

CATHAY GENERAL BANCORP
Form DEF 14A
April 20, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
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CATHAY GENERAL BANCORP

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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(4) Date Filed:

777 NORTH BROADWAY
LOS ANGELES, CALIFORNIA 90012

To Our Stockholders:

We are pleased to invite you to attend the annual meeting of stockholders of Cathay General Bancorp. The meeting will be held on Monday, May 21, 2007, at 5:00 p.m., local time, at 777 North Broadway, Los Angeles, California 90012.

At the meeting, you will be asked to elect four Class II directors to serve until 2010.

We look forward to seeing you at the meeting.

Sincerely yours,

Michael M.Y. Chang

Secretary

April 20, 2007

Los Angeles, California

777 NORTH BROADWAY

LOS ANGELES, CALIFORNIA 90012

Notice of Annual Meeting of Stockholders

to be Held on May 21, 2007

Notice is hereby given that the annual meeting of stockholders of Cathay General Bancorp will be held on Monday, May 21, 2007, at 5:00 p.m., local time, at our offices located at 777 North Broadway, Los Angeles, California 90012, for the following purposes:

1. To elect four Class II directors to serve until the 2010 annual meeting of stockholders and their successors have been elected and qualified; and
2. To transact such other business as may properly come before the meeting or any adjournments or postponements of the meeting. The Board of Directors has fixed April 2, 2007, as the record date for the meeting. Only holders of record of common stock at the close of business on the record date are entitled to receive notice of and to vote at the meeting.

Please vote, sign, and date the enclosed proxy card and return it in the accompanying envelope. If you mail the envelope in the United States, it does not require postage. **It is important that you return the proxy card promptly even if you plan to attend the meeting.**

We invite you to attend the meeting in person. If you attend, you may choose to revoke your proxy and vote in person at the meeting. If you do so, your proxy card will be disregarded.

By Order of the Board of Directors

Michael M.Y. Chang

Secretary

April 20, 2007

Los Angeles, California

777 NORTH BROADWAY
LOS ANGELES, CALIFORNIA 90012

Proxy Statement

Annual Meeting of Stockholders

May 21, 2007

The Board of Directors of Cathay General Bancorp (the "Board") is furnishing this proxy statement to the holders of record of Bancorp's common stock to solicit proxies, including the proxy granted by the enclosed proxy card, for use at the 2007 annual meeting of stockholders of Bancorp and any adjournments or postponements of the meeting. In this proxy statement, Bancorp, we, us, and our refer to Cathay General Bancorp, a Delaware Corporation.

At the meeting, our stockholders will be asked to:

Elect four Class II directors to serve until the 2010 annual meeting of stockholders and their successors have been elected and qualified; and

Transact such other business as may properly be brought before the meeting or any adjournments or postponements of the meeting. Please vote by completing the enclosed proxy card and returning it signed and dated in the enclosed postage-prepaid envelope. If you properly complete the proxy card and Bancorp receives it before the voting, the proxy holders named in the proxy card will vote your shares of common stock as you direct on the proxy card. If you give no direction on the proxy card, the proxy holders will vote your shares in favor of the election of Kelly L. Chan, Dunson K. Cheng, Thomas C.T. Chiu, and Joseph C.H. Poon as directors. Under Delaware law, the inspector of elections for the meeting may consider evidence deemed to be reliable to reconcile proxies and ballots submitted by banks, brokers, their nominees, or similar persons that represent more votes than the holder of a proxy is authorized by the record holder to cast or more votes than the stockholder holds of record.

The Board knows of no other proposal to be presented for consideration at the meeting. The proxy holders named in the enclosed proxy card reserve the right to vote your shares in accordance with their best judgment on any proposal that does properly come before the meeting or to vote your shares for other persons if any nominee for director becomes unavailable to serve.

You may revoke your proxy at any time before it is exercised by filing a written notice of revocation with Bancorp's Secretary or delivering to Bancorp's Secretary a later signed and dated proxy card. You may also revoke your proxy if you are present at the meeting and vote in person. This proxy statement and the enclosed proxy card were first mailed to stockholders on or about April 20, 2007.

QUORUM AND VOTING

The Board has fixed April 2, 2007, as the record date for the meeting. Only holders of record of Bancorp's common stock at the close of business on the record date are entitled to notice of and to vote at the meeting. On the record date, 51,154,356 shares of Bancorp's common stock were outstanding. Each stockholder of record is entitled to one vote for each share of common stock registered in the stockholder's name. Cumulative voting is **not** available for the election of directors.

It is important that stockholders be represented in person or by proxy at the meeting. The presence in person or by proxy of the holders of a majority of the outstanding shares of our common stock is necessary to constitute a quorum for the transaction of business. If the shares represented at the meeting are not sufficient to constitute a quorum or to elect the nominees for director, we may adjourn or postpone the meeting to permit further solicitation of proxies.

Nominees receiving a plurality of the votes cast at the meeting will be elected directors. Plurality means that the persons who receive the largest number of votes cast are elected as directors up to the maximum number of directors to be chosen at the meeting.

Abstentions and broker non-votes are counted for purposes of establishing a quorum but have no effect in determining whether a nominee or nominees have been elected. The term "broker non-votes" refers to shares held by a broker in street name that are present by proxy but are not voted on the matter pursuant to rules prohibiting brokers from voting on non-routine matters without instructions from the beneficial owners.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Based on the contents of reports filed with the Securities and Exchange Commission ("SEC") pursuant to Sections 13(d) and 13(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the entity listed below is the only beneficial owner of more than five percent of our common stock as of December 31, 2006.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Stock	Percentage of Common Stock Beneficially Owned ^{1/}
FMR Corp. 92 Devonshire Street, Boston, MA 02109	5,176,560 ^{2/}	10.02%

^{1/} The ownership percentage is determined by dividing the number of shares shown in this table by 51,646,130 shares of Bancorp common stock outstanding as of March 1, 2007.

^{2/} The number of shares in this table and the information in this footnote are derived from the Schedule 13G dated as of February 14, 2007, filed with the SEC by FMR Corp. According to this Schedule 13G filing, FMR Corp. calculated its beneficial ownership interest to be 9.989% of the outstanding common stock of Bancorp at December 31, 2006. FMR Corp. has sole investment power with respect to all of the above shares and sole voting power with respect to 334,700 of the above shares.

As of March 1, 2007, our directors and executive officers as a group beneficially owned approximately 6,288,603 shares of our common stock. The individual security ownership of our directors and named executive officers can be found in the subsection of this proxy statement titled "Security Ownership of Nominees, Continuing Directors, and Named Executive Officers." Our directors and executive officers have informed us that they intend to vote for the election of Kelly L. Chan, Dunson K. Cheng, Thomas C.T. Chiu, and Joseph C.H. Poon.

As of March 1, 2007, the Cathay Bank Employee Stock Ownership Trust (the "ESOPT") held approximately 1,815,942 shares of Bancorp common stock. Shares of our common stock beneficially owned by the ESOPT have been allocated among the participants of the Cathay Bank Employee Stock Ownership Plan. Each participant has the power to direct the vote of his or her allocated shares. The ESOPT Committee has the sole power to vote and dispose of all unallocated shares of our common stock beneficially owned by the ESOPT. As of March 1, 2007, there were approximately 4,491 unallocated shares. Dunson K. Cheng, Peter Wu, Kelly L. Chan, Joseph C.H. Poon, and Anthony M. Tang are members of the ESOPT Committee.

ELECTION OF DIRECTORS

Under our certificate of incorporation, the Board may consist of between 3 and 25 directors. The Board currently consists of eleven directors, each of whom is also a director of Cathay Bank, a California-chartered bank and wholly-owned subsidiary of Bancorp. The Board has three classes of directors and our bylaws provide that the number of directors in each class should be as nearly equal in number as possible. The term of office of each class of directors is three years. The current term of the Class II directors will expire at the 2007 annual meeting of stockholders and, if elected at the 2007 annual meeting, the new term will expire at the 2010 annual meeting. The current term of the Class III directors will expire at the 2008 annual meeting of stockholders. The current term of the Class I directors will expire at the 2009 annual meeting of stockholders.

Stockholders are being asked to elect four Class II directors. The Class II directors will hold office until the 2010 annual meeting of stockholders and their successors have been elected and qualified. The Board, based on the recommendation of the Nomination Committee, has nominated Kelly L. Chan, Dunson K. Cheng, Thomas C.T. Chiu, and Joseph C.H. Poon to serve as Class II directors. All of the nominees are currently directors of Bancorp and Cathay Bank, and have served continuously in these capacities since the dates indicated in the table below. If any nominee named in this proxy statement becomes unavailable for any reason, or if any vacancy on the Board occurs before the election, the shares represented by any proxy voting for that nominee will be voted for the person who may be designated by the Board to replace that nominee or to fill that vacancy on the Board. However, as of the date of this proxy statement, the Board does not believe that any nominee will be unavailable or that any vacancy will occur.

The Board recommends a vote **FOR** the election of Kelly L. Chan, Dunson K. Cheng, Thomas C.T. Chiu, and Joseph C.H. Poon as Class II directors.

Security Ownership of Nominees, Continuing Directors, and Named Executive Officers

The following table sets forth:

The periods each nominee and director has served as a director of Bancorp.

Information on the beneficial ownership, as that term is defined under SEC rules and regulations, of shares of our common stock as of March 1, 2007, by each nominee and director, by each executive officer named in the Summary Compensation Table in the section titled Remuneration of Executive Officers below (Named Executive Officers), and all the directors and executive officers as a group. Each nominee, director, and executive officer has furnished the information on his or her own beneficial ownership set forth in the following table. Except as otherwise noted in the footnotes below, each of these persons had sole voting and investment power with respect to the common stock owned by him.

Name	Age	Director of Bancorp Since	Common Stock Beneficially Owned as of March 1, 2007	Percentage Ownership as of March 1, 2007
<i>Nominees for Election at the Meeting for the Term Ending in 2010 (Class II):</i>				
Kelly L. Chan	60	1990	421,279 ^{1/}	^{*/}
Dunson K. Cheng	62	1990	1,652,831 ^{2/}	3.14% ^{2/}
Thomas C.T. Chiu ^{**/}	59	2003	249,017 ^{3/}	^{*/}
Joseph C.H. Poon	60	1990	70,671 ^{4/}	^{*/}
<i>Directors Currently Serving for the Term Ending in 2008 (Class III):</i>				
Patrick S.D. Lee	72	1990	264,514 ^{5/}	^{*/}
Ting Y. Liu	70	2003	407,888 ^{6/}	^{*/}
Nelson Chung	54	2005	700 ^{7/}	^{*/}
<i>Directors Currently Serving for the Term Ending in 2009 (Class I):</i>				
Michael M.Y. Chang	69	1990	598,732 ^{8/}	1.16% ^{8/}
Anthony M. Tang	53	1990	945,271 ^{9/}	1.82% ^{9/}
Thomas G. Tartaglia	83	1990	92,332 ^{10/}	^{*/}
Peter Wu ^{**/}	58	2003	1,343,626 ^{11/}	2.58% ^{11/}
<i>Other Named Executive Officers:</i>				
Heng W. Chen	54		54,884 ^{12/}	^{*/}
Irwin Wong	58		174,288 ^{13/}	^{*/}
All nominees, directors, and executive officers as a group (15 persons)			6,288,603 ^{14/}	11.73% ^{15/}

^{*/} Percentage of shares beneficially owned does not exceed one percent of the outstanding shares of Bancorp's common stock.

^{**/} Thomas C.T. Chiu is a brother-in-law of Peter Wu.

^{1/} Includes 58,288 shares held by the Kelly and Barbara Chan Living Trust, 9,800 shares held by Mr. Chan's spouse, 13,184 shares held by Mr. Chan as custodian for his children, 27,096 shares held by Chansons Properties, 200,000 shares held as Trustee of the WHFC Chan Grandchildren's Sprinkling Trust, 17,740 shares issuable under options exercisable within 60 days of March 1, 2007, and 4,491 unallocated shares held by the ESOPT. Of the shares beneficially owned by Mr. Chan, 2,000 shares are subject to pledge in a margin account in his spouse's name at a securities brokerage.

^{2/} Includes 239,308 shares held by the Dunson Cheng and Cynthia Cheng Trust, approximately 96,104 shares held by the ESOPT which have been allocated to Mr. Cheng's account, 50,000 restricted shares that were awarded to Mr. Cheng under Bancorp's 2005 Incentive Plan, 936,228 shares issuable under options exercisable within 60 days of March 1, 2007, and 4,491 unallocated shares held by the ESOPT.

- ^{3/} Consists of 166,705 shares held by Chiu Family Trust, 59,732 shares by Dr. Chiu's Pension Plan, and 22,580 shares issuable under options exercisable within 60 days of March 1, 2007.
- ^{4/} Consists of 46,440 shares held by the Poon Family Trust, 19,740 shares issuable under options exercisable within 60 days of March 1, 2007, and 4,491 unallocated shares held by the ESOPT.
- ^{5/} Consists of 246,774 shares held by Mr. Lee as trustee of the Lee Trust, and 17,740 shares issuable under options exercisable within 60 days of March 1, 2007.
- ^{6/} Includes 379,664 shares held by the Liu Family Inter Vivos Trust, and 22,580 shares issuable under options exercisable within 60 days of March 1, 2007. Of the shares beneficially owned by Mr. Liu, 40,000 shares are subject to pledge in a margin account at a securities brokerage.
- ^{7/} Consists of 700 shares issuable under options exercisable within 60 days of March 1, 2007.
- ^{8/} Includes approximately 101,094 shares held jointly by Mr. Chang and his spouse, 132,944 shares held by Mr. Chang as custodian for his children, 136,000 shares held by Mr. Chang's spouse, as custodian for their children, 208,812 shares held by the Michael and Judy Chang Family Trust, and 13,740 shares issuable under options exercisable within 60 days of March 1, 2007.
- ^{9/} Includes 80,322 shares held by Mr. Tang as custodian for his children, approximately 248,508 shares held by Mr. Tang's spouse, approximately 83,456 shares held by the ESOPT which have been allocated to Mr. Tang's account, approximately 177,910 shares issuable under options exercisable within 60 days of March 1, 2007, and 4,491 unallocated shares held by the ESOPT.
- ^{10/} Consists of approximately 65,911 shares held by the Thomas G. Tartaglia Trust, approximately 13,041 shares held by the ESOPT which have been allocated to Mr. Tartaglia's account, and 13,380 shares issuable under options exercisable within 60 days of March 1, 2007.
- ^{11/} Includes 775,027 shares held by the Wu Trust, 529,976 shares issuable under options exercisable within 60 days of March 1, 2007, and 4,491 unallocated shares held by the ESOPT.
- ^{12/} Includes 25,040 shares issuable under options exercisable within 60 days of March 1, 2007. All of the shares owned by Mr. Chen are subject to pledge in a margin account at a securities brokerage.
- ^{13/} Consists of approximately 4,610 shares held jointly by Mr. Wong and his spouse, approximately 20,962 shares held by the ESOPT which have been allocated to Mr. Wong's account, and 148,716 shares issuable under options exercisable within 60 days of March 1, 2007.
- ^{14/} In addition to the ownership disclosed for the persons identified in the table above, the beneficial ownership of two additional executive officers is included in the total of the table. Executive officers are those individuals designated as such for purposes of Section 16 of the Exchange Act. The total number of shares beneficially owned by all of our directors and executive officers as a group includes 1,976,604 shares issuable under options exercisable within 60 days of March 1, 2007, 213,563 shares held by the ESOPT that have been allocated to the directors and Named Executive Officers, and 4,491 shares held as unallocated shares by the ESOPT.
- ^{15/} The ownership percentage is determined by dividing the number of shares by 53,622,734, which consists of 51,646,130 shares of Bancorp common stock outstanding as of March 1, 2007 and 1,976,604 shares of Bancorp common stock issuable under options exercisable within 60 days of March 1, 2007.

Security Ownership in Subsidiary

In December 2003, January 2004, and April 2004, Cathay Real Estate Investment Trust (the REIT), a subsidiary of Cathay Bank, sold in a private placement a total of 436,760 shares of its 7.0% Series A Non-Cumulative Preferred Shares (the Series A Shares) for \$100 per share, of which Cathay Bank purchased 349,408 shares. As of March 1, 2007, there were 435,460 Series A Shares issued and outstanding. The Series A Shares vote on a share for share basis with the common shares of the REIT and are not convertible into common stock of the REIT or common stock of Cathay Bank or Bancorp. The REIT intends to continue to operate as a real estate investment trust under the Internal Revenue Code of 1986, as amended, by investing primarily in participation interests in a portion of Cathay Bank's portfolio of loans secured, in whole or in part, by real estate and leasehold improvements which generate net income.

The information below sets forth the number of Series A Shares beneficially owned as of March 1, 2007, by each of the current directors, the nominees recommended by the Board for election as directors, each of the Named Executive Officer, and all current directors, nominees, and Named Executive Officers as a group. Except as otherwise noted in the footnotes below, each of these persons had sole voting and investment power with respect to the Series A Shares owned by him.

Name	Series A	
	Series A Shares Beneficially Owned	Percent of Class ^{1/}
Michael M.Y. Chang	2,500 ^{2/}	0.57%
Heng W. Chen	250	0.06%
Dunson K. Cheng	5,000 ^{3/}	1.15%
Thomas G. Tartaglia	1,000 ^{4/}	0.23%
All directors and executive officers as a group (4 persons)	8,750	2.01%

^{1/} The ownership percentage is determined by dividing the number of shares shown in this table by 435,460, which is the number of Series A Shares issued and outstanding as of March 1, 2007.

^{2/} The shares are jointly owned by Michael M.Y. Chang and his spouse.

^{3/} Includes 2,500 shares held by Mr. Cheng's spouse.

^{4/} The shares are held by the Thomas G. Tartaglia Trust.

The REIT has also issued Series B Non-Cumulative Preferred Shares (the Series B Shares) to Cathay Bank and its employees. Series B Shares pay a non-cumulative annual cash dividend of \$25 per share and have a liquidation preference of \$250 per share. Holders of Series B Shares do not have voting rights except on proposals that could materially and adversely affect the preferences, voting powers, dividend rights or other rights and privileges of the Series B Shares. As of March 1, 2007, the directors, nominees, and Named Executive Officers beneficially owning Series B Shares were Dunson K. Cheng, Anthony M. Tang, Heng W. Chen, and Irwin Wong. They each hold one share, which individually and as a group is less than one percent of the entire class of Series B Shares.

GB Capital Trust II, a subsidiary of Cathay Bank as a result of Bancorp's merger with GBC Bancorp, issued Series A Preferred Trust Units (the Class A Preferred Units) to General Bank and its employees. Class A Preferred Units pay a non-cumulative annual cash dividend of \$50 per share and have a liquidation preference of \$500 per share. As of March 1, 2007, the only director, nominee, or Named Executive Officer beneficially owning Class A Preferred Units is Peter Wu, who holds one share, which individually is less than one percent of the entire class of Class A Preferred Units.

Nominees, Continuing Directors, and Named Executive Officers

The principal occupations for at least the past five years of each director, nominee, and Named Executive Officer are as follows:

Nominees (Class II)

Kelly L. Chan, Director of Bancorp since 1990. Director of Cathay Bank since 1981. Owner of an interest in and Vice President of Phoenix Bakery, Inc. (a retail bakery in Los Angeles, California) since 1984. Certified Public Accountant.

Dunson K. Cheng, Director of Bancorp since 1990. Chairman of the Board of Directors of Bancorp, Cathay Bank, and Cathay Investment Company since 1994. President (chief executive officer) of Bancorp since 1990. President of Cathay Bank since 1985 and Director of Cathay Bank since 1982. President of Cathay Investment Company since 1999. Chief Executive Officer of Cathay Investment Company since 1995 and Director of Cathay Investment Company since 1984. Chairman of the Board of Directors and President of Cathay Securities Fund, Inc. from July 2000 to January 2003. Trustee and President of Cathay Real Estate Investment Trust since February 2003. Director, Chairman of the Board, President, and Chief Executive Officer of Cathay Bank Foundation from 2002 to March 2005. Director of DiCon Fiberoptics, Inc. since 2002.

Thomas C.T. Chiu, Director of Bancorp and Cathay Bank since October 2003. Director of GBC Bancorp and General Bank from 1983 to October 2003. Medical Doctor.

Joseph C.H. Poon, Director of Bancorp since 1990. Director of Cathay Bank since 1981. Director of Cathay Investment Company since 1984. President of Edward Properties (real estate development) since 1981.

Continuing Directors (Class III)

Patrick S.D. Lee, Director of Bancorp since 1990. Director of Cathay Bank since 1983. Director of Cathay Investment Company since 1984. Trustee of Cathay Real Estate Investment Trust since February 2003. Director of Cathay Bank Foundation since May 2004. Retired real estate developer and property manager.

Ting Y. Liu, Director of Bancorp and Cathay Bank since October 2003. Chairman of HITO Corporation from 1987 to January 2005. Director of GBC Bancorp and General Bank from 1981 to 2003. Retired investor.

Nelson Chung, Director of Bancorp and Cathay Bank since 2005. President of Pacific Communities Builder, Inc. (real estate development) since 1991.

Continuing Directors (Class I)

Michael M.Y. Chang, Director of Bancorp since 1990. Secretary of Bancorp and Cathay Bank since November 2001. Director of Cathay Bank since 1983. Retired attorney at law.

Anthony M. Tang, Director of Bancorp since 1990. Executive Vice President of Bancorp since 1994. Chief Financial Officer and Treasurer of Bancorp from 1990 to June 2003. Chief Lending Officer of Cathay Bank since 1985. Director of Cathay Bank since 1986. Senior Executive Vice President of Cathay Bank since December 1998. Vice President, Chief Financial Officer, and Director of Cathay Securities Fund, Inc. from July 2000 to January 2003. Trustee and Vice President of Cathay Real Estate Investment Trust since February 2003.

Thomas G. Tartaglia, Director of Bancorp since 1990. Director of Cathay Bank since 1986. Formerly Executive Vice President of Cathay Bank from 1984 until 1990. Retired banker.

Peter Wu, Director, Executive Vice Chairman, and Chief Operating Officer of Bancorp and Cathay Bank since October 2003. Director of GBC Bancorp and General Bank from 1981 to October 2003. Chairman of the Board of GBC Bancorp and General Bank from January 2003 to October 2003. President and Chief Executive Officer of GBC Bancorp and General Bank from January 2001 to October 2003. Chairman of the Board of GBC Venture Capital, Inc. since 1997. President and Chief Executive Officer of GBC Venture Capital, Inc. since October 2003. Director, Chairman of the Board, President, and Chief Executive Officer of Cathay Bank Foundation since March 2005.

Other Named Executive Officers

Heng W. Chen, Executive Vice President of Bancorp and Cathay Bank since June 2003. Chief Financial Officer and Treasurer of Bancorp since June 2003. Vice President and Chief Financial Officer of Cathay Real Estate Investment Trust since December 2003. Chief Financial Officer of Cathay Bank since January 1, 2004. Director, Vice President, and Chief Financial Officer of GBC Venture Capital, Inc. since October 2003. Assistant Chief Financial Officer and Assistant Treasurer at City National Corporation from 1998 to June 2003. Executive Vice President of Finance at City National Bank from March 2000 to June 2003.

Irwin Wong, Executive Vice President of Branch Administration for Cathay Bank since 1999. Treasurer of Cathay Real Estate Investment Trust from February 2003 to December 2003. Director and Vice President of Cathay Bank Foundation since 2002. Chief Financial Officer/Treasurer of Cathay Bank Foundation since May 2004.

THE BOARD OF DIRECTORS

The Board generally holds regular monthly meetings. Special meetings are called when necessary. During 2006, the Board held 15 meetings and each director attended at least 85% of these meetings. The Board has seven standing committees: the Executive Committee, the Executive Compensation Committee, the ESOPT Committee, the Equity Incentive Plan Committee, the Audit Committee, the Nomination Committee, and the Investment Committee. It is our policy to invite and encourage all members of the Board to attend Bancorp's annual meeting of stockholders. All of our directors attended the 2006 annual meeting.

Director Independence

We have adopted standards for director independence pursuant to Nasdaq listing standards. The Board considered relationships, transactions and/or arrangements with each of its directors and determined that the following six of its current eleven members are independent as defined in Rule 4200(a)(15) of the Nasdaq Marketplace Rules: Kelly L. Chan, Nelson Chung, Patrick S.D. Lee, Ting Y. Liu, Joseph C.H. Poon, and Thomas G. Tartaglia.

In addition, the Board has also determined that:

all directors who serve on the Audit, Executive Compensation, and Nomination Committees are independent under applicable Nasdaq listing standards and SEC rules, and

all members of the Audit Committee meet the additional independence requirement that they not directly or indirectly receive compensation from Bancorp other than their compensation as directors.

The independent directors meet in executive session without the presence of any non-independent directors or members of Bancorp's management at least twice per year during regularly scheduled Board meeting days and from time to time as they deem necessary or appropriate. In 2006, the independent directors met four times in executive session.

Executive Committee

During 2006, the Executive Committee consisted of Dunson K. Cheng (Chairman), Peter Wu, Anthony M. Tang, and Thomas G. Tartaglia. This committee exercises all powers of the Board in the intervals between Board meetings, except for those powers that the Board has delegated to other committees or that are reserved for the full Board by statute, regulations, Nasdaq listing standards, charter, or bylaws. The Executive Committee met 12 times during 2006, and each committee member attended all meetings of this committee except for Mr. Wu and Mr. Tang, who were each absent from one meeting.

Executive Compensation Committee

During 2006, the Executive Compensation Committee consisted of Ting Y. Liu (Chairman), Kelly L. Chan, and Nelson Chung (member until January 19, 2006), each of whom is an independent director. The Executive Compensation Committee establishes general policies on executive compensation as well as base salary, bonus, equity compensation, and discretionary benefits for the Chief Executive Officer and Chief Financial Officer of Bancorp and Cathay Bank and all other executive officers of Bancorp. The Board has adopted a written charter for the Executive Compensation Committee, which is available on our website at www.cathaybank.com. The Executive Compensation Committee met six times during 2006, and each committee member attended all meetings of this committee that were held while he was a member.

ESOPT Committee

During 2006, the ESOPT Committee consisted of Dunson K. Cheng (Chairman), Peter Wu, Kelly L. Chan, Joseph C.H. Poon, and Anthony M. Tang. This committee administers the ESOPT according to plan provisions and applicable governmental regulations. It is responsible for, among other things, the investment and management of the ESOPT's assets. The ESOPT Committee did not meet in 2006.

Equity Incentive Plan Committee

During 2006, the Equity Incentive Plan Committee consisted of Joseph C.H. Poon (Chairman), Thomas C.T. Chiu, Michael M.Y. Chang, and Nelson Chung. This committee selects participants receiving awards under Bancorp's 2005 Incentive Plan. It has broad discretion to determine the amount and types of awards, and the terms and conditions of individual awards, except for awards to executive officers of Bancorp, which are made by the Executive Compensation Committee. The Equity Incentive Plan Committee met two times during 2006, and each committee member attended all meetings of this committee.

Audit Committee

During 2006, the Audit Committee consisted of Kelly L. Chan (Chairman), Ting Y. Liu, and Thomas G. Tartaglia. This committee oversees Bancorp's financial reporting on behalf of the Board. It appoints and evaluates Bancorp's independent auditors, and reviews with the independent auditors the proposed scope of, fees for, and results of the annual audit. It reviews the system of internal accounting controls and the scope and results of internal audits with the independent auditors, the internal auditors, and Bancorp management. It considers the audit and non-audit services provided by the independent auditors, the proposed fees to be charged for each type of service, and the effect of non-audit services on the independence of the independent auditors. The Audit Committee met 10 times during 2006. Each committee member attended all of the meetings of this committee, except for Mr. Tartaglia, who was absent for one meeting.

The Board has adopted a written charter for the Audit Committee, which was revised and restated in April 2007, and which is available on our website at www.cathaybank.com. As provided by the charter, the Audit Committee shall be composed of three or more directors, and its members must meet the requirements of the Nasdaq listing standards and the regulations of the SEC and the Federal Deposit Insurance Corporation.

The Audit Committee does not have a policy for pre-approving services to be provided by Bancorp's independent auditors without review by the Audit Committee. All services to be provided to Bancorp by its independent auditors are subject to review and approval by the Audit Committee in advance of the performance of the services, provided that the Audit Committee will not approve any non-audit services proscribed by Section 10A(g) of the Exchange Act in the absence of an applicable exemption. The Audit Committee may delegate to a designated member or members of the Audit Committee the authority to approve such services so long as any such approval is reported to the full Audit Committee at its next scheduled meeting. The Audit Committee has not delegated such authority.

The Board conducted a review regarding whether each member of the Audit Committee qualifies as independent and determined that, during 2006, Mr. Chan, Mr. Liu, and Mr. Tartaglia were each independent as defined in the Nasdaq listing standards. The Board also conducted a review regarding whether any members of the Audit Committee meet the criteria to be considered an audit committee financial expert and determined that Kelly L. Chan, its Chairman, qualifies as an audit committee financial expert, as defined in Item 401(h) of Regulation S-K of the Exchange Act.

Nomination Committee

During 2006, the Nomination Committee consisted of Joseph C.H. Poon (Chairman), Kelly L. Chan, and Ting Y. Liu. All members of the committee are independent as defined in the Nasdaq listing standards. This

committee identifies and evaluates candidates qualified to serve as members of the Board and makes recommendations to the Board regarding such candidates. Nominees for this 2007 annual meeting of stockholders were recommended by the Nomination Committee and unanimously approved by the Board including all of its independent directors. The Nomination Committee met one time during 2006 and all committee members attended.

The policy of the Nomination Committee is to consider candidates properly recommended by our stockholders. In evaluating any such candidates, the Nomination Committee will consider the criteria described below. Any such recommendations should include the nominee's name and qualifications for membership on our Board and should be directed to Michael M.Y. Chang, Secretary, Cathay General Bancorp, 777 North Broadway, Los Angeles, California 90012. In addition, our bylaws permit stockholders to nominate directors for election at stockholder meetings. To nominate a director, stockholders must give timely notice to our Secretary in accordance with our bylaws, which require that the notice be received by our Secretary within the time periods described under the section titled "Stockholder Proposals for 2008 Annual Meeting of Stockholders" below.

The Board and Nomination Committee consider potential nominees based on such criteria as depth and breadth of relevant experience, intelligence, personal character, integrity, commitment to the community and to Bancorp, knowledge of the business of banking, compatibility with the current Board culture, and prominence—all in the context of the perceived needs of the Board at the point in time of the consideration. Nominees must also be acceptable to banking regulators. Bancorp seeks to insure that at least a majority of the directors are independent under the Nasdaq listing standards and that members of Bancorp's Audit Committee meet Nasdaq, SEC, and Federal Deposit Insurance Corporation requirements and that at least one of them qualifies as an audit committee financial expert under the rules of the SEC.

The process for identifying and evaluating candidates is commenced by the Board upon its determination of a need to fill a new position or vacancy. At the request of the Board, the Nomination Committee then seeks to identify potential candidates who meet the specific criteria given by the Board at the time of the request based on input from members of the Board and, if the Board deems appropriate, a third-party search firm. The process begins with the Nomination Committee conducting inquiries into the backgrounds and qualifications of such candidates. If the Nomination Committee determines that a candidate is qualified to serve as a director and that he or she should be recommended to the Board, the Board will then review the recommendation and the accompanying information. If the Board is interested in a proposed candidate, it will designate a member to contact the candidate to discuss the proposed nomination, and determine if the candidate is interested in the nomination and if there is any reason why the Board should not proceed with the nomination. Depending on the outcome, the next step in the process is for the candidate to meet with all members of the Board. Following these meetings, and using the input from such interviews and the information obtained by the Nomination Committee, the Nomination Committee will evaluate whether the candidate meets the requisite qualifications and criteria and should be recommended to the Board. Candidates recommended by the Nomination Committee are then presented to the Board for selection as nominees for election by the stockholders or by the Board to fill a vacancy. The Nomination Committee expects that a similar process will be used to evaluate nominees recommended by stockholders. The Nomination Committee has a written charter which is available on our website at www.cathaybank.com.

Investment Committee

During 2006, the Investment Committee consisted of Dunson K. Cheng (Chairman), Peter Wu, Joseph C.H. Poon, Kelly L. Chan, and Thomas C.T. Chiu. This committee oversees Bancorp's investment and funds management policies at the holding company level. This committee exists alongside the Investment Committee at Bancorp's subsidiary, Cathay Bank. The Bancorp Investment Committee met two times during 2006. Each committee member attended both of the meetings of this committee.

Compensation of Directors
Director Compensation

The following table sets forth a summary of the compensation paid to all directors who are not also a Named Executive Officer for 2006.

Name	Fees earned or paid in cash	Stock Awards	Options awards ^{1/}	Non-equity incentive plan compensation	Change in pension value and nonqualified deferred compensation earnings (\$)	All other compensation (\$)^{2/}	Total
	(\$)	(\$)	(\$)	(\$)			(\$)
Kelly L. Chan	51,300		37,387			9,500	98,187
Michael M.Y. Chang	79,875 ^{3/}		37,387			10,200	127,462
Thomas C.T. Chiu	31,350		18,203			9,500	59,053
Nelson Chung	23,600		8,580			9,500	41,680
Patrick S.D. Lee	72,700		37,387			9,500	119,587
Ting Y. Liu	48,300		18,203			9,500	76,003
Joseph C.H. Poon	46,750		37,387			9,500	93,637
Thomas G. Tartaglia							