend Policy,*” and “*Liquidity”* under Part I—Item 2—“Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit 10.1	Change of Control Employment Agreement for Donald S. Chow dated as of August 14, 2014.+**
Exhibit 10.2	Amended and Restated Change of Control Employment Agreement for Pin Tai dated as of December 18, 2008.+**
Exhibit 31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101.INS	XBRL Instance Document *
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document*
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document*

Exhibit 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document*

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* XBRL (Extensible Business Reporting Language) information shall not be deemed to be filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, shall not be deemed to be filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise shall not be subject to liability under these sections, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, except as expressly set forth by specific reference in such filing.

** Management contract or compensatory plan or arrangement.

\+ Filed herewith.

SIGNATURES

Pursuant to the requirements 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.

Cathay General Bancorp
(Registrant)

Date: November 6, 2014

/ s / Dunson K. Cheng .
Dunson K. Cheng
Chairman, President, and
Chief Executive Officer

Date: November 6, 2014

. / s / Heng W. Chen .
Heng W. Chen
Executive Vice President and
Chief Financial Officer

Exhibit 10.1

CHANGE OF CONTROL
EMPLOYMENT AGREEMENT

This Change of Control Employment Agreement is made as of the 14th day of August, 2014 (this "Agreement"), by and between Cathay General Bancorp, a Delaware corporation (the "Company"), Cathay Bank, a California state chartered commercial bank and a wholly owned subsidiary of the Company (the "Bank"), and Donald S. Chow (the "Executive").

WHEREAS, the Board of Directors of the Company (the "Board") and the Board of Directors of the Bank (the "Bank Board"), have determined that it is in the best interests of the Bank and the Company and its stockholders to assure that the Company and/or the Bank (as applicable) will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined herein). The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control that ensure that the compensation and benefits expectations of the Executive will be satisfied and that provide the Executive with compensation and benefits arrangements that are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

Section 1. Certain Definitions. (a) "Effective Date" means the first date during the Change of Control Period (as defined herein) on which a Change of Control occurs. Notwithstanding anything in this Agreement to the contrary, if (i) the Executive's employment with the Company is terminated by the Company, (ii) the Date of Termination is prior to the date on which a Change of Control occurs, and (iii) it is reasonably demonstrated by the Executive that such termination of employment (A) was at the request of a third party that has taken steps reasonably calculated to effect a Change of Control or (B) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement the "Effective Date" means the date immediately prior to such Date of Termination.

(b) "Change of Control Period" means the period commencing on the date hereof and ending on the third anniversary of the date hereof; provided, however, that, commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof, the "Renewal Date"), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate three years from such Renewal Date, unless, at least 60 days prior to the Renewal Date, the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

(c) "Affiliated Company" means any company controlled by, controlling or under common control with the Company.

(d) "Change of Control" means:

(1) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that, for purposes of this Section 1(d), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliated Company or (iv) any acquisition pursuant to a transaction that complies with Sections 1(d)(3)(A), 1(d)(3)(B) and 1(d)(3)(C);

(2) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(3) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a "Business Combination"), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the

Business Combination, and (C) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(4) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

Section 2. Employment Period. The Company and/or the Bank (as applicable) hereby agrees to continue the Executive in its employ, subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the third anniversary of the Effective Date (the "Employment Period"). The Employment Period shall terminate upon the Executive's termination of employment for any reason.

Section 3. Terms of Employment. (a) Position and Duties. (1) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Executive's services shall be performed at the office where the Executive is employed immediately preceding the Effective Date or at any other location less than 35 miles from such office.

(2) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period, it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that, to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation. (1) Base Salary. During the Employment Period, the Executive shall receive an annual base salary (the "Annual Base Salary") at an annual rate at least equal to 12 times the highest monthly base salary paid or payable, including any base salary that has been earned but deferred, to the Executive by the Company and the Affiliated Companies in respect of the 12-month period immediately preceding the month in which the Effective Date occurs. The Annual Base Salary shall be paid at such intervals as the Company or the Bank (as applicable) pays executive salaries generally. During the Employment Period, the Annual Base Salary shall be reviewed at least annually, beginning on the one year anniversary of the Effective Date, provided that if the Executive's base salary has been reviewed within the twelve months prior to the Effective Date , it shall be reviewed beginning on the one year anniversary of such prior review, or if the Executive's base salary has not been reviewed during such 12-month period, it shall be reviewed beginning within 30 days following the Effective Date. Any increase in the Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. The Annual Base Salary shall not be reduced during the Employment Period after any such increase or otherwise and the term "Annual Base Salary" shall refer to the Annual Base Salary as so increased.

(2) Annual Bonus. In addition to the Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the Executive's highest bonus earned under the Company's or the Bank's (as applicable) annual incentive plan or program, or any comparable bonus under any predecessor or successor plan, for the last three full fiscal years prior to the Effective Date (or for such lesser number of full fiscal years prior to the Effective Date for which the Executive was eligible to earn such a bonus, and annualized in the case of any pro rata bonus earned for a partial fiscal year) (the "Recent Annual Bonus"). (If the Executive has not been eligible to earn such a bonus for any period prior to the Effective Date, the "Recent Annual Bonus" shall mean the Executive's target annual bonus for the year in which the Effective Date occurs.) Each such Annual Bonus shall be paid no later than two and a half months after the end of the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus pursuant to an arrangement that meets the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

(3) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all cash incentive, equity incentive, savings and retirement plans, practices, policies, and programs applicable generally to other peer executives of the Company and the Affiliated Companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and the Affiliated Companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and the Affiliated Companies.

(4) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and the Affiliated Companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and the Affiliated Companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits that are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive,

those provided generally at any time after the Effective Date to other peer executives of the Company and the Affiliated Companies.

(5) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and the Affiliated Companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and the Affiliated Companies.

(6) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company and the Affiliated Companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and the Affiliated Companies.

(7) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and the Affiliated Companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and the Affiliated Companies.

(8) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and the Affiliated Companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and the Affiliated Companies.

Section 4. Termination of Employment. (a) Death or Disability. The Executive's employment shall terminate automatically if the Executive dies during the Employment Period. If the Company determines in good faith that the Disability (as defined herein) of the Executive has occurred during the Employment Period (pursuant to the definition of "Disability"), it may give to the Executive written notice in accordance with Section 11(b) of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. "Disability" means the absence of the Executive from the Executive's duties with the Company or the Bank (as applicable) on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness that is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period with or without Cause. "Cause" means:

(1) the willful and continued failure of the Executive to perform substantially the Executive's duties (as contemplated by Section 3(a)(1)(A)) with the Company or any Affiliated Company (other than any such failure resulting from incapacity due to physical or mental illness or following the Executive's delivery of a Notice of Termination for Good Reason), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company that specifically identifies the manner in which the Board or the Chief Executive Officer of the Company believes that the Executive has not substantially performed the Executive's duties, or

(2) the willful engaging by the Executive in illegal conduct or gross misconduct that is materially and demonstrably injurious to the Company.

For purposes of this Section 4(b), no act, or failure to act, on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act (A) based upon authority given pursuant to a resolution duly adopted by the Board, or if the Company is not the ultimate parent corporation of the Affiliated Companies and is not publicly-traded, the board of directors of the ultimate parent of the Company (the "Applicable Board"), (B) based upon authority given by the Chief Executive Officer of the Company or an executive officer of the Company that is senior to Executive or (C) based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Applicable Board (excluding the Executive, if the Executive is a member of the Applicable Board) at a meeting of the Applicable Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel for the Executive, to be heard before the Applicable Board), finding that, in the good faith opinion of the Applicable Board, the Executive is guilty of the conduct described in Section 4(b)(1) or 4(b)(2), and specifying the particulars thereof in detail.

(c) Good Reason. The Executive's employment may be terminated during the Employment Period by the Executive for Good Reason or by the Executive voluntarily without Good Reason. "Good Reason" means:

(1) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 3(a), or any other diminution in such position, authority, duties or responsibilities (whether or not occurring solely as a result of the Company's ceasing to be a publicly traded entity), excluding for this purpose an isolated,

insubstantial and inadvertent action not taken in bad faith and that is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(2) any failure by the Company to comply with any of the provisions of Section 3(b), other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and that is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(3) the Company's requiring the Executive (i) to be based at any office or location other than as provided in Section 3(a)(1)(B) of this Agreement, (ii) to be based at a location other than the principal executive offices of the Company if the Executive was employed at such location immediately preceding the Effective Date, or (iii) to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(4) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(5) any action or inaction that constitutes a material breach by the Company or the Bank (as applicable) of this Agreement, including any failure by the Company to comply with and satisfy Section 10(c).

For purposes of this Section 4(c), any good faith determination of Good Reason made by the Executive shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Executive for any reason pursuant to a Notice of Termination given during the 30-day period immediately following the first anniversary of the Effective Date shall be deemed to be a termination for Good Reason for all purposes of this Agreement. The Executive's mental or physical incapacity following the occurrence of an event described above in clauses (1) through (5) shall not affect the Executive's ability to terminate employment for Good Reason and the Executive's death following delivery of a Notice of Termination for Good Reason shall not affect the Executive's estate's entitlement to severance payments or benefits provided hereunder upon a termination of employment for Good Reason.

(d) Notice of Termination. Any termination of employment by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 11(b). "Notice of Termination" means a written notice that (1) indicates the specific termination provision in this Agreement relied upon, (2) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (3) if the Date of Termination (as defined herein) is other than the date of receipt of such notice, specifies the Date of Termination (which Date of Termination shall be not more than 30 days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's respective rights hereunder.

(e) Date of Termination. "Date of Termination" means (1) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified in the Notice of Termination, as the case may be, (2) if the Executive's employment is terminated by the Company other than for Cause or Disability, the date on which the Company notifies the Executive of such termination, (3) if the Executive resigns without Good Reason, the date on which the Executive notifies the Company of such termination, and (4) if the Executive's employment is terminated by reason of death or Disability, the date of death of the Executive or the Disability Effective Date, as the case may be. Notwithstanding the foregoing, in no event shall the Date of Termination occur until the Executive experiences a "separation from service" within the meaning of Section 409A of the Code, and the date on which such separation from service takes place shall be the "Date of Termination."

Section 5. Obligations of the Company upon Termination. (a) By the Executive for Good Reason; By the Company Other Than for Cause, Death or Disability. If, during the Employment Period, the Company terminates the Executive's employment other than for Cause, Death or Disability or the Executive terminates employment for Good Reason:

(1) the Company or the Bank (as applicable) shall pay to the Executive, in a lump sum in cash on the 30th day following the Date of Termination, the aggregate of the following amounts:

(A) the sum of (i) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (ii) the Executive's business expenses that are reimbursable pursuant to Section 3(b)(5) but have not been reimbursed by the Company or the Bank (as applicable) as of the Date of Termination; (iii) the Executive's Annual Bonus for the fiscal year immediately preceding the fiscal year in which the Date of Termination occurs, if such bonus has been determined but not paid as of the Date of Termination; (iv) any accrued vacation pay to the extent not theretofore paid (the sum of the amounts described in subclauses (i), (ii), (iii) and (iv), the "Accrued Obligations") and (v) an amount equal to the product of (x) the higher of (I) the Recent Annual Bonus and (II) the Annual Bonus paid or payable, including any bonus or portion thereof that has been earned but deferred (and annualized for any fiscal year consisting of less than 12 full months or during which the Executive was employed for less than 12 full months), for the most recently completed fiscal year during the Employment Period, if any (such higher amount, the "Highest Annual Bonus") and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination and the denominator of which is 365 (the "Pro Rata Bonus"); provided, that notwithstanding the foregoing, if the Executive has made an irrevocable election under any deferred compensation arrangement subject to Section 409A of the Code to defer any portion of the Annual Base Salary or Annual Bonus described in clause (i) or clause (iii) above, then for all purposes of this Section 5 (including, without limitation, Sections 5(b) through 5(d)), such deferral election, and the terms of the applicable arrangement shall apply to the same portion of the amount described in such clause (i) or clause (iii), and such portion shall not be considered as part of the "Accrued Obligations" but shall instead be an "Other Benefit" (as defined below);

(B) the amount equal to the product of (i) two and (ii) the sum of (x) the Executive's Annual Base Salary and (y) the Highest Annual Bonus; and

(C) an amount equal to the sum of the Company or the Bank (as applicable) matching or other employer contributions under the Company's or the Bank's qualified defined contribution plans and any excess or supplemental defined contribution plans in which the Executive participates that the Company or the Bank (as applicable) would have made on behalf of the Executive during the two years after the Date of Termination if the Executive's employment continued for two years after the Date of Termination (and without regard to any vesting requirement), assuming for this purpose that (i) the Executive's compensation during the two year period is that required by Sections 3(b)(1) and 3(b)(2) and (ii) to the extent that the employer contributions are determined based on the contributions or deferrals of the Executive, that the Executive's contribution or deferral elections, as appropriate, are those in effect immediately prior to the Date of Termination; and

(2) for two years following the Date of Termination or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy (the applicable period hereinafter referred to as the "Benefit Continuation Period"), the Company or the Affiliated Companies shall provide health care and life insurance benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies providing health care and life insurance benefits and at the benefit level described in Section 3(b)(4) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and the Affiliated Companies and their families; provided, however, that, the health care benefits provided during the Benefit Continuation Period shall be provided in such a manner that such benefits (and the costs and premiums thereof) are excluded from the Executive's income for federal income tax purposes and, if the Company reasonably determines that providing continued coverage under one or more of its health care benefit plans contemplated herein could be taxable to the Executive, the Company shall provide such benefits at the level required hereby through the purchase of individual insurance coverage; provided, further, however, that if the Executive becomes reemployed with another employer and is eligible to receive health care and life insurance benefits under another employer provided plan, the health care and life insurance benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. Following the end of the Benefit Continuation Period, the Company shall use its reasonable best efforts to ensure that, following the end of the Benefit Continuation Period, Executive shall be eligible for continued health coverage as required by Section 4980B of the Code or other applicable law ("COBRA Coverage"), as if the Executive's employment with the Company had terminated as of the end of such period, and the Company shall take such actions as are necessary to cause such COBRA Coverage not to be offset by the provision of benefits under this Section 5(a)(2) and to cause the period of COBRA Coverage to commence at the end of the Benefit Continuation Period. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree welfare benefits pursuant to the Company's or the Bank's retiree welfare benefit plans, if any, the Company shall use its reasonable best efforts to ensure that, following the end of the Benefit Continuation Period, the Executive shall be considered to have remained employed until the end of the Benefit Continuation Period and to have retired on the last day of such period;

(3) the Company or the Bank (as applicable) shall, at its sole expense as incurred, provide the Executive with outplacement services the scope and provider of which shall

be selected by the Executive in the Executive's sole discretion, provided that the cost of such outplacement shall not exceed $50,000; and provided, further, that, such outplacement benefits shall end not later than the last day of the second calendar year that begins after the Date of Termination; and

(4) except as otherwise set forth in the last sentence of Section 6, to the extent not theretofore paid or provided, the Company or the Bank (as applicable) shall timely pay or provide to the Executive any Other Benefits (as defined in Section 6) in accordance with the terms of the underlying plans or agreements.

Notwithstanding the foregoing provisions of Sections 5(a)(1) and 5(a)(2), in the event that the Executive is a "specified employee" within the meaning of Section 409A of the Code (as determined in accordance with the methodology established by the Company as in effect on the Date of Termination) (a "Specified Employee"), amounts that constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code that would otherwise be payable and benefits that would otherwise be provided under Section 5(a)(1) and 5(a)(2) during the six-month period immediately following the Date of Termination (other than the Accrued Obligations) shall instead be paid, with interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code ("Interest") determined as of the Date of Termination, or provided on the first business day after the date that is six months following the Date of Termination (the "Delayed Payment Date").

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, the Company or the Bank (as applicable) shall provide the Executive's estate or beneficiaries with the Accrued Obligations and the Pro Rata Bonus and the timely payment or delivery of the Other Benefits, and shall have no other severance obligations under this Agreement. The Accrued Obligations (subject to the proviso set forth in Section 5(a)(1)(A) to the extent applicable) and the Pro Rata Bonus shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of the Other Benefits, the term "Other Benefits" as utilized in this Section 5(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and the Affiliated Companies to the estates and beneficiaries of peer executives of the Company and the Affiliated Companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and the Affiliated Companies and their beneficiaries.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, the Company or the Bank (as applicable) shall provide the Executive with the Accrued Obligations and Pro Rata Bonus and the timely payment or delivery of the Other Benefits in accordance with the terms of the underlying plans or agreements, and shall have no other severance obligations under this Agreement. The Accrued Obligations (subject to the proviso set forth in Section 5(a)(1)(A) to the extent applicable) and the Pro Rata Bonus shall be paid to the Executive in a lump sum in cash within

30 days of the Date of Termination, *provided*, that in the event that the Executive is a Specified Employee, the Pro Rata Bonus shall be paid, with Interest, to the Executive on the Delayed Payment Date. With respect to the provision of the Other Benefits, the term "Other Benefits" as utilized in this Section 5(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and the Affiliated Companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and the Affiliated Companies and their families.

(d) Cause; Other Than for Good Reason. If, during the Employment Period, the Executive's employment is terminated by the Company for Cause or the Executive voluntarily terminates employment (excluding a termination for Good Reason), the Company or the Bank (as applicable) shall provide the Executive with the Accrued Obligations, and the timely payment or delivery of the Other Benefits and shall have no other severance obligations under this Agreement. In such case, the Accrued Obligations (subject to the proviso set forth in Section 5(a)(1)(A) to the extent applicable) shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

Section 6. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or the Affiliated Companies and for which the Executive may qualify, nor, subject to Section 11(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement with the Company or the Affiliated Companies. Amounts that are vested benefits or that the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any other contract or agreement with the Company or the Affiliated Companies at or subsequent to the Date of Termination ("Other Benefits") shall be payable in accordance with such plan, policy, practice or program or contract or agreement, except as explicitly modified by this Agreement. Without limiting the generality of the foregoing, the Executive's resignation under this Agreement with or without Good Reason, shall in no way affect the Executive's ability to terminate employment by reason of the Executive's "retirement" under, or to be eligible to receive benefits under, any compensation and benefits plans, programs or arrangements of the Company or the Affiliated Companies, including without limitation any retirement or pension plans or arrangements or substitute plans adopted by the Company, the Affiliated Companies or their respective successors, and any termination which otherwise qualifies as Good Reason shall be treated as such even if it is also a "retirement" for purposes of any such plan. Notwithstanding the foregoing, if the Executive receives payments and benefits pursuant to Section 5(a) of this Agreement, the Executive shall not be entitled to any severance pay or benefits under any severance plan, program or policy of the Company and the Affiliated Companies, unless otherwise specifically provided therein in a specific reference to this Agreement.

Section 7. Full Settlement; Legal Fees. The Company's and/or the Bank's obligation to make the payments provided for in this Agreement and otherwise to perform their obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right or action that the Company or the Bank may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, and, except as specifically provided in Section 5(a)(2), such amounts shall not be reduced whether or not the Executive obtains other employment. The Company or the Bank (as applicable) agrees to pay as incurred (within 10 days following the Company's or the Bank's receipt of an invoice from the Executive), at any time from the Effective Date through the Executive's remaining lifetime (or, if longer, through the 20th anniversary of the Effective Date) to the full extent permitted by law, all legal fees and expenses that the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company or the Bank, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus, in each case, Interest determined as of the date such legal fees and expenses were incurred. In order to comply with Section 409A of the Code, in no event shall the payments by the Company or the Bank under this Section 7 be made later than the end of the calendar year next following the calendar year in which such fees and expenses were incurred; *provided*, that the Executive shall have submitted an invoice for such fees and expenses at least 10 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred. The amount of such legal fees and expenses that the Company or the Bank is obligated to pay in any given calendar year shall not affect the legal fees and expenses that the Company or the Bank is obligated to pay in any other calendar year, and the Executive's right to have the Company or the Bank pay such legal fees and expenses may not be liquidated or exchanged for any other benefit.

Section 8. Certain Reduction of Payments by the Company or the Bank. (a) Anything in this Agreement or any other agreement between the Executive and the Company or the Bank (as applicable) to the contrary notwithstanding, in the event that a nationally-recognized accounting firm selected in the discretion of the Compensation Committee of the Board as in effect immediately prior to the Change of Control (the "Accounting Firm") shall determine that receipt of all payments or distributions by the Company or its Affiliated Companies in the nature of compensation to or for the Executive's benefit, whether paid or payable pursuant to this Agreement or otherwise (a "Payment") would subject the Executive to the excise tax under Section 4999 of the Code, the Accounting Firm shall determine whether to reduce any of the Payments paid or payable pursuant to this Agreement (the "Agreement Payments") to the Reduced Amount (as defined below). The Agreement Payments shall be reduced to the Reduced Amount only if the Accounting Firm determines that the Executive would have a greater Net After-Tax Receipt (as defined below) of aggregate Payments if the Executive's Agreement Payments were reduced to the Reduced Amount. If such a determination is not made by the Accounting Firm, the Executive shall receive all Agreement Payments to which the Executive is entitled under this Agreement. All determinations made by the Accounting Firm under this Section shall be binding upon the Company, the Bank and Executive and shall be made within 15 days following a termination of employment of the Executive. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing the payments and benefits under the following sections in the following order: (1) Section 5(a)(1)(B), (2) Section 5(a)(1)(C), (3) Section 5(a)(1)(A)(v) and (4) Section 5(a)(2).

(b) As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that amounts will have been paid or distributed by the Company or the Bank (as applicable) to or for the benefit of the Executive pursuant to this Agreement which should not have been so paid or distributed ("Overpayment") or that additional amounts which will have not been paid or distributed by the Company or the Bank (as applicable) to or for the benefit of the Executive pursuant to this Agreement could have been so paid or distributed ("Underpayment"), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that the Accounting Firm, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or the Bank (as applicable) or the Executive which the Accounting Firm believes has a high probability of success determines that an Overpayment has been made, any such Overpayment paid or distributed by the Company or the Bank (as applicable) to or for the benefit of the Executive shall be repaid to the Company or the Bank (as applicable) together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code; provided, however, that no such amount shall be payable by the Executive to the Company or the Bank (as applicable) if and to the extent such payment would not either reduce the amount on which the Executive is subject to tax under Section 1 and Section 4999 of the Code or generate a refund of such taxes. In the event that the Accounting Firm, based upon controlling precedent or substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company or the Bank (as applicable) to or for the benefit of the Executive together with interest at the applicable federal rate provided for in Section 7872(f)(2) of the Code.

(c) All fees and expenses of the Accounting Firm in implementing the provisions of this Section 8 shall be borne by the Company or the Bank (as applicable).

(d) For purposes of this Section 8, the following terms have the meanings set forth below:

(i) "Net After-Tax Receipt" shall mean the present value (as determined in accordance with Sections 280G(b)(2)(A)(ii) and 280G(d)(4) of the Code) of a Payment net of all taxes imposed on the Executive with respect thereto under Sections 1 and 4999 of the Code and under applicable state and local laws, determined by applying the highest marginal rate under Section 1 of the Code and under state and local laws which applied to the Executive's taxable income for the immediately preceding taxable year, or such other rate(s) as the Executive certifies, in the Executive's sole discretion, as likely to apply to him in the relevant tax year(s).

(ii) "Reduced Amount" shall mean the greatest amount of Agreement Payments that can be paid that would not result in the imposition of the excise tax under Section 4999 of the Code if the Accounting Firm determines to reduce Agreement Payments pursuant to Section 8(a).

Section 9. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company and the Bank all secret or confidential information, knowledge or data relating to the Company or the Affiliated Companies, and their respective businesses, which information, knowledge or data shall have been obtained by the Executive during the Executive's employment by the Company or the Affiliated Companies and which information, knowledge or data shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company and/or the Bank, the Executive shall not, without the prior written consent of the Company or the Bank or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company or the Bank and those persons designated by the Company or the Bank. In no event shall an asserted violation of the provisions of this Section 9 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

Section 10. Successors. (a) This Agreement is personal to the Executive, and, without the prior written consent of the Company and the Bank, shall not be assignable by the Executive other than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and the Bank and their respective successors and assigns. Except as provided in Section 10(c), without the prior written consent of the Executive, this Agreement shall not be assignable by the Company or the Bank.

(c) The Company and the Bank will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company or the Bank to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company and the Bank would be required to perform it if no such succession had taken place. "Company" and "Bank" mean the Company and the Bank as hereinbefore defined and any successor to their business and/or assets as aforesaid that assumes and agrees to perform this Agreement by operation of law or otherwise.

Section 11. Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. Subject to the last sentence of Section 11(g), this Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

if to the Executive:

At the most recent address on file at the Company.

if to the Company or the Bank:

9650 Flair Drive, 8th Floor
El Monte, CA 91731
Attention: Chief Executive Officer

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company or the Bank (as applicable) may withhold from any amounts payable under this Agreement such United States federal, state or local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's, the Company's or the Bank's (as applicable) failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive, the Company or the Bank (as applicable) may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Sections 4(c)(1) through 4(c)(5), shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive, the Company and the Bank acknowledge that, except as may otherwise be provided under any other written agreement between the Executive, the Company and/or the Bank, the employment of the Executive by the Company or the Bank (as applicable) is "at will" and, subject to Section 1(a), the Executive's employment may be terminated by the Executive, the Company or the Bank (as applicable) at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date, except as specifically provided herein, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

(g) The Agreement is intended to comply with the requirements of Section 409A of the Code or an exemption or exclusion therefrom and, with respect to amounts that are subject to Section 409A of the Code, shall in all respects be administered in accordance with Section 409A of the Code. Each payment under this Agreement shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may the Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement. If the Executive dies following the Date of Termination and prior to the payment of the any amounts delayed on account of Section 409A of the Code, such amounts shall be paid to the personal representative of the Executive's estate within 30 days after the date of the Executive's death. All reimbursements and in-kind benefits provided under this Agreement that constitute deferred compensation within the meaning of Section 409A of the Code shall be made or provided in accordance with the requirements of Section 409A of the Code, including, without limitation, that (i) in no event shall reimbursements by the Company or the Bank under this Agreement be made later than the end of the calendar year next following the calendar year in which the applicable fees and expenses were incurred, provided, that the Executive shall have submitted an invoice for such fees and expenses at least 10 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred; (ii) the amount of in-kind benefits that the Company or the Bank is obligated to pay or provide in any given calendar year shall not affect the in-kind benefits that the Company or the Bank is obligated to pay or provide in any other calendar year; (iii) the Executive's right to have the Company or the Bank pay or provide such reimbursements and in-kind benefits may not be liquidated or exchanged for any other benefit; and (iv) in no event shall the Company's or the Bank's obligations to make such reimbursements or to provide such in-kind benefits apply later than the Executive's remaining lifetime (or if longer, through the 20th anniversary of the Effective Date). Prior to the Effective Date but within the time period permitted by the applicable Treasury Regulations, the Company may, in consultation with the Executive, modify the Agreement, in the least restrictive manner necessary and without any diminution in the value of the payments to the Executive, in order to cause the provisions of the Agreement to comply with the requirements of Section 409A of the Code, so as to avoid the imposition of taxes and penalties on the Executive pursuant to Section 409A of the Code.

(h) This Agreement comprises the entire agreement among the Executive, the Company and the Bank with respect to the subject matter hereof and shall supersede all prior agreements and undertakings by or among them with respect to such subject matter.

Section 12. Survivorship. Upon the expiration or other termination of this Agreement or the Executive's employment, the respective rights and obligations of the parties hereto shall survive to the extent necessary to carry out the intentions of the parties under this Agreement.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorizations from the Board and the Bank Board, the Company and the Bank have each caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ Donald S. Chow
DONALD S. CHOW

CATHAY GENERAL BANCORP

/s/ Dunson K. Cheng
Name: Dunson K. Cheng
Title: Chairman of the Board, President and Chief Executive Officer

CATHAY BANK

/s/ Dunson K. Cheng
Name: Dunson K. Cheng
Title: Chairman of the Board, President and Chief Executive Officer

AMENDED AND RESTATED
CHANGE OF CONTROL
EMPLOYMENT AGREEMENT

This Amended and Restated Change of Control Employment Agreement is made as of the 18th day of December, 2008 (this "Agreement"), by and between Cathay General Bancorp, a Delaware corporation (the "Company"), Cathay Bank, a California state chartered commercial bank and a wholly owned subsidiary of the Company (the "Bank"), and Pin Tai (the "Executive").

WHEREAS, the Board of Directors of the Company (the "Board") and the Board of Directors of the Bank (the "Bank Board"), have determined that it is in the best interests of the Bank and the Company and its stockholders to assure that the Company and/or the Bank (as applicable) will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined herein). The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control that ensure that the compensation and benefits expectations of the Executive will be satisfied and that provide the Executive with compensation and benefits arrangements that are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

Section 1. Certain Definitions. (a) "Effective Date" means the first date during the Change of Control Period (as defined herein) on which a Change of Control occurs. Notwithstanding anything in this Agreement to the contrary, if (i) the Executive's employment with the Company is terminated by the Company, (ii) the Date of Termination is prior to the date on which a Change of Control occurs, and (iii) it is reasonably demonstrated by the Executive that such termination of employment (A) was at the request of a third party that has taken steps reasonably calculated to effect a Change of Control or (B) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement the "Effective Date" means the date immediately prior to such Date of Termination.

(b) "Change of Control Period" means the period commencing on the date hereof and ending on the third anniversary of the date hereof; provided, however, that, commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof, the "Renewal Date"), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate three years from such Renewal Date, unless, at least 60 days prior to the Renewal Date, the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

(c) "Affiliated Company" means any company controlled by, controlling or under common control with the Company.

(d) "Change of Control" means:

(1) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that, for purposes of this Section 1(d), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliated Company or (iv) any acquisition pursuant to a transaction that complies with Sections 1(d)(3)(A), 1(d)(3)(B) and 1(d)(3)(C);

(2) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(3) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a "Business Combination"), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the

Business Combination, and (C) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(4) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

Section 2. Employment Period. The Company and/or the Bank (as applicable) hereby agrees to continue the Executive in its employ, subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the third anniversary of the Effective Date (the "Employment Period"). The Employment Period shall terminate upon the Executive's termination of employment for any reason.

Section 3. Terms of Employment. (a) Position and Duties. (1) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Executive's services shall be performed at the office where the Executive was employed immediately preceding the Effective Date or at any other location less than 35 miles from such office.

(2) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period, it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that, to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation. (1) Base Salary. During the Employment Period, the Executive shall receive an annual base salary (the "Annual Base Salary") at an annual rate at least equal to 12 times the highest monthly base salary paid or payable, including any base salary that has been earned but deferred, to the Executive by the Company and the Affiliated Companies in respect of the 12-month period immediately preceding the month in which the Effective Date occurs. The Annual Base Salary shall be paid at such intervals as the Company or the Bank (as applicable) pays executive salaries generally. During the Employment Period, the Annual Base Salary shall be reviewed at least annually, beginning no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date. Any increase in the Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. The Annual Base Salary shall not be reduced after any such increase and the term "Annual Base Salary" shall refer to the Annual Base Salary as so increased.

(2) Annual Bonus. In addition to the Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the Executive's highest bonus earned under the Company's or the Bank's (as applicable) annual incentive plan or program, or any comparable bonus under any predecessor or successor plan, for the last three full fiscal years prior to the Effective Date (or for such lesser number of full fiscal years prior to the Effective Date for which the Executive was eligible to earn such a bonus, and annualized in the case of any pro rata bonus earned for a partial fiscal year) (the "Recent Annual Bonus"). (If the Executive has not been eligible to earn such a bonus for any period prior to the Effective Date, the "Recent Annual Bonus" shall mean the Executive's target annual bonus for the year in which the Effective Date occurs.) Each such Annual Bonus shall be paid no later than two and a half months after the end of the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus pursuant to an arrangement that meets the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

(3) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all cash incentive, equity incentive, savings and retirement plans, practices, policies, and programs applicable generally to other peer executives of the Company and the Affiliated Companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and the Affiliated Companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and the Affiliated Companies.

(4) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and the Affiliated Companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and the Affiliated Companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits that are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and the Affiliated Companies.

(5) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in

accordance with the most favorable policies, practices and procedures of the Company and the Affiliated Companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and the Affiliated Companies.

(6) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company and the Affiliated Companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and the Affiliated Companies.

(7) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and the Affiliated Companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and the Affiliated Companies.

(8) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and the Affiliated Companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and the Affiliated Companies.

Section 4. Termination of Employment. (a) Death or Disability. The Executive's employment shall terminate automatically if the Executive dies during the Employment Period. If the Company determines in good faith that the Disability (as defined herein) of the Executive has occurred during the Employment Period (pursuant to the definition of "Disability"), it may give to the Executive written notice in accordance with Section 11(b) of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. "Disability" means the absence of the Executive from the Executive's duties with the Company or the Bank (as applicable) on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness that is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period with or without Cause. "Cause" means:

(1) the willful and continued failure of the Executive to perform substantially the Executive's duties (as contemplated by Section 3(a)(1)(A)) with the Company or any Affiliated Company (other than any such failure resulting from incapacity due to physical or mental illness or following the Executive's delivery of a Notice of Termination for Good Reason), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company that specifically identifies the manner in which the Board or the Chief Executive Officer of the Company believes that the Executive has not substantially performed the Executive's duties, or

(2) the willful engaging by the Executive in illegal conduct or gross misconduct that is materially and demonstrably injurious to the Company.

For purposes of this Section 4(b), no act, or failure to act, on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act (A) based upon authority given pursuant to a resolution duly adopted by the Board, or if the Company is not the ultimate parent corporation of the Affiliated Companies and is not publicly-traded, the board of directors of the ultimate parent of the Company (the "Applicable Board"), (B) based upon authority given by the Chief Executive Officer of the Company or an executive officer of the Company that is senior to Executive or (C) based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Applicable Board (excluding the Executive, if the Executive is a member of the Applicable Board) at a meeting of the Applicable Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel for the Executive, to be heard before the Applicable Board), finding that, in the good faith opinion of the Applicable Board, the Executive is guilty of the conduct described in Section 4(b)(1) or 4(b)(2), and specifying the particulars thereof in detail.

(c) Good Reason. The Executive's employment may be terminated during the Employment Period by the Executive for Good Reason or by the Executive voluntarily without Good Reason. "Good Reason" means:

(1) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 3(a), or any other diminution in such position, authority, duties or responsibilities (whether or not occurring solely as a result of the Company's ceasing to be a publicly traded entity), excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and that is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(2) any failure by the Company to comply with any of the provisions of Section 3(b), other than an isolated, insubstantial and inadvertent failure not occurring in bad

faith and that is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(3) the Company's requiring the Executive (i) to be based at any office or location other than as provided in Section 3(a)(1)(B) of this Agreement, (ii) to be based at a location other than the principal executive offices of the Company if the Executive was employed at such location immediately preceding the Effective Date, or (iii) to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(4) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(5) any action or inaction that constitutes a material breach by the Company or the Bank (as applicable) of this Agreement, including any failure by the Company to comply with and satisfy Section 10(c).

For purposes of this Section 4(c), any good faith determination of Good Reason made by the Executive shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Executive for any reason pursuant to a Notice of Termination given during the 30-day period immediately following the first anniversary of the Effective Date shall be deemed to be a termination for Good Reason for all purposes of this Agreement. The Executive's mental or physical incapacity following the occurrence of an event described above in clauses (1) through (5) shall not affect the Executive's ability to terminate employment for Good Reason and the Executive's death following delivery of a Notice of Termination for Good Reason shall not affect the Executive's estate's entitlement to severance payments or benefits provided hereunder upon a termination of employment for Good Reason.

(d) Notice of Termination. Any termination of employment by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 11(b). "Notice of Termination" means a written notice that (1) indicates the specific termination provision in this Agreement relied upon, (2) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (3) if the Date of Termination (as defined herein) is other than the date of receipt of such notice, specifies the Date of Termination (which Date of Termination shall be not more than 30 days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's respective rights hereunder.

(e) Date of Termination. "Date of Termination" means (1) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified in the Notice of Termination, as the case may be, (2) if the Executive's employment is terminated by the Company other than for Cause or Disability, the date on which the Company notifies the

Executive of such termination, (3) if the Executive resigns without Good Reason, the date on which the Executive notifies the Company of such termination, and (4) if the Executive's employment is terminated by reason of death or Disability, the date of death of the Executive or the Disability Effective Date, as the case may be. Notwithstanding the foregoing, in no event shall the Date of Termination occur until the Executive experiences a "separation from service" within the meaning of Section 409A of the Code, and the date on which such separation from service takes place shall be the "Date of Termination."

Section 5. Obligations of the Company upon Termination. (a) By the Executive for Good Reason; By the Company Other Than for Cause, Death or Disability. If, during the Employment Period, the Company terminates the Executive's employment other than for Cause, Death or Disability or the Executive terminates employment for Good Reason:

(1) the Company or the Bank (as applicable) shall pay to the Executive, in a lump sum in cash within 30 days after the Date of Termination, the aggregate of the following amounts:

(A) the sum of (i) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (ii) the Executive's business expenses that are reimbursable pursuant to Section 3(b)(5) but have not been reimbursed by the Company or the Bank (as applicable) as of the Date of Termination; (iii) the Executive's Annual Bonus for the fiscal year immediately preceding the fiscal year in which the Date of Termination occurs, if such bonus has been determined but not paid as of the Date of Termination; (iv) any accrued vacation pay to the extent not theretofore paid (the sum of the amounts described in subclauses (i), (ii), (iii) and (iv), the "Accrued Obligations") and (v) an amount equal to the product of (x) the higher of (I) the Recent Annual Bonus and (II) the Annual Bonus paid or payable, including any bonus or portion thereof that has been earned but deferred (and annualized for any fiscal year consisting of less than 12 full months or during which the Executive was employed for less than 12 full months), for the most recently completed fiscal year during the Employment Period, if any (such higher amount, the "Highest Annual Bonus") and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination and the denominator of which is 365 (the "Pro Rata Bonus"); provided, that notwithstanding the foregoing, if the Executive has made an irrevocable election under any deferred compensation arrangement subject to Section 409A of the Code to defer any portion of the Annual Base Salary or Annual Bonus described in clause (i) or clause (iii) above, then for all purposes of this Section 5 (including, without limitation, Sections 5(b) through 5(d)), such deferral election, and the terms of the applicable arrangement shall apply to the same portion of the amount described in such clause (i) or clause (iii), and such portion shall not be considered as part of the "Accrued Obligations" but shall instead be an "Other Benefit" (as defined below);

(B) the amount equal to the product of (i) two and (ii) the sum of (x) the Executive's Annual Base Salary and (y) the Highest Annual Bonus; and

(C) an amount equal to the sum of the Company or the Bank (as applicable) matching or other employer contributions under the Company's or the Bank's qualified defined contribution plans and any excess or supplemental defined contribution plans in which the Executive participates that the Company or the Bank (as applicable) would have made on behalf of the Executive during the two years after the Date of Termination if the Executive's employment continued for two years after the Date of Termination (and without regard to any vesting requirement), assuming for this purpose that (i) the Executive's compensation during the two year period is that required by Sections 3(b)(1) and 3(b)(2) and (ii) to the extent that the employer contributions are determined based on the contributions or deferrals of the Executive, that the Executive's contribution or deferral elections, as appropriate, are those in effect immediately prior to the Date of Termination; and

(2) for two years following the Date of Termination or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy (the applicable period hereinafter referred to as the "Benefit Continuation Period"), the Company or the Affiliated Companies shall provide health care and life insurance benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies providing health care and life insurance benefits and at the benefit level described in Section 3(b)(4) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and the Affiliated Companies and their families; provided, however, that, the health care benefits provided during the Benefit Continuation Period shall be provided in such a manner that such benefits (and the costs and premiums thereof) are excluded from the Executive's income for federal income tax purposes and, if the Company reasonably determines that providing continued coverage under one or more of its health care benefit plans contemplated herein could be taxable to the Executive, the Company shall provide such benefits at the level required hereby through the purchase of individual insurance coverage; provided, further, however, that if the Executive becomes reemployed with another employer and is eligible to receive health care and life insurance benefits under another employer provided plan, the health care and life insurance benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. Following the end of the Benefit Continuation Period, the Company shall use its reasonable best efforts to ensure that, following the end of the Benefit Continuation Period, Executive shall be eligible for continued health coverage as required by Section 4980B of the Code or other applicable law ("COBRA Coverage"), as if the Executive's employment with the Company had terminated as of the end of such period, and the Company shall take such actions as are necessary to cause such COBRA Coverage not to be offset by the provision of benefits under this Section 5(a)(2) and to cause the period of COBRA Coverage to commence at the end of the Benefit Continuation Period. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree welfare benefits pursuant to the Company's or the Bank's retiree welfare benefit plans, if any, the Company shall use its reasonable best efforts to ensure that, following the end of the Benefit Continuation Period, the Executive shall be considered to have remained employed until the end of the Benefit Continuation Period and to have retired on the last day of such period;

(3) the Company or the Bank (as applicable) shall, at its sole expense as incurred, provide the Executive with outplacement services the scope and provider of which shall be selected by the Executive in the Executive's sole discretion, provided that the cost of such outplacement shall not exceed $50,000; and provided, further, that, such outplacement benefits shall end not later than the last day of the second calendar year that begins after the Date of Termination; and

(4) except as otherwise set forth in the last sentence of Section 6, to the extent not theretofore paid or provided, the Company or the Bank (as applicable) shall timely pay or provide to the Executive any Other Benefits (as defined in Section 6) in accordance with the terms of the underlying plans or agreements.

Notwithstanding the foregoing provisions of Sections 5(a)(1) and 5(a)(2), in the event that the Executive is a "specified employee" within the meaning of Section 409A of the Code (as determined in accordance with the methodology established by the Company as in effect on the Date of Termination) (a "Specified Employee"), amounts that constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code that would otherwise be payable and benefits that would otherwise be provided under Section 5(a)(1) and 5(a)(2) during the six-month period immediately following the Date of Termination (other than the Accrued Obligations) shall instead be paid, with interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code ("Interest") determined as of the Date of Termination, or provided on the first business day after the date that is six months following the Date of Termination (the "Delayed Payment Date").

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, the Company or the Bank (as applicable) shall provide the Executive's estate or beneficiaries with the Accrued Obligations and the Pro Rata Bonus and the timely payment or delivery of the Other Benefits, and shall have no other severance obligations under this Agreement. The Accrued Obligations (subject to the proviso set forth in Section 5(a)(1)(A) to the extent applicable) and the Pro Rata Bonus shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of the Other Benefits, the term "Other Benefits" as utilized in this Section 5(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and the Affiliated Companies to the estates and beneficiaries of peer executives of the Company and the Affiliated Companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and the Affiliated Companies and their beneficiaries.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, the Company or the Bank (as applicable) shall provide the Executive with the Accrued Obligations and Pro Rata Bonus and the timely payment or delivery of the Other Benefits in accordance with the terms of the underlying plans or agreements, and shall have no other severance obligations under this Agreement. The Accrued Obligations (subject to the proviso set forth in Section 5(a)(1)(A) to the extent applicable) and the Pro Rata Bonus shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination, *provided*, that in the event that the Executive is a Specified Employee, the Pro Rata Bonus shall be paid, with Interest, to the Executive on the Delayed Payment Date. With respect to the provision of the Other Benefits, the term "Other Benefits" as utilized in this Section 5(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and the Affiliated Companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and the Affiliated Companies and their families.

(d) Cause; Other Than for Good Reason. If, during the Employment Period, the Executive's employment is terminated by the Company for Cause or the Executive voluntarily terminates employment (excluding a termination for Good Reason), the Company or the Bank (as applicable) shall provide the Executive with the Accrued Obligations, and the timely payment or delivery of the Other Benefits and shall have no other severance obligations under this Agreement. In such case, the Accrued Obligations (subject to the proviso set forth in Section 5(a)(1)(A) to the extent applicable) shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

Section 6. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or the Affiliated Companies and for which the Executive may qualify, nor, subject to Section 11(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any other contract or agreement with the Company or the Affiliated Companies. Amounts that are vested benefits or that the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any other contract or agreement with the Company or the Affiliated Companies at or subsequent to the Date of Termination ("Other Benefits") shall be payable in accordance with such plan, policy, practice or program or contract or agreement, except as explicitly modified by this Agreement. Without limiting the generality of the foregoing, the Executive's resignation under this Agreement with or without Good Reason, shall in no way affect the Executive's ability to terminate employment by reason of the Executive's "retirement" under, or to be eligible to receive benefits under, any compensation and benefits plans, programs or arrangements of the Company or the Affiliated Companies, including without limitation any retirement or pension plans or arrangements or substitute plans adopted by the Company, the Affiliated Companies or their respective successors, and any termination which otherwise qualifies as Good Reason shall be treated as such even if it is also a "retirement" for purposes of any such plan. Notwithstanding the foregoing, if the Executive receives payments and benefits pursuant to Section 5(a) of this Agreement, the Executive shall not be entitled to any severance pay or benefits under any severance plan, program or policy of the Company and the Affiliated Companies, unless otherwise specifically provided therein in a specific reference to this Agreement.

Section 7. Full Settlement; Legal Fees. The Company's and/or the Bank's obligation to make the payments provided for in this Agreement and otherwise to perform their obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense, or other claim, right or action that the Company or the Bank may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, and, except as specifically provided in Section 5(a)(2), such amounts shall not be reduced whether or not the Executive obtains other employment. The Company or the Bank (as applicable) agrees to pay as incurred (within 10 days following the Company's or the Bank's receipt of an invoice from the Executive), at any time from the Effective Date through the Executive's remaining lifetime (or, if longer, through the 20th anniversary of the Effective Date) to the full extent permitted by law, all legal fees and expenses that the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company or the Bank, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus, in each case, Interest determined as of the date such legal fees and expenses were incurred. In order to comply with Section 409A of the Code, in no event shall the payments by the Company or the Bank under this Section 7 be made later than the end of the calendar year next following the calendar year in which such fees and expenses were incurred; *provided*, that the Executive shall have submitted an invoice for such fees and expenses at least 10 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred. The amount of such legal fees and expenses that the Company or the Bank is obligated to pay in any given calendar year shall not affect the legal fees and expenses that the Company or the Bank is obligated to pay in any other calendar year, and the Executive's right to have the Company or the Bank pay such legal fees and expenses may not be liquidated or exchanged for any other benefit.

Section 8. Certain Additional Payments by the Company. (a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any Payment would be subject to the Excise Tax, then the Executive shall be entitled to receive an additional payment (the "Gross-Up Payment") in an amount such that, after payment by the Executive of all taxes (and any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, but excluding any income taxes and penalties imposed pursuant to Section 409A of the Code, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 8(a), if it shall be determined that the Executive is entitled to the Gross-Up Payment, but that the Parachute Value of all Payments does not exceed 110% of the Safe Harbor Amount, then no Gross-Up Payment shall be made to the Executive and the amounts payable under this Agreement shall be reduced so that the Parachute Value of all Payments, in the aggregate, equals the Safe Harbor Amount. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing the payments and benefits under the following sections in the following order: (i) Section 5(a)(1)(B), (ii) Section 5(a)(1)(C), (iii) Section 5(a)(1)(A)(v) and (iv) Section 5(a)(2). For purposes of reducing the Payments to the Safe Harbor Amount, only amounts payable under this Agreement (and no other Payments) shall be reduced. If the reduction of the amount payable under this Agreement would not result in a reduction of the Parachute Value of all Payments to the Safe Harbor Amount, no amounts payable under the Agreement shall be reduced pursuant to this Section 8(a) and the Executive shall be entitled to the Gross-Up Payment. The Company's obligation to make Gross-Up Payments under this Section 8 shall not be conditioned upon the Executive's termination of employment.

(b) Subject to the provisions of Section 8(c), all determinations required to be made under this Section 8, including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized certified public accounting firm as may be designated by the Executive and reasonably acceptable to the Company (the "Accounting Firm"). The Accounting Firm shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive may appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments that will not have been made by the Company should have been made (the "Underpayment"), consistent with the calculations required to be made hereunder. In the event the Company exhausts its remedies pursuant to Section 8(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable, but no later than 10 business days after the Executive is informed in writing of such claim. The Executive shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that the Company desires to contest such claim, the Executive shall:

(1) give the Company any information reasonably requested by the Company relating to such claim,

(2) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(3) cooperate with the Company in good faith in order effectively to contest such claim, and

(4) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest, and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8(c), the Company shall control all proceedings taken in connection with such contest, and, at its sole discretion, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the applicable taxing authority in respect of such claim and may, at its sole discretion, either pay the tax claimed to the appropriate taxing authority on behalf of the Executive and direct the Executive to sue for a refund or to contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that, if the Company pays such claim and directs the Executive to sue for a refund, the Company shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties) imposed with respect to such payment or with respect to any imputed income in connection with such payment; and provided, further, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which the Gross-Up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of a Gross-Up Payment or payment by the Company of an amount on the Executive's behalf pursuant to Section 8(c), the Executive becomes entitled to receive any refund with respect to the Excise Tax to which such Gross-Up Payment relates or with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 8(c), if applicable) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after payment by the Company of an amount on the Executive's behalf pursuant to Section 8(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then the amount of such payment shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

(e) Any Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination; *provided* that, the Gross-Up Payment shall in all events be paid no later than the end of the Executive's taxable year next following the Executive's taxable year in which the Excise Tax (and any income or other related taxes or interest or penalties thereon) on a Payment are remitted to the Internal Revenue Service or any other applicable taxing authority or, in the case of amounts relating to a claim described in Section 8(c) that does not result in the remittance of any federal, state, local and foreign income, excise, social security and other taxes, the calendar year in which the claim is finally settled or otherwise resolved. Notwithstanding any other provision of this Section 8, the Company may, in its sole discretion, withhold and pay over to the Internal Revenue Service or any other applicable taxing authority, for the benefit of the

Executive, all or any portion of any Gross-Up Payment, and the Executive hereby consents to such withholding.

(f) Definitions. The following terms shall have the following meanings for purposes of this Section 8.

(i) "Excise Tax" shall mean the excise tax imposed by Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax.

(ii) "Parachute Value" of a Payment shall mean the present value as of the date of the change of control for purposes of Section 280G of the Code of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2), as determined by the Accounting Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.

(iii) A "Payment" shall mean any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise.

(iv) The "Safe Harbor Amount" means 2.99 times the Executive's "base amount," within the meaning of Section 280G(b)(3) of the Code.

Section 9. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company and the Bank all secret or confidential information, knowledge or data relating to the Company or the Affiliated Companies, and their respective businesses, which information, knowledge or data shall have been obtained by the Executive during the Executive's employment by the Company or the Affiliated Companies and which information, knowledge or data shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company and/or the Bank, the Executive shall not, without the prior written consent of the Company or the Bank or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company or the Bank and those persons designated by the Company or the Bank. In no event shall an asserted violation of the provisions of this Section 9 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

Section 10. Successors. (a) This Agreement is personal to the Executive, and, without the prior written consent of the Company and the Bank, shall not be assignable by the Executive other than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and the Bank and their respective successors and assigns. Except as provided in Section 10(c), without the prior written consent of the Executive this Agreement shall not be assignable by the Company or the Bank.

(c) The Company and the Bank will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company or the Bank to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company and the Bank would be required to perform it if no such succession had taken place. "Company" and "Bank" mean the Company and the Bank as hereinbefore defined and any successor to their business and/or assets as aforesaid that assumes and agrees to perform this Agreement by operation of law or otherwise.

Section 11. Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. Subject to the last sentence of Section 11(g), this Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

if to the Executive:

At the most recent address on file at the Company.

if to the Company or the Bank:

777 N. Broadway
Los Angeles, CA 90012
Attention: Chief Executive Officer

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company or the Bank (as applicable) may withhold from any amounts payable under this Agreement such United States federal, state or local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's, the Company's or the Bank's (as applicable) failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive, the Company or the Bank (as applicable) may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Sections 4(c)(1) through 4(c)(5), shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive, the Company and the Bank acknowledge that, except as may otherwise be provided under any other written agreement between the Executive, the Company and/or the Bank, the employment of the Executive by the Company or the Bank (as applicable) is "at will" and, subject to Section 1(a), the Executive's employment may be terminated by the Executive, the Company or the Bank (as applicable) at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date, except as specifically provided herein, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

(g) The Agreement is intended to comply with the requirements of Section 409A of the Code or an exemption or exclusion therefrom and, with respect to amounts that are subject to Section 409A of the Code, shall in all respects be administered in accordance with Section 409A of the Code. Each payment under this Agreement shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may the Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement. If the Executive dies following the Date of Termination and prior to the payment of the any amounts delayed on account of Section 409A of the Code, such amounts shall be paid to the personal representative of the Executive's estate within 30 days after the date of the Executive's death. All reimbursements and in-kind benefits provided under this Agreement that constitute deferred compensation within the meaning of Section 409A of the Code shall be made or provided in accordance with the requirements of Section 409A of the Code, including, without limitation, that (i) in no event shall reimbursements by the Company or the Bank under this Agreement be made later than the end of the calendar year next following the calendar year in which the applicable fees and expenses were incurred, provided, that the Executive shall have submitted an invoice for such fees and expenses at least 10 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred; (ii) the amount of in-kind benefits that the Company or the Bank is obligated to pay or provide in any given calendar year shall not affect the in-kind benefits that the Company or the Bank is obligated to pay or provide in any other calendar year; (iii) the Executive's right to have the Company or the Bank pay or provide such reimbursements and in-kind benefits may not be liquidated or exchanged for any other benefit; and (iv) in no event shall the Company's or the Bank's obligations to make such reimbursements or to provide such in-kind benefits apply later than the Executive's remaining lifetime (or if longer, through the 20th anniversary of the Effective Date). Prior to the Effective Date but within the time period permitted by the applicable Treasury Regulations, the Company may, in consultation with the Executive, modify the Agreement, in the least restrictive manner necessary and without any diminution in the value of the payments to the Executive, in order to cause the provisions of the Agreement to comply with the requirements of Section 409A of the Code, so as to avoid the imposition of taxes and penalties on the Executive pursuant to Section 409A of the Code.

Section 12. <u>Survivorship</u>. Upon the expiration or other termination of this Agreement or the Executive's employment, the respective rights and obligations of the parties hereto shall survive to the extent necessary to carry out the intentions of the parties under this Agreement.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorizations from the Board and the Bank Board, the Company and the Bank have each caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ Pin Tai
Pin Tai

CATHAY GENERAL BANCORP

/s/ Dunson K. Cheng
Name: Dunson K. Cheng
Title: Chief Executive Officer and President

CATHAY BANK

/s/ Dunson K. Cheng
Name: Dunson K. Cheng
Title: Chief Executive Officer and President

Exhibit 31.1

I, Dunson K. Cheng, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cathay General Bancorp;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s Board of Directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/ s / Dunson K. Cheng .
Dunson K. Cheng
President and
Chief Executive Officer

Date: November 6, 2014

Exhibit 31.2

I, Heng W. Chen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cathay General Bancorp;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/ s / Heng W. Chen
Heng W. Chen
Executive Vice President and
Chief Financial Officer

Date: November 6, 2014

Exhibit 32.1

CEO CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cathay General Bancorp (the “Company”) on Form 10-Q for the period ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Dunson K. Cheng, chief executive officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/ s / Dunson K. Cheng .
Dunson K. Cheng
President and
Chief Executive Officer

Date: November 6, 2014

Exhibit 32.2

CFO CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Cathay General Bancorp (the "Company") on Form 10-Q for the period ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Heng W. Chen, chief financial officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/ s / Heng W. Chen
Heng W. Chen
Executive Vice President and
Chief Financial Officer

Date: November 6, 2014