

## **East West Bank, Pasadena, California Assumes All the Deposits of United Commercial Bank, San Francisco, California**

### **United Commercial Bank Fact Sheet: Discussion of Additional Issues**

#### **Cause of Failure**

United Commercial Bank (UCB) had substantial concentrations in commercial real estate lending and acquisition, construction and development loans in the declining U.S. real estate market. Earlier identification of problem loans may have been impeded through alleged fraud exercised by former senior management, currently under investigation by the relevant authorities. Loan losses depleted earnings and eroded capital. The FDIC issued a public Cease and Desist Order on September 3, 2009 where the FDIC and California Department of Financial Institutions stated that there was reason to believe that the Bank had engaged in unsafe and unsound banking practices. The Order raised specific concerns with respect to management's use of policies and practices that were detrimental to the Bank and jeopardized the safety of its deposits. United Commercial Bank Holdings issued a press release on September 8, 2009 announcing the departure of UCB's CEO and COO and the adoption of the findings and recommendations of the company's Investigation Subcommittee of the Board Audit Committee's independent investigation that allowed UCB to move forward with its financial restatement.

#### **International Operations**

The resolution of UCB demonstrates value, and prospects, for international cooperation in resolutions of banks and other financial firms. The key factor was early contact with foreign supervisors, careful discussion and understanding of their authority and prerogatives, and the flexibility to structure a transaction that accommodates their statutory requirements while ensuring a "least costly" resolution for the FDIC. These contacts helped to ensure a "whole bank" resolution by facilitating the smooth purchase of the branch operations in Hong Kong and the subsidiary in China. The FDIC did not incur any loss to the DIF from completing a whole bank transaction, and in fact reduced the DIF exposure by avoiding ring fencing by foreign authorities. Planning with the Hong Kong Monetary Authority and the China Bank Regulatory Commission about the resolution of UCB has been ongoing since discovery of the problems

#### **Impact on Holding Company**

UCBH Holdings, Inc., the holding company of UCB, was approved by the Treasury Department for \$298.7 million in capital through the TARP CPP on November 6, 2008 through the procedures established by the program.

#### **Policy Statement**

To complete this transaction, the holding company of the acquirer raised equity capital. The FDIC's recent Statement of Policy on Qualifications for Failed Bank Acquisitions

<https://www.fdic.gov/news/press-releases/2009/pr09201c.html>

does not apply to an established bank holding company's acquisition of deposits and assets from a failed institution. The FDIC encourages private equity participation in failed bank acquisitions through private investment in established bank holding companies.

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