



## A BRIDGE BETWEEN

# East

**Chairman and CEO Dominic Ng wants East West Bancorp to serve as a financial and cultural bridge between Asian Americans and mainstream America. That mission has become much harder thanks to the U.S.-China trade war and the Covid-19 pandemic.**

**D**ominic Ng came to the United States from his native Hong Kong in 1977 to attend college. Ng wanted to remain in the United States after graduation, so he took a job with the accounting firm then known as Touche & Ross because it had experience helping foreign nationals with student visas apply for a work permit and green card.

“That was my criteria for choosing a firm,” he says today.

Just 15 years later, Ng became chief executive officer of Pasadena, California-based East West Bancorp, which he eventually built into the largest and most successful minority depository institution in the United States — not to mention one of the country’s most profitable. But even after he became a U.S. citizen, Ng would often encounter racial prejudice that he says is a common experience for Asian Americans, although he tried to ignore the slights as best he could and keep his head down. “We feel ... we should work hard and then stay quiet and try not to be too vocal [or] make too much noise,” he says.

“And that’s how I lived my life.”

That attitude changed in the early days of the Covid-19 pandemic, which gutted the U.S. economy and upended many aspects of everyday life. The United States and China had already been locked in a heated trade war for two years, which may have tilled the soil for a resurgence of racial bias against Asian Americans. Lingering uncertainty about the virus’ origin in China — including unproven accusations that it might have escaped from a government-run research facility — made the situation much worse. Throughout U.S. history, immigrants have often become targets of violence during times of economic or societal unrest, and the pandemic spawned a sickening increase in acts of violence against Asian Americans.

The rise in violence, along with Ng’s concern for



# AND West

BY JACK MILLIGAN

the safety of the bank's staff and members of his own family, spurred him to speak out — or better said, speak *up* for Asian Americans. “I’m encouraging Asian Americans to all step up and be more vocal,” he says. “I think the model minority perception was OK for decades, but maybe it’s no longer OK in today’s environment,” he says. “Because of the internet, things can go viral very quickly. When someone starts putting out a hate message somewhere, suddenly a group of people start going [on the] attack.”

Ng wrote an op-ed piece for the Los Angeles Times condemning Asian American bias and has spoken out against it in media interviews. The East West Bank Foundation has provided financial support to a number of organizations fighting against anti-Asian discrimination and violence. Ng also expressed his concern about the rise in Asian hate crimes in a conversation with candidate Joe Biden during the 2020 presidential campaign. Shortly after President Biden took office in January, the White House issued a memorandum condemning racism against Asian Americans, followed by an Executive Order in May that laid out a broad

initiative under the U.S. Department of Health and Human Services to combat Covid-related anti-Asian bias.

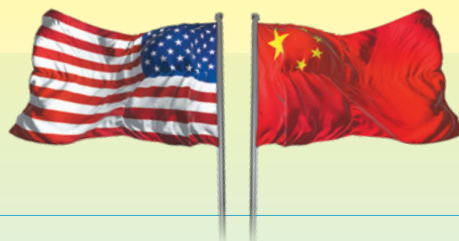
Ng’s outspokenness against Asian American prejudice and scapegoating is consistent with the role that East West Bank has created for itself under his leadership. In fact, one could say that alleviating the impact of anti-Asian discrimination is in the bank’s corporate DNA.

The institution was formed as the East West Federal Savings Bank in 1973 to provide home mortgages and auto financing to Chinese immigrants in Los Angeles, a group that was largely ignored by the city’s mainstream banks. “Many of the banks were just not willing or comfortable extending credit to them, and it put many Chinese immigrants in a very difficult situation in terms of buying homes or even getting car loans,” says Ng.

It took over a decade for a group of community leaders to get regulatory approval. The initial group was comprised of Asian Americans, and Ng says they weren’t successful until two Italian American businessmen in Chinatown joined the group.



**Dominic Ng,**  
chairman and CEO,  
East West Bancorp



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“Neither of them had any banking experience,” he says. “One was the owner of an iconic Italian restaurant called Little Joe’s. The other one was just a sausage maker. But somehow it worked, and they got approved.”

Ng spent 10 years with Touche & Ross (which later became Deloitte & Touche after a merger), first in Houston and later in Los Angeles. He never planned on a career in banking, but a client of his in Singapore wanted to set up a company to make investments in the United States, and convinced him to leave Deloitte and become its president. Ng orchestrated the acquisition of East West Savings Bank in 1991 for the Singapore firm, paying \$40 million in cash for \$600 million in assets. A year later, the bank’s board asked him to step in as CEO.

The East West Bank of today is largely Ng’s creation and has evolved well beyond its early business model. As the new CEO, Ng believed the bank needed to grow beyond the founders’ original intent — not as an abrogation of their vision, but a fuller, more ambitious imagining of it. “I always felt that the obligation and responsibility of East West was not just to help [Chinese immigrants] when they first came to the U.S. to adjust to U.S. culture and regulation or law, but we ought to help them expand beyond the Chinese community and cross over to the mainstream,” Ng says. Otherwise, he feared the bank’s immigrant customer base would stay perpetual foreigners in their new country. “Well, I have bankers who speak my language; they understand my culture. I get financing from them, I don’t need to go beyond that,” Ng says, paraphrasing this attitude of complacency. “We are a financial bridge and even a cultural bridge.”

Ng’s bigger vision came as a shock to the East West board at the time, but he quickly won it over. “I told the board that I would like to switch gears and change our vision statement to make East West Bank recognized as the premier financial bridge between east and west, and acknowledged for delivering relationship-delivered solutions to an increasingly diverse and sophisticated customer base,” he says.

Ng converted East West to a commercial bank charter in 1995, and over the years has expanded its footprint from its original location in Los Angeles’s Chinatown to 116 offices in California, Washington, Nevada, Texas, Georgia, Massachusetts and New York. Even with this expansion, East West has stayed true to its mission of providing banking services to Asian Americans and other minorities. Over 80% of its branches are located in majority minority census tracts, and its branch staff can do business in over 10 languages. It also has Chinese and Spanish language mobile banking apps.

The bank’s balance sheet has also grown substantially, to \$59.9 billion in assets as of June 30. East West converted to a state commercial bank charter in 1995 and went public in 1995. Today, it is traded on the Nasdaq and ended the quarter as the 40th largest bank holding company in the United States, according to the Federal Reserve. And reflective of Ng’s determination to expand the bank’s lending capabilities, East West has a highly diversified loan portfolio comprised of commercial real estate at 38%, commercial and industrial at 31%, residential mortgage and other consumer loans at 27% and Paycheck Protection Program loans at 4%. Seventy-seven percent of the bank’s commercial real estate loans are in California — which leaves it highly exposed to that state’s economic fortunes — although the portfolio is well diversified by loan size and property type. A high percentage of its commercial real estate loans also have full recourse and personal guarantees, and the average loan-to-value ratio of the portfolio is just 51%.

Ebrahim Poonawala, who heads up North American bank research at Bank of America Securities, says he is not particularly concerned about East West’s concentration in California real estate. “If something really catastrophic were to happen to California, would you worry about that?” he posits. “Yes, but I could say that about any part of the world if you’re concentrated in a region. But my concern is not tied to how they go about underwriting and extending loans.”

Poonawala says that East West took some losses on real estate loans during the 2008-09 financial crisis, and he credits Ng with taking a conservative approach to credit. “I think this is someone who’s learned from past errors and has scars on his back from previous recessions and cycles, and that informs how he runs the bank today,” he says.

Another important decision that Ng made early on was to build a trade finance business, leveraging the business and personal relationships that its immigrant customer base maintained throughout Asia. “They have roots that trace back to China, to Taiwan, Hong Kong, Singapore, Malaysia, Indonesia,” he reasoned at the time. “We ought to be doing international trade finance to help these customers do import [and] export business.” Ng started with a representative office in Beijing in 2003, then opened an East West branch in Hong Kong in 2007. Ng acquired another minority bank during the financial crisis through an assisted transaction with the Federal Deposit Insurance Corp., which gave him a banking license in China. Today it has four full-service offices in China and four representative offices. In addition to helping Asian-American customers do business in China, East West also provides trade financing to many mainstream U.S. companies doing business in China.

Not only has East West grown at an impressive clip under Ng’s leadership, the bank has become highly profitable as well. It placed first in the \$50 billion and above category in Bank Director’s 2021 Bank Performance Scorecard, which was based on its 2020 full-year results. The scorecard is an annual ranking of the 300 largest publicly traded banks in the United States. It uses five key measurements of profitability, capital adequacy and asset quality to produce a final score. Out of the 30 banks in the \$50 billion-plus category, East West had the highest return on average assets (ROAA), the third highest return on average equity (ROAE), and second highest ratio of tangible common equity capital to tangible assets.

The bank’s strong performance continued into the second quarter of 2021, when it reported \$225 million in net income on revenue of \$445 million. Loan and deposit growth for the quarter both set new records for the company. Its ROAA for the quarter was 1.56%, its ROAE was 16.6% and its adjusted efficiency ratio was 36.3% — all stellar performances.

In a July research report, Poonawala wrote that Bank of America Securities considers East West Bank “among the best managed banks in our coverage universe,” and in an interview described it as “a unique bank in terms of the level of profit-

ability that it has, along with the growth that it has. ... Often you find that a bank has high growth but doesn’t have the same return metrics.” Poonawala believes that East West’s high efficiency is one driver of its profitability, and he thinks the bank may have somewhat better pricing power on some of its lending relationships given its niche focus. East West has further benefited from the growth of the Asian-American demographic in the United States. According to a Pew Research Center analysis of U.S. Census data, the Asian population here grew 81% between 2000 and 2019, making it the fastest growing racial or ethnic group during that time span.

Poonawala also gives considerable credit for the company’s growth to Ng, whom he describes as a strong leader. “I think he runs a tight ship,” the analyst says. “This is a guy who is responsible for everything and knows everything. He knows his bank; he knows what’s happening in every corner of the bank.”

Rudolph Estrada has served on the holding company’s board of directors since 2005, and has been its lead director for the last eight years. He confirms that Ng brings a highly focused management style to the bank. “He is a hands-on type of executive, and there is not a thing that is material in the bank that he’s not aware of,” Estrada says. “I’m just continually impressed that he was able to grow with the bank and maintain that keen awareness of what goes on at the bank at all levels.”

For a bank that positions itself as a bridge between east and west, the protracted trade war between the United States and China has been an unwelcome development. In an article posted on the Forbes.com website in late August, Ng argued that it was time for the Biden administration to search for ways to ease the pain of the tariffs imposed by former President Donald Trump on U.S. companies and consumers. He doubts that Biden will find it politically palatable to address the tariff situation in any substantive way prior to the 2024 presidential election, particularly since anti-China sentiment in this country is still very high. A Pew Research Center survey in March found that nine out of 10 Americans view China as a competitor or enemy, instead of as a partner.

Ng fears that continued tension between the two countries will only prolong the discrimination and incidents of violence that Asian Americans have been experiencing. “So long as the U.S. and China continue to quarrel, I think Asian Americans will continue to be collateral damage,” he says. “That is one of the reasons why ... East West must continue to step up and be vocal about the importance of

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having a constructive relationship between the U.S. and China.” There are also crucial geopolitical issues that the world’s two largest economies can’t fix on their own. “Climate change is one of the most important challenges that’s facing the world,” Ng says. “If the U.S. and China aren’t working together, we’re not going to solve that problem.”

The U.S.-China divide seems to have had little, if any, impact on the bank’s profitability. “The lion’s share of our revenue does not come from our China operations,” says Estrada. “I don’t think the disruption politically is going to alter in any great detail the types of relationships that we have with our businesses.” Estrada adds that “we go for the low-hanging fruit — that which is not complex [or] impacted by politics necessarily.”

Still, an improvement in U.S.-China relations would most likely have a positive impact on East West’s stock price, which Poonawala says trades at a deep discount to other high-growth peers. “We attribute some of this discount to persistent headlines tied to a tense U.S.-China relationship which has had the effect of making investors cautious (based on our conversations),” he wrote in a July research note.

Ng also isn’t concerned about the trade war. “Our cross-border banking did not suffer,” he says. “We hardly took any losses at all. In fact, we grew even more business — much more business.”

Prior to the pandemic, Ng was making five to six trips to China a year, so he believes he knows the country well. “We don’t take this foreign banking business lightly,” he says. “We made a decision that if we’re committed to do U.S.-China cross-border business — to be that bridge between the U.S. and China — we need to be the best. The only way you can be the best is to continue to be very knowledgeable of the political landscape, the regulatory landscape, and understand the business opportunities there. That’s why I make more trips to China than to San Francisco or New York, where we have a much bigger presence. The U.S.-China bridge banking business is a value proposition that differentiates East West from others. I want to make sure we do it well.”

One reason why Ng is willing to speak out about anti-Asian discrimination might be that he has experienced it himself. Ng left Hong Kong to attend college in the United States because the education-

al opportunities were better here, and he wanted to stay in the United States after graduation because the employment opportunities were better here as well. The United Kingdom still exercised sovereignty over Hong Kong in those days, and there was an entrenched colonial environment that made it difficult for native Chinese to rise professionally unless they came from a wealthy family.

Ng has found economic opportunity in abundance in the United States, but he still feels like a perpetual foreigner at times — a dynamic that may be especially acute for Asian Americans. Ng tells the story of the late Matt Fong, a fourth generation Chinese American who served as California’s State Treasurer and retired as a lieutenant colonel in the Air Force Reserves. Ng and Fong were acquaintances, and Ng says that upon meeting him for the first time, people would often ask Fong, “What country did you come from? How come your English is so good, and no accent?” Because he couldn’t even speak Chinese! Because he’s an American citizen, born in America.”

Another frequent stereotype about Asian Americans is that they’re highly successful financially. Although many Asian immigrants have prospered economically after coming to this country, a Pew Research Center analysis in 2018 found that Asian Americans had the highest income differential of any racial group in the United States.

The concept of the perpetual foreigner, on the other hand, rings true with many Asian Americans. In May, a group called Leading Asian Americans to Unite for Change — or LAAUNCH — released the results of a survey that 80% of Asian Americans say they are discriminated against in the U.S., and 77% do not feel respected. The East West Bank Foundation provided LAAUNCH with a grant to conduct the survey, and Ng says he will continue to speak out — and up — for Asian Americans.

“Those are the kinds of things that I think we need to work on,” he says. “I think the Asian-American community, Asian-American business leaders, civic leaders, political leaders all have to step up and do our share to help educate the others.” **[BD]**

**Jack Milligan** is editor-at-large at Bank Director.