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EWBC - East West Bancorp Inc at BancAnalysts Association of Boston Conference

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PRESENTATION

Gerry Benson

I'm Gerry Benson, and up next we have East West Bankcorp. East West is a commercial bank, specializing in commercial, construction and real estate lending as well as financing trade receivables, headquartered in Pasadena, California. The bank has a particular focus on the Asian-American community. And they operate through over 130 branches in major U.S. metro markets as well as about 10 offices throughout China, Hong Kong and Taiwan.

Presenting today for East West is Irene Oh, Executive Vice President and Chief Financial Officer. Irene joined in 2004 and was named CFO in January 2010. And also joining Irene is Julianna Balicka. She is Director of Strategy and Corporate Development. I think a lot of you remember her. She followed East West for many years when she was on the sell side. So with that, please join me in welcoming Irene.

Irene H. Oh - *East West Bancorp, Inc. - Executive VP, CFO & Principal Accounting Officer*

Thanks, Gerry, and I want to thank all of you for sticking it out. I know it's probably been a very long day, and we're one of the last base presenting. So it's our pleasure to be here. This is the first time we are asked to join the conference, and we're very interested and excited to be here. I'm going to start with -- oh, let me hand me the queue. Thank you. A brief overview of the bank, we'll, skip through that. We are the largest independent bank, headquartered in Southern California with almost \$40 billion in assets at the end of September.

We're leading bank serving the Asian-American community in the U.S. Our branch footprint encompasses key metropolitan markets with large Asian-American populations and obviously, a concentration in California where we were founded in 1973.

Importantly, we also have a subsidiary bank, a wholly-owned subsidiary in China, EWCN, with a commercial banking license to do business in the local RMB currency. This is a differentiating factor for us relative to other regional banks and an important component of our cross-border bridge strategy, serving customers with business needs and individual consumer needs that span both markets.

Turning to the next slide, we have a recap of major milestones for East West. We were founded 45 years ago as an S&L focused on the Chinese-American community in Los Angeles, founded in Chinatown, in Los Angeles.

We converted to a commercial bank in 1995, went public in early 1999, almost 20 years ago, and we'll actually celebrate being public for 20 years, ringing the bell on NASDAQ in the first part of next year.

We've doubled in size to over \$20 billion in assets in late 2009 through the FDIC-assisted acquisition of United Commercial Bank, which also gave us a banking license in China.



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Since then, we've had the scale necessary to execute on our cross-border banking strategy, building out specialized industry verticals that potentially support a robust business growth between the U.S. and China and also having the scale and the revenue necessary to invest in products and capabilities that meet the need of our more complex client base.

At the same time, we have not lost our roots deeply seated as a Chinese-American-focused community bank and maintain a leading market share in retail and small business banking throughout the Chinese-American population.

We call our differentiated positioning our bridge banking model, bridging between the East and the West. And through the execution of it, combined with a focus on customer relationships, we generate long-term stakeholder value for all of our constituents: customers, employees, the communities, and our shareholders.

I'd like to highlight that each and every one of our employees is a shareholder. We give restricted stock to all employees regardless of title on an annual basis. And they are all vested in the interest and the success of East West.

You can see the success of our model through our consistently strong growth metrics. Over the last 10 years, we've achieved 11% growth on loans and 10% on deposits.

Between 2010 and 2017, our net earnings have grown by a constant annual growth rate of 17% and our EPS by 23%.

Immediately following the credit crisis, we repurchased excess capital. Year-over-year, our 2018 year-to-date net earnings and EPS have grown by 35%.

Over the last 10 years, our tangible book value per share of \$0.2591 as of the end of the third quarter has grown by a growth rate of 12% and our TCE ratio expanded by 177 basis points to 9.73%. Given our growth profile, we've continued to view organic growth as the best use of our capital and bias towards dividend increases for increasing capital to shareholders. This has been a point of a lot of discussion, I think, maybe, at this conference and also for us, for investors. So we want to make sure the highlight for us, we, with the organic growth that we have had, we truly believe that if that continues, that's the best source of capital.

Certainly, I think, aside from that, we will look at what other sources of deployment are. But certainly, from a fundamental perspective, we feel that you need the capital and the deposit base to generate the revenue and the growth. And that's something that we feel that we'll continue to be able to do for the rest of 2018 and '19.

With that, I'm going to turn it over to my colleague, Juliana, to go into more details of the results for the third quarter.

Julianna Balicka - East West Bancorp, Inc. - Director of Strategy & Corporate Development

Thank you, Irene. And now I'll review our loans and deposits. As of September 30, our loan portfolio was \$31 billion, having grown 11% linked quarter annualized and earning a yield of 5.02%.

Our loan portfolio is well diversified among commercial, commercial real estate and consumer lending.

First, let me make some points about our C&I loans of \$11.5 billion or 37% of our total loans.

As Irene mentioned earlier in her remarks, on top of our traditional community lending, we have built expertise in verticals that support robust capital flows between the U.S. and China.

Wholesale trade and manufacturing are natural concentrations in our customer base and have been part of our bread and butter for a long time.



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Over the last several years, we have also built expertise, for example, in entertainment. The entertainment industry in China is high growth, and box office receipts in China are on track to exceed those in the U.S.

So we have built expertise in verticals such as this that are great examples of cross-border industries for us to bank.

More recently, we added an energy lending team. Today, that is entirely a domestic business, but in the future, we believe there will be cross-border potential as Chinese companies seek to diversify globally in oil and gas.

The largest segment of our loan portfolio is in commercial real estate, which makes up \$12 billion, including construction and land or 38% of our total loans.

This is down from nearly 70% before the acquisition of United Commercial Bank, which catalyzed a decade of the stronger commercial loan growth to diversify the balance sheet.

Excluding construction and land, you can see that our CRE and MSR portfolio of \$11.4 billion, well diversified by property type, granular, and this is an important component of our underwriting, characterized by low LTVs. The average LTV on our CRE and MSR loans is only 51%.

The mix of our CRE portfolio by property type has been fairly constant over time, and we are very comfortable with the properties and customers in our book from a credit perspective.

That being said, we do anticipate slower growth from CRE overall. Real estate valuations are high, loan pricing is competitive, and thus, the volume of transactions that meet our credit standards is smaller. You have seen that in our year-to-date growth trends.

Taking a look at our SFR and HELOC loan portfolios, which, combined, are 7% or 24% of our gross loans. SFR has been a source of strong growth for us year-to-date and pipelines continue to be robust, supporting a continuation of that trend.

Similar to our CRE portfolio, our SFR loans are characterized by low LTVs, and the average LTV is 52%.

The geographic spread of this portfolio mirrors our branch footprint. SFR loans for us are largely source of our branch referral and to our local broker and real estate agent networks.

Although origination volumes have slowed down for the mortgage industry, we continue to experience strong demand for our niche product, which is targeted at our Chinese-American and Chinese immigrant customer base.

High down payment, low doc, understanding that their paper footprint in the U.S. may be more thin but that their assets and wealth may be substantial.

As such, we retain premium pricing and are able to maintain attractive origination growth.

Moving on to deposits. As of September 30, our deposits reached \$33.6 billion, and we had an end of period loan-to-deposit ratio of 93%. Our deposit book is well diversified by type, and noninterest-bearing demand deposits made up 32%.

For perspective, before the acquisition of United Commercial as of September 30, 2009, DDAs made up only 16% of our total deposits. The diversification of our deposit base over the past decade reflects not only this period of low interest rates but the growth that we experience with commercial clients, which benefited both loans and deposits.

Of course, similar to many banks, we also experienced an inflection point in terms of rising deposit costs in the second quarter of this year. Nevertheless, a deposit mix of 32% DDA is a stronger place to be in a rising interest rate environment that we were in the last interest rate cycle.

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We expect this will continue -- contribute to supporting our net interest margin into next year.

And now for a quick review of our earnings. This slide illustrates our most recent 5-quarter trend in terms of EPS, EPS growth and profitability. You can see that our operating ROA, excluding onetime items, has ranged from 1.35% before the tax reform to 1.84%.

Our tangible ROE has ranged from 15.1% also before tax reform to 19.7%. Consistently achieving high profitability is a hallmark of East West's financial performance.

Our revenue growth is largely driven by our net interest income growth, reflecting loan growth and net interest margin expansion.

Our NIM was 3.76% in 3Q '17, temporarily dipping in 3Q given the timing of interest rate increases in late September but expanding by 24 basis points year-over-year.

Cycle-to-date, since the Federal Reserves started increasing the Fed funds rates in December 2015, we have had an implied beta of 55% on our loan yields, excluding accretion income from the UCB acquisition and a 28% implied beta on our total deposit costs relative to the change in the average Fed funds rates.

Our fee income is still a relatively modest component of our overall revenue mix, so I'll skip over to the next slide, but you can see the components here for more detail in the presentation.

In addition to robust revenue growth, our profitability is supported by our industry-leading efficiency. Our efficiency ratio has ranged from 39.8% to 41.6% over the past 5 quarters. This reflects a cost-conscious culture at East West and quite frankly, attention paid by all of our employees to not wasting resources.

As a result, our pretax, pre-provision profitability ratio has ranged from 2.27% to 2.5% over the past 5 quarters. And let me pause for a minute to discuss expense growth in the context of investments. We have been able to maintain attractive profitability while making ongoing investments across the bank in both the front office and the back office and to improve the customer experience, expand our talent pool, upgrade our bank's products and capabilities and importantly, strengthen risk management.

We successfully upgraded our BSA/AML system, which is important for risk management but also provides a new tool for utilizing data and analytics at the bank. For example, the dynamic customer interface of the new system enables us to better search customer data to source cross-border banking opportunities.

Other initiatives, somewhat related to the conference theme, include the digitization of data across the bank, which is an ongoing process and which just set us up for smarter growth as we grow bigger, and we have mentioned in our quarterly conference calls, building out a digital customer -- digital banking platform.

Our goal is not to compete head to head with the national banks for retail deposits but to provide a user experience uniquely suited to East West Chinese-American and Chinese customer base, such as language features or integration with UnionPay, for example.

And lastly, to cover asset quality, you can see that our credit metrics are very good. And I will close out the presentation with our management outlook slide for the remainder of the year, which we updated with our third quarter results.

We are anticipating full year loan growth of 10%, and a full year net interest margin of 3.75%, which implies NIM expansion in the fourth quarter. And with that Gerry, I will turn that back over to you and Irene for Q&A.



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QUESTIONS AND ANSWERS

Gerry Benson

Any questions for from the audience? Ken?

Kenneth Allen Zerbe - Morgan Stanley, Research Division - Executive Director

Just looking at the update for efficiency ratio, it's kind of below the standard. Could you just talk about like what type of projects (inaudible) that you're currently looking on that as far as that you need to? So I'm trying to figure out, probably making the appropriate reduction in tech (inaudible).

Irene H. Oh - East West Bancorp, Inc. - Executive VP, CFO & Principal Accounting Officer

All right, sure. That -- so there's a note here to repeat the question. So I'll make sure to repeat the question that Ken had, which is, basically to summarize, are you making the tech investments that you need to with such a low efficiency ratio. So the low -- efficiency ratio is a ratio. We've talked about this on the earnings call, ad nauseam, there's a numerator and the denominator. And part of the reason our efficiency ratio is so low is I think, one, as Julianna referenced, we're trying to be smart about what we're spending. Two, it's a mix of the balance sheet and the loan mix. Real estate lending is, generally speaking, lower cost, right. We also don't have lines of business that are high expense but maybe higher fee, less capital intensive, those are generally smarter -- smaller for us. So those are factors. And kind of leading to your main question, which is are you making the tech spending, are you doing the tech spending that you need to from a technology, from an infrastructure perspective.

I would say that we are very much focused on this from the perspective of all aspects of risk, right, from the perspective of looking at, do we have a necessary visibility in the credit risk and the balance sheet risk, off-balance sheet risk, we are spending from the perspective of improving our processes, the systems, data. I think a lot of our focus lately is really on customer experience. Julianna mentioned some, and then we mention on the calls as well, some of the spending that we're doing on the consumer side to improve the customer experience, the digital onboarding. A lot of our customers right now, it's interesting, we have a retail and a consumer platform, consumer retail branch network and pretty much is unchanged since we started the bank in 1973.

So that is just supposed with a lot of newer customers that we have, new immigrants from China where the technology payments, mobile banking is much more advanced than it is in the U.S.

So part of what we're doing is trying to make sure for consumers' perspective, it is an easier transition as they come to the U.S. and bank with us naturally in that it makes sense. And they're not necessarily put off that. You can't send the money on their mobile phones.

On the same side, we're continuing to make investments on a commercial platform perspective to ensure that from a product perspective, from a cybersecurity perspective, the needs of our larger, more sophisticated commercial deposit customers are met.

I think on the same token, what we're trying to look at in 2019, and it's -- probably could've done this a little bit sooner rather, but later is better than never, is how can we tailor with the investments and the money that we've spent in technology and creating promise in meeting the needs of the larger commercial deposit customers. Can we better package this for smaller businesses, Chinese-American businesses or not that? It makes more sense for them and the needs that they have. And the finally, I'll say on the cross-section technology and data, this is the area we're making a lot of investments in as far as our data warehouse, our systems, our ability to understand from a risk perspective and then also a customer behavior perspective. And that is something that I think in the next coming years, we'll start to see the fruits of that labor. Right now it's a little bit more of being in the trenches, quite frankly, and doing the work on the data side.



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Gerry Benson

I mean Irene, can I just -- a little bit different, but just adding on to that, right. This is -- given, I mean, when you have the choice between developing and kind of using a third-party outsourcer, is like your unique kind of target demographic limit you in any way, so you have to develop it internally? Or how do you evaluate that?

Irene H. Oh - East West Bancorp, Inc. - Executive VP, CFO & Principal Accounting Officer

Yes. That's a great question. So the question is whether or not, with our customer demographic, it makes more sense to develop a product internally or outsource. Usually our preferred method is to go with a known vendor. It's cheaper, there's easier kind of scalability potentially. And honestly, with most of the vendors that we partner with right now that are cloud-based, from a long-term perspective or ability to switch vendors out if things don't go well, it's a lot easier than it used to be.

I think, for example, with some of the development we're doing on the consumer banking platform, to certain extent, we're limited by the vendors and some kind of the integration that we need to do, there is a lot maybe of customization to meet the needs and to be able to meet the needs of our target customer and then also to be able to kind of drill into that a little bit more. But from a platform perspective, generally, we try to rely on third parties. It's more cost effective, unless, there's something that's -- it makes sense for us to -- it's just more cost-effective or from a customization perspective, it makes more sense to build in-house. And some of the data things we're building in-house because of that reason.

Gerry Benson

Right. So it's more -- yes, it's more fine tuning integration part that's in-house development and the rest. So when you look at..

Irene H. Oh - East West Bancorp, Inc. - Executive VP, CFO & Principal Accounting Officer

Our idiosyncratic risk, I'd say, right. If we want to look at that, where, honestly, even if you use a third-party vendor, you'd probably have to kind of build that out to certain extent that it's the same.

Gerry Benson

So if you think about the digital offering for like on the consumer and the commercial platforms, then you look at it like, what a super-regional or money-center one of the larger banks can offer, is there -- when you think about like trying to have some sort of commensurate offering, is that something you can achieve with third-party outsourcers -- outsourcing rather as well as there's going to be somewhat of integration and...

Irene H. Oh - East West Bancorp, Inc. - Executive VP, CFO & Principal Accounting Officer

Yes. We think so, yes. We think so.

Gerry Benson

Like, I guess, I'm just trying to get at what -- how you think about in terms of the competitive advantages and disadvantages you are because it's arguably -- argument to be made, you can be more nimble and such.

Irene H. Oh - East West Bancorp, Inc. - Executive VP, CFO & Principal Accounting Officer

Yes. I -- and our focus is really at this point that our efforts from a digital side, especially, on the consumer side, are a complement to our retail franchise, right. The name, presence, the brand recognition that we have with the Chinese-American community is very strong. So this is really

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another channel and avenue for that. But it isn't a strategy necessarily of reaching a different customer base or that we would normally be looking at from a consumer perspective, right. So our focus is really how can we tailor the products and to the needs that they have or kind of advertising away that makes sense.

Gerry Benson

Okay. You can ahead, Jared.

Jared David Wesley Shaw - Wells Fargo Securities, LLC, Research Division - MD & Senior Analyst

Yes, Irene, you sounded upbeat on this conference call about the cross-border opportunities. Could you just elaborate on what (inaudible)?

Irene H. Oh - East West Bancorp, Inc. - Executive VP, CFO & Principal Accounting Officer

Sure. So Jared's question was that we sounded upbeat -- or that I sounded upbeat on the conference call, it might have been Dominic, about kind of the opportunities cross border. So with the ongoing dialogue of the trade tariffs, we view this opportunity to have much more engagement with our customers. We should be doing that all along, and our employees say that they are doing that, but this has allowed us another opportunity. So from a cross-border leadership perspective, down to every RM, we're having more dialogues with our customers, seeing where else we could -- what else we can do to help them expand their business. And also at the same time as we're going through customer by customer, there are some where we feel very strongly, here's the opportunity. Maybe there'll be other banks that are a little bit gun shy, given kind of the tariff situation, but we are willing because we're comfortable with the credit to lend them more or expand the relationships.

At the same time, because we're looking at these customers and evaluating loan by loan, now honestly, there's some customers that were thinking, it may be better for you to exit and go to another customer. So all in all, it's just kind of thorough review that we're doing. One, we're seeing opportunities. Customers are coming to us and seeing what they can do to expand their business. And then we're also using this opportunity to really get comfortable with our loan book, particularly, the C&I loan book. And that may be some of the reason and why we're very optimistic about our C&I book, the cross-border book despite all this kind of noise about tariffs.

Gerry Benson

Okay. [Jamie]?

Unidentified Analyst

I actually was going to ask about (inaudible) tariffs. I mean, is it possible to stress test your portfolio, determine what shape or form to just turn them -- what customers of the bank might be under greater pressure than the other ones would be?

Irene H. Oh - East West Bancorp, Inc. - Executive VP, CFO & Principal Accounting Officer

Do you want to take that?

Julianna Balicka - East West Bancorp, Inc. - Director of Strategy & Corporate Development

Sure. The question was is it possible to stress test our loan portfolio to determine what kind of shape our customers would be? And the answer to that is exactly what Irene was just talking about, about talking and getting in front of customers first and foremost, because we have done a pass through the portfolio, where we reviewed our C&I exposure for exposure of our borrowers to the products that are on the tariffs lists, but it only



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goes so far. Because, for example, we had a customer in there that is a tire manufacturer, right. And they also import tires. They're China-based. They have operations in the U.S. They manufacture tires, and they import tires into the U.S.

On a first-level screen, they would screen us being exposed to tariffs, but then when we went back and talked to the customer a little bit more about what's going on, we learned the very specific fact that the tires that they import into the U.S. are actually from the -- are from their plant in Indonesia. So that removes them from exposure to tariffs, right.

And -- but on the other hand, our borrowers in the book that may not look as exposed, but then maybe -- like for example, in construction, it's less of an issue for us because we only have a construction book of \$600 million, but construction costs are going up. So is that something that banks, in general, need to be stress-testing for. So our process is we've done the first pass where we have looked at what is our, like, headline exposure to tariffs by importers, exporters, manufacturers. And we have found that, that was less than 5% of our total loans. And again, remember that 2/3 of our book is real estate based, but that's -- as we say that's only at first pass. The second pass is going through and talking to our borrowers and seeing how can we help in getting comfortable with our credit loss. And at this point in time, we feel comfortable with our book, and we feel comfortable with our borrowers that they have the resources to navigate this environment, in some cases even expand.

Unidentified Analyst

I just had a couple questions on the consumer digital offering and question one would be at what stage is that initiative stand at this point (inaudible) and the second point in on around this offering. Some of the new clients (inaudible).

Irene H. Oh - East West Bancorp, Inc. - Executive VP, CFO & Principal Accounting Officer

So the multipart question was really about our digital banking offerings. I want to clarify, currently, we do offer digital banking and mobile banking for consumers. So it is an asset for starting out with a new venture that is completely separate. It's really more of how do we enhance the customer experience so we can gather more deposits. And it's more user funding, there's more product functionality and capabilities. So that's really our focus. So for example, we have mobile banking. We have on -- bill pay, things like that. But can we also change this so that mortgages -- right now you have to walk in to a branch. Can we have an online application process? How do we end-approve the process, so it's more seamless and then hopefully over longer term, less cost intensive, right? So I don't think that at this point, we have a different strategy from a consumer perspective or a target market. It is largely in the footprint that we are in. And also, our consumer strategy is largely focused on a Chinese-American market as well, and that will continue.

Unidentified Analyst

Okay, so it's not a timing issue (inaudible)?

Irene H. Oh - East West Bancorp, Inc. - Executive VP, CFO & Principal Accounting Officer

That's right, that's right. Really, kind of to supplement and enhance kind of the experience that we have today. Yes, we were calling it a new digital offering because it has been -- well, we really -- we have slow -- we have been a slow adopter. And it's an interesting thing, we were talking about this at meetings earlier. The range of the type of customer that walks into East West Bank branch is so broad. You could have a 90-year-old Chinese-American grandmother, right. You can have someone who's a newly minted billionaire from China. So what we're trying to do is make sure from an online presence and digital presence, we have kind of a product offering that makes sense and how do we kind of customize that to the needs that they have, right. Yes, it's interesting too. The percentage of customers that we have who walk in to make mortgage payments is shockingly high. So if we can convert some of that to online payments, it's less cost from a back office perspective, and then we can look at making more efficiencies as well. I think right now, it's a shocking 25% or something like that walk-in. But the other foot side of that, it's an opportunity for our branch manager to sit down, give the customer a cup of coffee, have a chat and then see what else kind of banking services that we can offer.



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So -- but certainly we want to make sure that those channels are available. Same thing from the payment side, right. I think the payment offerings that we have, capable, but can we expand that to meet the needs that our customers have and what they want to do.

Unidentified Analyst

First of all, I thought it was great cycle that you've seen a (inaudible) efficiency ratio. This has been the (inaudible) our capital spend which is exactly right, those products has better margin. You had such a mix with customers that -- in fact, it's gotten so strong, you pick on a slight hand on the product and they got to work very professionally. Now that all that's kind of modernizing and evolving, do you think you're going to need those other products? Or do you want to be more into to expand and invest in other products all the time? So that's an additional thought.

Irene H. Oh - East West Bancorp, Inc. - Executive VP, CFO & Principal Accounting Officer

Yes. That's a great question as far as our efficiency ratio, our product mix and whether or not we need to expand into other product categories. A fee-based business is really is what we talking about. And that's something, I think, as the needs of our customers change, we'll certainly look at that and see. It -- before, it was interesting because for a period of time, the growth rate that we had on fee-based incomes was very high, double digits, and when rates were so low for so long, that was great growth. But when Fed funds started to increase, we knew that, that growth in NII would far surpass the fee income growth, which is a good thing from -- for the bottom line, for shareholders, for the bank. But as far as kind of that growth metric and looking at fee-based incomes as a percentage of total revenue, certainly, that's fallen behind. For ours, I think, we'll follow the customer with the needs that they have. There aren't any real plans at this point to really expand that. Some of those businesses, honestly, I think, you're going to have to buy. Building de novo is expensive or -- only a -- doesn't even make a penny to the EPS. So as those needs happen for our customer base, we'll take a look and evaluate that. I think we are an outlier for regional banks as far as fee income relative to total income and total revenue, and certainly, that's something that we're cognizant of.

Gerry Benson

[Greg].

Unidentified Analyst

(inaudible) you're a fast growth company, right. You need those deposits. And I know (inaudible) initiative is to promote your campaign. So what stopped that? I mean, it's just in terms of (inaudible) and just your deposit beta remained higher (inaudible).

Julianna Balicka - East West Bancorp, Inc. - Director of Strategy & Corporate Development

So Ken's question is in terms of managing deposit betas, what gives us comfort? And then are we going to be relying on CD promotions throughout? I think the way to think about it is to kind of put it in context of loan growth and where is our loan growth going to go. At the end of the day for 2019 and in general, we want to grow core loan growth with good customer relationships and fund that with good core deposits. Now bear in mind that for us, CDs are a core customer product. And a lot of our customers have been with the bank for years. They're very sticky. It's an opportunity to reawaken relationships with customers and deepen those relationships by expanding to other products as well.

We are not chasing yields in our CD promotions. In fact, we price below market at about 25 basis points below. So we are choosing a lower cost alternative than just kind of chasing yields, right. And we are engaging with our core customers. Importantly as well though is our DDA mix, which is 32% of our deposits today. We have been, behind the scenes over last several years, been continuing to improve our products and capabilities in treasury management systems. In fact, in September, we rolled out digital online commercial banking to a point where next year we seemed that we've caught up our capability with the money-center banks to the point where we can focus our team on sales and generation and deepening of operational accounts. Also, in terms of DDAs with our core customer base of the community, Chinese-American customers, right, as opposed to the largest "corporate" kind of commercial customers. By paying more attention to that customer base and going through and making sure we



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have the operating accounts for the small businesses and have packages that are appropriately sized and priced to them, we think there's some low-hanging fruit there. So no, we do not plan to rely on CD promotions to kind of fund our funding. We do plan on first and foremost focusing our attention on lower-cost deposit sources, but it's also important to remember that for us, CD promotions are a core customer product and are not priced aggressively.

Gerry Benson

We have time for one more question, if there's one out there.

Okay, thank you Irene and Julianna for the presentation today. That was great.

Irene H. Oh - East West Bancorp, Inc. - Executive VP, CFO & Principal Accounting Officer

Thank you, Gerry.

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