

CATHAY GENERAL BANCORP  
Form DEF 14A  
April 16, 2015

**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

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**CATHAY GENERAL BANCORP**

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Edgar Filing: CATHAY GENERAL BANCORP - Form DEF 14A

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(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 18, 2015, at 5:00 p.m., local time, at 9650 Flair Drive, El Monte, California 91731.

At the meeting, you will be asked to elect four Class I directors to serve until 2018, to approve the Cathay General Bancorp 2005 Incentive Plan, As Amended, to vote on an advisory (non-binding) proposal to approve our executive compensation, and to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the 2015 fiscal year.

**Your vote is very important. Whether or not you expect to attend the annual meeting in person, we encourage you to cast your vote by telephone or, if you prefer, by completing, signing, and returning your proxy card in the accompanying return envelope. Specific instructions for voting by telephone are stated on the proxy card. If you hold your shares through an account with a brokerage firm, bank, or other nominee, please follow the instructions you receive from them to vote your shares. Your cooperation is appreciated since a majority of the outstanding shares of our common stock must be represented, either in person or by proxy, for us to transact business at the meeting.**

We look forward to seeing you at the meeting.

Sincerely yours,

Dunson K. Cheng

Chairman of the Board,

President, and Chief Executive Officer

Los Angeles, California

April 16, 2015

777 NORTH BROADWAY

LOS ANGELES, CALIFORNIA 90012  
**Notice of Annual Meeting of Stockholders**

**to be Held on May 18, 2015**

Notice is hereby given that the annual meeting of stockholders of Cathay General Bancorp will be held on Monday, May 18, 2015, at 5:00 p.m., local time, at our offices located at 9650 Flair Drive, El Monte, California 91731, for the following purposes:

1. To elect four Class I directors to serve until the 2018 annual meeting of stockholders and until their successors have been elected and qualified;
2. To approve the Cathay General Bancorp 2005 Incentive Plan, As Amended;
3. To vote on an advisory (non-binding) proposal to approve our executive compensation;
4. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the 2015 fiscal year; and
5. To transact such other business as may properly be brought before the meeting or any adjournments or postponements of the meeting.

The Board of Directors has fixed April 1, 2015, as the record date for the meeting. Only holders of record of our common stock at the close of business on the record date are entitled to receive notice of and to vote at the meeting.

Please cast your vote by telephone or by completing, signing, and returning your proxy card in the accompanying return envelope. If you mail the envelope in the United States, it does not require postage. **It is important that you vote by telephone or by returning your proxy card promptly even if you plan to attend the annual meeting in person.**

We invite you to attend the meeting in person. If you attend, you may choose to vote in person at the meeting. If you do so, your prior voting instructions will be disregarded.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on May 18, 2015.** This proxy statement and Cathay General Bancorp's Annual Report for the year ended December 31, 2014 are also available free of charge electronically at <https://www.cathaybank.com/Cathay-General/Annual-Meeting-Materials> and will remain available on the website through the conclusion of the meeting of stockholders.

By Order of the Board of Directors,

Lisa L. Kim

Secretary

Los Angeles, California

April 16, 2015

TABLE OF CONTENTS

<b><u>PROXY STATEMENT SUMMARY</u></b>	ii
<b><u>INFORMATION ABOUT THE ANNUAL MEETING</u></b>	1
<b><u>INFORMATION ABOUT VOTING AND PROXIES</u></b>	1
<b><u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS</u></b>	5
<b><u>PROPOSAL ONE ELECTION OF DIRECTORS</u></b>	6
Security Ownership of Nominees, Continuing Directors, and Named Executive Officers	7
Nominees, Continuing Directors, and Executive Officers	8
<b><u>BOARD OF DIRECTORS AND CORPORATE GOVERNANCE</u></b>	13
Meetings	13
Board Leadership	13
Director Independence	13
Risk Management Oversight	14
Board Committee Structure	15
Audit Committee	15
Compensation Committee	16
Investment Committee	16
Nomination and Governance Committee	16
Risk Committee	17
Stock Ownership of Directors	18
Compensation of Directors	18
<b><u>EXECUTIVE COMPENSATION</u></b>	20
Compensation Discussion and Analysis	20
Compensation Committee Interlocks and Insider Participation	30
Compensation Committee Report	30
Remuneration of Executive Officers	31
Pension Benefits	34
Nonqualified Deferred Compensation	34
<b><u>POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL</u></b>	35
<b><u>PROPOSAL TWO APPROVE THE CATHAY GENERAL BANCORP 2005 INCENTIVE PLAN, AS AMENDED</u></b>	41
<b><u>PROPOSAL THREE ADVISORY (NON-BINDING) VOTE TO APPROVE OUR EXECUTIVE COMPENSATION</u></b>	50
<b><u>PROPOSAL FOUR RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC</u></b>	
<b><u>ACCOUNTING FIRM</u></b>	51
<b><u>PRINCIPAL ACCOUNTING FEES AND SERVICES</u></b>	51
<b><u>AUDIT COMMITTEE REPORT</u></b>	52
<b><u>INCORPORATION OF CERTAIN INFORMATION</u></b>	53
<b><u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u></b>	53
<b><u>TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS</u></b>	54
<b><u>CODE OF ETHICS</u></b>	55
<b><u>COMMUNICATIONS WITH BOARD OF DIRECTORS</u></b>	55
<b><u>AVAILABILITY OF ANNUAL REPORT ON FORM 10-K AND PROXY STATEMENT</u></b>	55
<b><u>STOCKHOLDER PROPOSALS FOR 2016 ANNUAL MEETING OF STOCKHOLDERS</u></b>	56
<b><u>Appendix A: CATHAY GENERAL BANCORP 2005 INCENTIVE PLAN (As Amended and Restated)</u></b>	A-1

**PROXY STATEMENT SUMMARY**

*This summary highlights information contained elsewhere in this proxy statement. This summary is designed as an aid and does not contain all of the information that you should consider in deciding how to vote. As such, you should read this entire proxy statement carefully before voting.*

**Annual Meeting of Stockholders**

Date and Time:	Monday, May 18, 2015, 5:00 p.m., local time	Place:	Cathay Bank Corporate Center
Record Date:	April 1, 2015		9650 Flair Drive, El Monte, California 91731
Voting:	Holders of record of our common stock at the close of business on the record date.	Attendance:	Stockholders and their duly appointed proxies may attend the meeting.

**Proposals and Voting Recommendations**

Proposal	Board Recommendation	Page
1. Election of Directors	FOR EACH NOMINEE	5
2. Approve the Cathay General Bancorp 2005 Incentive Plan, As Amended	FOR	41
3. Advisory (Non-Binding) Vote to Approve our Executive Compensation	FOR	50
4. Ratification of the Appointment of Independent Registered Public Accounting Firm	FOR	51

**Proposal One Election of Directors**

The first proposal is to elect four Class I directors to serve until the 2018 annual meeting of stockholders and their successors have been elected and qualified. The following table provides summary information about each nominee.

Name of Nominee	Age	Principal Occupation	Director Since
Michael M.Y. Chang	77	Retired Attorney	1990
Jane Jelenko	66	Retired Financial Services Partner of KPMG LLP	2012
Anthony M. Tang	61	Vice Chairman of Cathay General Bancorp and Cathay Bank	1990
Peter Wu	66	Vice Chairman of Cathay General Bancorp and Cathay Bank	2003

**Proposal Two Approve the Cathay General Bancorp 2005 Incentive Plan, As Amended**

The term of our 2005 Incentive Plan expires in May 2015. We are therefore asking our stockholders to approve the 2005 Incentive Plan, As Amended, which will extend the term for another ten years and amend the 2005 Incentive Plan in certain other respects.

**Proposal Three Advisory (Non-Binding) Vote to Approve our Executive Compensation**

Section 14A of the Securities Exchange Act of 1934, as amended (the Exchange Act), enables our stockholders to vote to approve, on a non-binding basis, the compensation of our Named Executive Officers, as disclosed in this proxy statement in accordance with the rules of the Securities and Exchange Commission. Accordingly, the Board of Directors is submitting the following proposal for stockholder consideration:

RESOLVED, that the compensation paid to our Named Executive Officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables, and any related material disclosed in this proxy statement, is hereby APPROVED.

**Proposal Four Ratification of the Appointment of Independent Registered Public Accounting Firm**



## Edgar Filing: CATHAY GENERAL BANCORP - Form DEF 14A

We are asking our stockholders to ratify the appointment of KPMG LLP ( KPMG ) as our independent registered public accounting firm for our 2015 fiscal year. Although ratification is not legally required, we are submitting the appointment of KPMG to our stockholders for ratification in the interest of good corporate governance. In the event that this appointment is not ratified, the Audit Committee of the Board of Directors will reconsider the appointment.

777 NORTH BROADWAY

LOS ANGELES, CALIFORNIA 90012

**Proxy Statement**

**Annual Meeting of Stockholders**

**May 18, 2015**

The Board of Directors of Cathay General Bancorp (the **Board**) is furnishing this proxy statement to the holders of record of our common stock to solicit proxies for use at our 2015 annual meeting of stockholders 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. This proxy statement and the enclosed proxy card were first mailed to stockholders on or about April 16, 2015.

**INFORMATION ABOUT THE ANNUAL MEETING**

**What is the purpose of the annual meeting?** At the meeting, our stockholders will be asked to:

1. Elect four Class I directors to serve until the 2018 annual meeting of stockholders and their successors have been elected and qualified;
2. Approve the Cathay General Bancorp 2005 Incentive Plan, As Amended;
3. Vote on an advisory (non-binding) proposal to approve our executive compensation;
4. Ratify the appointment of KPMG LLP as our independent registered public accounting firm for the 2015 fiscal year; and
5. Transact such other business as may properly be brought before the meeting or any adjournments or postponements of the meeting.

**When and where will the annual meeting be held?** The annual meeting will be held on May 18, 2015, at 5:00 p.m., local time, at our offices located at 9650 Flair Drive, El Monte, California 91731.

**Who can attend the annual meeting?** All stockholders and their duly appointed proxies may attend the meeting.

## INFORMATION ABOUT VOTING AND PROXIES

**Who is entitled to vote at the annual meeting?** The Board has fixed April 1, 2015, as the record date for the meeting. Only holders of record of our common stock at the close of business on the record date are entitled to receive notice of and to vote at the meeting. On the record date, 79,901,042 shares of our common stock were outstanding.

**How many shares must be present to transact business 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 transact business at the meeting. Abstentions and

broker non-votes will be counted as present for this purpose. If the shares represented at the meeting are not sufficient to transact business, we may adjourn or postpone the meeting to permit the further solicitation of proxies.

**What are broker non-votes?** The term "broker non-votes" generally refers to shares that are held by a broker or other nominee in its name for the benefit of its clients but that cannot be voted because the broker or nominee is precluded from voting on certain matters and has not received voting instructions from the beneficial owner on those matters.

**How many votes am I entitled to?** Each stockholder of record is entitled to one vote for each share of our common stock registered in the stockholder's name. Shares may not be voted cumulatively for the election of directors or otherwise.

**What is the difference between a stockholder of record and a beneficial owner?** These terms describe how your shares are held. If your shares are registered directly in your name with our transfer agent, then you are a stockholder of record of those shares. As a stockholder of record, you have the right to vote by telephone, by proxy, or in person at the meeting.

If your shares are held in an account by a broker, bank, trust company, or other similar organization, then you are a beneficial owner of those shares and the organization holding your shares is considered the stockholder of record for purposes of voting at the meeting. If you are a beneficial owner, you have the right to direct the organization holding your shares on how to vote the shares held in your account.

**How do I vote my shares?** If you are a stockholder of record, you may vote your shares by telephone, by completing the enclosed proxy card and returning it signed and dated in the enclosed postage-prepaid envelope, or by attending the meeting and voting in person. If you vote by telephone or properly complete the proxy card and we receive it on or before the voting date, your shares will be voted as you direct. Even if you plan to attend the meeting in person, we encourage you to cast your vote by telephone or, if you prefer, by completing, signing, dating, and returning the proxy card. Specific instructions for voting by telephone are stated on the proxy card.

If you are a beneficial owner, you have the right to direct the organization holding your shares on how to vote the shares held in your account. If you wish to vote in person at the meeting, you must obtain a valid proxy from the organization holding the shares giving you the right to vote at the meeting. If you hold your shares in a brokerage account and do not give voting instructions to your broker on proposals that are considered non-routine, your broker cannot vote them for you and your shares will be treated as broker non-votes. At the meeting, Proposal Four (Ratification of the Appointment of Independent

Registered Public Accounting Firm) involves matters that we believe will be considered routine, while Proposal One (Election of Directors), Proposal Two (Approve the Cathay General Bancorp 2005 Incentive Plan, As Amended), and Proposal Three (Advisory (Non-Binding) Vote to Approve Our Executive Compensation) involve matters that we believe will be considered non-routine. Therefore, it is important that you provide voting instructions for all proposals.

**What if I don't vote for some of the items listed in this proxy statement?** If you are a stockholder of record and return your signed proxy card, or vote by telephone, the proxy holders will vote your shares, with respect to the items without specific voting instructions, according to the recommendations of the Board. The Board has designated Dunson K. Cheng, Heng W. Chen, and Pin Tai, and each of them individually, with power of substitution, as proxy holders.

**May I change my vote?** Yes. If you are a stockholder of record, you may revoke your proxy at any time before it is exercised by filing a written notice of revocation with our Secretary, by delivering to our Secretary a later signed and dated proxy card, or by a later dated vote by telephone. The deadline to vote by telephone is 11:59 p.m., Eastern Time, on May 17, 2015. You may also revoke your proxy if you are present at the meeting and vote in person. Attendance at the meeting will not cause any previously granted proxy to be revoked unless you specifically make that request. Unless you decide to attend the meeting and vote in person, we recommend that you change or revoke your prior instructions in the same manner as you originally gave them and provide enough time for the new voting instructions to reach us before the meeting begins. Once the meeting begins, you may only change or revoke your proxy in person.

**How are the shares held by the Cathay Bank Employee Stock Ownership Trust (ESOPT) voted?** Each participant of the ESOPT has the power to direct the vote of the shares allocated to him or her by providing instructions to the administrator of the ESOPT. The administrator, which is a management level committee, has the sole power to vote the shares allocated to any participant who does not specify any voting directions and to vote any unallocated shares held by the ESOPT.

**How does the Board recommend that I vote?** The Board unanimously recommends that you vote your shares as follows:

**FOR EACH NOMINEE** as Class I directors as specified under Proposal One,

**FOR** the approval of the Cathay General Bancorp 2005 Incentive Plan, As Amended, as specified under Proposal Two,

**FOR** the advisory (non-binding) proposal to approve our executive compensation as specified under Proposal Three,

**FOR** ratification of the appointment of KPMG LLP as our independent registered public accounting firm as specified under Proposal Four. None of our directors have informed us in writing that he or she intends to oppose any action intended to be taken by us at the annual meeting.

**What is the vote required to elect directors and approve the other proposals?**

*Proposal One (Election of Directors)*

In February 2014, the Board amended our bylaws to provide for majority voting in uncontested elections and plurality voting in any election that is contested. Thus, in this election, the nominees receiving a majority of votes cast at the meeting will be elected as directors. A majority of votes cast means the number of votes cast for the director's election exceeds the number of votes cast against that director's election. Abstentions and broker non-votes will not count as either for or against votes, so abstentions and broker non-votes will have no effect on the election of a director. If an incumbent director nominee fails to receive the requisite vote in an uncontested election, that director must offer to resign. Our Nomination and Governance Committee and the Board will then act on the tendered offer to resign in the best interest of the Bancorp.

*Proposal Two (Approve the Cathay General Bancorp 2005 Incentive Plan, As Amended)*

The affirmative vote of a majority of our shares of common stock present in person or represented by proxy and entitled to vote at the meeting is required to approve Proposal Two. Abstentions will be treated as present and entitled to vote and therefore will have

the same effect as a vote against this proposal. Broker non-votes will not affect the outcome of the vote. If our stockholders do not approve the Cathay General Bancorp 2005 Incentive Plan, As Amended, it will not be adopted and the original 2005 Incentive Plan will remain in existence only until its term expires in May 2015.

*Proposal Three (Advisory (Non-Binding) Vote to Approve our Executive Compensation)*

The affirmative vote of a majority of our shares of common stock present in person or represented by proxy and entitled to vote at the meeting is required to approve Proposal Three. Abstentions will be treated as present and entitled to vote and therefore will have the same effect as a vote against this proposal. Broker non-votes will not affect the outcome of the advisory vote.

*Proposal Four (Ratification of the Appointment of Independent Registered Public Accounting Firm)*

The affirmative vote of a majority of our shares of common stock present in person or represented by proxy and entitled to vote at the meeting is required to approve Proposal Four. Abstentions will be treated as present and entitled to vote and therefore will have the same effect as a vote against this proposal. Broker non-votes will not affect the outcome of the vote.

**Who will serve as inspector of elections?** The inspector of elections for the meeting will be a representative of American Stock Transfer and Trust Company. Under Delaware law, the inspector of elections will rule on the proxies and ballots submitted and may consider evidence deemed to be reliable to reconcile proxies and ballots submitted by or on behalf of banks, brokers, their nominees, or similar persons that represent more votes than the holder of a proxy is authorized by the stockholder of record to cast, or more votes than the stockholder holds of record.

**What happens if additional matters are presented at the meeting or a nominee is unable to serve as a director?** As of the date of this proxy statement, the Board knows of no matters to be brought before the meeting other than the proposals specifically listed in the notice of

Edgar Filing: CATHAY GENERAL BANCORP - Form DEF 14A

annual meeting of stockholders. Nevertheless, if further business is properly presented, the proxy holders named in the enclosed

proxy card will vote the shares in their discretion in accordance with their best judgment.

If any nominee for director 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 the nominee or to fill that vacancy on the Board. However, at the date of this proxy statement, the Board does not believe that any nominee will be unavailable or that any vacancy will occur.

**How will proxies be solicited and who will pay for the solicitation?** We will pay the cost of this solicitation of proxies. In addition to use of the mail, the officers, directors, and employees of Bancorp and its subsidiaries may solicit proxies personally or by telephone, facsimile, or electronic means. These individuals will not be specially compensated for

these solicitation activities. Arrangements will also be made with brokerage firms and certain other custodians, nominees, and fiduciaries for forwarding solicitation materials to the beneficial owners of shares held of record by these persons, and we will reimburse them for their reasonable expenses incurred in forwarding these materials.

**What happens if the meeting is adjourned or postponed?** Your proxy will remain valid and the shares may be voted at any adjourned or postponed meeting. You will still be able to change your vote or revoke your proxy until the voting occurs.

**Do I have rights or appraisal or similar rights of dissenters with respect to any matter to be acted upon at the annual meeting?** None of the proposals to be acted upon at the annual meeting and discussed in this proxy statement carry rights of appraisal or similar rights of dissenters.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

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 ), we believe the entities listed below are the only beneficial owners of more than five percent of our common stock as of April 1, 2015.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership of Common Stock	Percentage of Common Stock Beneficially Owned <sup>1/</sup>
BlackRock, Inc. 55 East 52 <sup>nd</sup> Street, New York, NY 10022	6,411,450 <sup>2/</sup>	8.02%
FMR LLC 245 Summer Street, Boston, MA 02210	5,835,370 <sup>3/</sup>	7.30%
The Vanguard Group, Inc. 100 Vanguard Blvd., Malvern, PA 19355	4,738,236 <sup>4/</sup>	5.93%
Dimensional Fund Advisors LP Building One, 6300 Bee Cave Road, Austin, TX 78746	3,977,631 <sup>5/</sup>	4.98%
State Street Corporation State Street Financial Center, One Lincoln Street, Boston, MA 02111	3,828,470 <sup>6/</sup>	4.79%

<sup>1/</sup> The ownership percentage is determined by dividing the number of shares shown in this table by the 79,901,042 shares of Bancorp common stock outstanding as of April 1, 2015.

<sup>2/</sup> All information regarding BlackRock, Inc. is based on an amendment to Schedule 13G filed with the SEC on January 23, 2015. BlackRock, Inc., a parent holding company, reported that through its subsidiaries, BlackRock Advisors (UK) Limited, BlackRock Advisors, LLC, BlackRock Asset Management Canada Limited, BlackRock Fund Advisors, BlackRock Asset Management Ireland Limited, BlackRock Institutional Trust Company, N.A., BlackRock Investment Management (Australia) Limited, BlackRock Investment Management (UK) Ltd, and BlackRock Investment Management, LLC, it had sole dispositive power over all the shares indicated and sole voting power over 6,226,191 shares.

<sup>3/</sup> All information regarding FMR LLC is based on an amendment to Schedule 13G filed with the SEC on February 13, 2015. FMR LLC, through Fidelity Management & Research Company, a wholly-owned subsidiary, reported that it had sole dispositive power over all the shares indicated and sole voting power over 127,670 shares. Fidelity Management & Research Company acts as investment advisor to various investment companies registered under the Investment Company Act of 1940. Neither FMR LLC nor Edward C. Johnson 3d nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by these investment companies, which power resides with their boards of trustees. Fidelity Management & Research Company carries out the voting of the shares under written guidelines established by these boards of trustees. Through their ownership of voting common shares and a shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC.

<sup>4/</sup> All information regarding The Vanguard Group, Inc. is based on an amendment to Schedule 13G filed with the SEC on February 10, 2015. The Vanguard Group, Inc., an investment adviser, reported that it had sole dispositive power over 4,634,740 of the shares indicated, shared dispositive power over 103,496 shares, and sole power to vote 109,130 shares. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 103,496 of the shares indicated as a result of its serving as investment manager of collective trust accounts, and Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is



## Edgar Filing: CATHAY GENERAL BANCORP - Form DEF 14A

the beneficial owner of 5,634 of the shares indicated as a result of its serving as investment manager of Australian investment offerings.

<sup>5/</sup> All information regarding Dimensional Fund Advisors LP is based on an amendment to Schedule 13G filed with the SEC on February 5, 2015. Dimensional Fund Advisors LP, an investment advisor, reported that it had sole dispositive power over all of the shares indicated and sole power to vote 3,888,774 shares. It furnishes investment advice to four investment companies registered under the Investment Company Act of 1940 and serves as investment manager to certain other commingled group trusts and separate accounts. In certain cases, its subsidiaries may act as advisor or sub-advisor to certain of these funds. In its role as investment advisor, sub-advisor, and/or manager, it may be deemed to be the

beneficial owner of the shares held by these funds, but the shares are owned by the funds and it disclaims beneficial ownership of such shares.

<sup>6/</sup> All information regarding State Street Corporation is based on an amendment to Schedule 13G filed with the SEC on February 11, 2015. State Street Corporation, a parent holding company, reported that through its investment advisory subsidiaries, State Street Bank and Trust Company, SSGA Funds Management, Inc., State Street Global Advisors Limited, State Street Global Advisors Ltd., State Street Global Advisors, Australia Limited, and State Street Global Advisors, Asia Limited, it had shared dispositive power and shared voting power over all of the shares indicated.

As of April 1, 2015, our directors and executive officers as a group beneficially owned approximately 6,622,766 shares of our common stock. The individual security ownership of our directors and named executive officers can be found in Security Ownership of Nominees, Continuing Directors, and Named Executive Officers. Our directors and executive officers have informed us that they intend to vote according to the recommendations of the Board.

As of April 1, 2015, the Cathay Bank Employee Stock Ownership Trust (the ESOPT ) held approximately 1,083,024 shares of our 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 is administered by Dunson K. Cheng, Peter Wu, and Anthony M. Tang. It has the sole power to vote allocated shares of any participant who does not specify any voting instructions. It also has the sole power to vote and dispose of all unallocated shares of our common stock that are beneficially owned by the ESOPT. As of April 1, 2015, there were approximately 3,787 unallocated shares.

## PROPOSAL ONE

### ELECTION OF DIRECTORS

Under our certificate of incorporation and bylaws, the Board may consist of between three and 25 directors, and the number within the range may be changed from time to time by the Board. The Board currently consists of 12 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 I directors will expire at the 2015 annual meeting of stockholders and, if elected at the 2015 annual meeting, the new term will expire at the 2018 annual meeting of stockholders. The current term of the Class II directors will expire at the 2016 annual meeting of stockholders. The current term of the Class III directors will expire at the 2017 annual meeting of stockholders.

Stockholders are being asked to elect four Class I directors. The Class I directors will hold office until the 2018 annual meeting of stockholders and their successors have been elected and qualified. The Board, based on the recommendation of the Nomination and Governance Committee and the unanimous vote of all independent directors of the Board, has nominated Michael M.Y. Chang, Jane Jelenko, Anthony M. Tang, and Peter Wu to serve as Class I 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.

**YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR EACH NOMINEE (MICHAEL M.Y. CHANG, JANE JELENKO, ANTHONY M. TANG, AND PETER WU) AS CLASS I DIRECTORS.**

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

The following table sets forth:

The age of each nominee and director and the periods each 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 April 1, 2015, by each nominee and director, by each executive officer named in the Summary Compensation Table under Remuneration of Executive Officers ( Named Executive Officers ), and by all nominees, 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 or her.

Name	Age	Director of Bancorp Since	Amount and Nature of Ownership of Common Stock	Percentage Ownership of Common Stock <sup>1/</sup>
<i>Nominees for Election for the Term Ending in 2018 (Class I):</i>				
Michael M.Y. Chang	77	1990	418,357 <sup>2/</sup>	<sup>*/</sup>
Jane Jelenko	66	2012	4,055 <sup>3/</sup>	<sup>*/</sup>
Anthony M. Tang	61	1990	1,709,957 <sup>4/</sup>	2.14%
Peter Wu <sup>**/</sup>	66	2003	1,047,374 <sup>5/</sup>	1.31%
<i>Directors Currently Serving for the Term Ending in 2016 (Class II):</i>				
Kelly L. Chan	68	1990	409,557 <sup>6/</sup>	<sup>*/</sup>
Dunson K. Cheng <sup>***/</sup>	70	1990	1,653,176 <sup>7/</sup>	2.05%
Thomas C.T. Chiu <sup>**/</sup>	67	2003	289,816 <sup>8/</sup>	<sup>*/</sup>
Joseph C.H. Poon	68	1990	58,443 <sup>9/</sup>	<sup>*/</sup>
<i>Directors Currently Serving for the Term Ending in 2017 (Class III):</i>				
Nelson Chung	62	2005	30,003 <sup>10/</sup>	<sup>*/</sup>
Felix S. Fernandez	64	2013	3,003	<sup>*/</sup>
Patrick S.D. Lee	80	1990	237,333 <sup>11/</sup>	<sup>*/</sup>
Ting Y. Liu	78	2003	392,431 <sup>12/</sup>	<sup>*/</sup>
<i>Other Named Executive Officers:</i>				
Heng W. Chen	62		149,735 <sup>13/</sup>	<sup>*/</sup>
Pin Tai	61		47,399 <sup>14/</sup>	<sup>*/</sup>
Irwin Wong	66		97,157 <sup>15/</sup>	<sup>*/</sup>
Donald S. Chow	64		0	<sup>*/</sup>
All nominees, directors, and executive officers as a group (17 persons)			6,622,766 <sup>16/</sup>	8.17% <sup>17/</sup>

<sup>\*/</sup> Percentage of shares beneficially owned does not exceed one percent.

<sup>\*\*/</sup> Thomas C.T. Chiu is a brother-in-law of Peter Wu.

<sup>\*\*\*/</sup> A Named Executive Officer as well as a director.

## Edgar Filing: CATHAY GENERAL BANCORP - Form DEF 14A

- <sup>1/</sup> For each person in this table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person by the sum of 79,901,042 shares of Bancorp common stock outstanding as of April 1, 2015, and the number of shares of Bancorp common stock issuable under options exercisable and shares issuable under restricted stock units that will vest within 60 days of April 1, 2015.
- <sup>2/</sup> Includes 11,084 shares held jointly by Mr. Chang and his spouse, 208,812 shares held by the Michael and Judy Chang Family Trust, 180,000 shares held by his son as to which Mr. Chang disclaims beneficial ownership, and 7,000 shares issuable under options exercisable within 60 days of April 1, 2015.
- <sup>3/</sup> Includes 2,421 shares held by the Jelenko-Norris Intervivos Trust.
- <sup>4/</sup> Includes approximately 1,148,516 shares held by Mr. Tang's spouse, approximately 90,406 shares held by the ESOPT which have been allocated to Mr. Tang's account, 86,690 shares issuable under options exercisable within 60 days of April 1, 2015, and approximately 3,787 unallocated shares held by the ESOPT.
- <sup>5/</sup> Includes 857,799 shares held by the PACJU, LLC, 26,778 shares held by Wu Family Trust, 144,400 shares issuable under options exercisable within 60 days of April 1, 2015, and approximately 3,787 unallocated shares held by the ESOPT.

- <sup>6/</sup> Includes 59,657 shares held by the Kelly and Barbara Chan Living Trust, 9,800 shares held by Mr. Chan's spouse, 13,390 shares held by his son, 28,096 shares held by Chansons Properties, 200,000 shares held as Trustee of the WHFC Grandchildren's Sprinkling Trust, and 7,000 shares issuable under options exercisable within 60 days of April 1, 2015.
- <sup>7/</sup> Includes 445,577 shares held by the Dunson Cheng and Cynthia Cheng Trust, 182,452 shares held by the Dunson Cheng and Cynthia Cheng Nonmarital Shares Trust, approximately 102,849 shares held by the ESOPT which have been allocated to Mr. Cheng's account, 674,604 shares issuable under options exercisable within 60 days of April 1, 2015, and approximately 3,787 unallocated shares held by the ESOPT.
- <sup>8/</sup> Includes 207,964 shares held by the Chiu Family Trust, 69,732 shares held by Dr. Chiu's Pension Plan, and 7,000 shares issuable under options exercisable within 60 days of April 1, 2015.
- <sup>9/</sup> Includes 46,440 shares held by the Poon Family Trust and 7,000 shares issuable under options exercisable within 60 days of April 1, 2015.
- <sup>10/</sup> Includes 10,000 shares held by Nelson Chung Defined Benefit Plan, 10,000 shares held by Nelson Chung Pension Plan, and 7,000 shares issuable under options exercisable within 60 days of April 1, 2015.
- <sup>11/</sup> Includes 228,699 shares held by Mr. Lee as trustee of the Lee Trust and 7,000 shares issuable under options exercisable within 60 days of April 1, 2015.
- <sup>12/</sup> Includes 371,664 shares held by the Liu Family Inter Vivo Trust and 7,000 shares issuable under options exercisable within 60 days of April 1, 2015.
- <sup>13/</sup> Includes 89,000 shares issuable under options exercisable within 60 days of April 1, 2015.
- <sup>14/</sup> Includes approximately 801 shares held by the ESOPT which have been allocated to Mr. Tai's account, 38,750 shares issuable under options exercisable, and 5,427 shares issuable under restricted stock units that will vest within 60 days of April 1, 2015.
- <sup>15/</sup> Includes approximately 4,987 shares held jointly by Mr. Wong and his spouse, approximately 17,036 shares held by the ESOPT which have been allocated to Mr. Wong's account, and 51,000 shares issuable under options exercisable within 60 days of April 1, 2015.
- <sup>16/</sup> In addition to the ownership disclosed for the persons identified in the table above, the beneficial ownership of one additional executive officer 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 1,203,374 shares issuable under options exercisable and 5,427 shares issuable under restricted stock units that will vest within 60 days of April 1, 2015, approximately 211,092 shares held by the ESOPT that have been allocated to the directors and Named Executive Officers, and approximately 3,787 shares held as unallocated shares by the ESOPT.
- <sup>17/</sup> The ownership percentage is determined by dividing the number of shares by 81,109,843, which consists of 79,901,042 shares of Bancorp common stock outstanding as of April 1, 2015, and 1,203,374 shares of Bancorp common stock issuable under options exercisable and 5,427 shares issuable under restricted stock units that will vest within 60 days of April 1, 2015.

**Nominees, Continuing Directors, and Executive Officers**

Set forth below is information concerning each nominee for election as a Class I director, each of the Class II and III directors whose terms have not yet expired, and each other executive officer. Each of the current directors is also a director of Cathay Bank, a wholly-owned subsidiary of Bancorp. The biographical information set forth below includes the person's principal occupation, business experience over the last five years, positions held, and the experience, qualifications, attributes, or skills that led

the Nomination and Governance Committee and the Board to determine that the person should serve as a director. In addition, they each have satisfied other criteria considered by the Nomination and Governance Committee and the Board in evaluating potential nominees and directors, including intelligence, personal character, integrity, and commitment to the community and Bancorp.

*Nominees (Class I)*

**Michael M.Y. Chang** is a retired attorney, having practiced law in Los Angeles for 30 years until retiring in 2000. He was the Secretary of Bancorp

and Cathay Bank from 2001 to August 2010. Mr. Chang was one of the founders of the Southern California Chinese Lawyers Association. He formerly served as a director of Chinatown Service Center, a community-based Chinese-American health and human services organization in Southern California. He received a Juris Doctor degree and a Bachelor of Science degree in Accounting. Mr. Chang has been a Director of Cathay Bank since 1983 and of Bancorp since it was formed as a holding company in 1990.

Mr. Chang has been a well-respected attorney in Los Angeles for over 30 years, with the emphasis of his practice being in areas of business law, real estate, corporations, and taxation. The Board benefits from his legal experience and analysis of issues. His participation in the Chinese-American community in Southern California provides knowledge of the local economy, as well as business opportunities for Cathay Bank.

**Jane Jelenko** was a partner at KPMG LLP, a global audit, tax, and advisory services firm, where she became the first woman consulting partner in 1983, and served over 25 years (from 1977 to 2003) in various capacities including the National Industry Director for its Banking and Finance group, a member of the firm's Board of Directors, and the leader for the firm's Banking and Investment Services Consulting group. She has also served on the Countrywide Bank board (Audit and Operations Committees), the Los Angeles Area Chamber of Commerce Executive Committee, and the Organization of Women Executives board. She currently serves on the boards of two SunAmerica Mutual Funds families, and on non-profit boards, including the United States Holocaust Memorial Museum, the Center Dance Arts of the Los Angeles Music Center, Dizzy Feet Foundation, Body Traffic, The Gabriella Foundation, and the Constitutional Rights Foundation (emeritus). She received a Master of Business Administration degree in Finance. Also, she has been awarded certification by the UCLA Anderson Graduate School of Management's

Director Training and Certification Program. Ms. Jelenko has been a Director of Bancorp and Cathay Bank since January 2012.

Ms. Jelenko brings a fresh perspective as a recently elected member of the Board, along with her extensive managerial and finance experience and community service.

**Anthony M. Tang** has been Vice Chairman of the Board of Bancorp and Cathay Bank since August 21, 2014 and has over 30 years of banking experience. He was an Executive Vice President of Bancorp from 1994 to September 2013, Senior Executive Vice President of Cathay Bank from 1998 to 2013, Chief Lending Officer of Cathay Bank from 1985 to September 2013, and Executive Vice Chairman of the Board of Bancorp and Cathay Bank from October 2013 to August 20, 2014. Mr. Tang was formerly the Chief Financial Officer and Treasurer of Bancorp from 1990 to 2003. He received a Master of Business Administration degree. Mr. Tang has been a Director of Cathay Bank since 1986 and of Bancorp since it was formed as a holding company in 1990.

Through his service to Cathay Bank in various capacities for over 25 years, Mr. Tang brings to the Board an in-depth knowledge and understanding of its history and business, as well as extensive knowledge of its operations from a financial and accounting standpoint.

**Peter Wu, Ph.D.**, has been Vice Chairman of the Board of Bancorp and Cathay Bank since August 21, 2014, and a Director, Chairman of the Board, President, and Chief Executive Officer of Cathay Bank Foundation since 2005. He was Chief Operating Officer of Bancorp and Cathay Bank from 2003 to June 2014, and Executive Vice Chairman of the Board of Bancorp and Cathay Bank from 2003 to August 20, 2014. He was the Chairman of the Board of GBC Venture Capital, Inc. from 1997 to 2014 and President and Chief Executive Officer of GBC Venture Capital, Inc. from 2003 to 2014. Prior to joining Bancorp, Mr. Wu was a co-founder, Chairman of the Board, President, and Chief Executive Officer of General Bank and its publicly-held bank holding company, GBC Bancorp, until they merged with Cathay Bank and Bancorp in 2003. Mr. Wu received a Ph.D. in Mathematics. He has been a Director of Bancorp and Cathay Bank since 2003.

Mr. Wu provides extensive commercial banking and managerial experience to Bancorp and Cathay Bank gained from his executive management positions with GBC Bancorp and General Bank, of which he was a co-founder, and then Bancorp and Cathay Bank. He also provides institutional knowledge of the history and operations of General Bank and GBC Bancorp.



*Continuing Directors (Class II)*

**Kelly L. Chan** is an owner of Phoenix Bakery Inc., a family-owned retail bakery that began in Los Angeles Chinatown and that has been serving the Los Angeles area for over 75 years. He retired as Vice President of Phoenix Bakery Inc. in 2012. Mr. Chan is a Certified Public Accountant with over 30 years of experience, and received a Master of Business Administration degree. He served in the U.S. Navy from 1970 to 1973 and in the U.S. Naval Reserve until his retirement in 2000 with the rank of Captain. Mr. Chan has been a Director of Cathay Bank since 1981 and of Bancorp since it was formed as a holding company in 1990.

Mr. Chan offers the Board substantial management experience with privately held businesses, which constitute a significant portion of the customers of Cathay Bank. As a Certified Public Accountant, Mr. Chan adds additional expertise in accounting matters, and serves as chairman of the Audit Committee.

**Dunson K. Cheng**, Ph.D., has been the Chairman of the Board, President, and Chief Executive Officer of Bancorp and Chairman of the Board and Chief Executive Officer of Cathay Bank since 1994. He was the President of Cathay Bank from 1985 to March 2015. Mr. Cheng has over 30 years of banking experience. He also serves on the boards of DiCon Fiberoptics, Inc. (a supplier of optical components, integrated modules, and test equipment for the fiber optics industry), Tsinghua Education Foundation (N.A.) Inc., and Ascencia (formerly known as PATH Achieve Glendale). He formerly served on the board of directors of the California Bankers Association. Mr. Cheng received a Ph.D. in Physics. He has been a Director of Cathay Bank since 1982 and of Bancorp since it was formed as a holding company in 1990.

Mr. Cheng provides to the Board his extensive banking experience, his broad knowledge of the business and operations of Bancorp and Cathay Bank, and his strong management and leadership skills. His tenure as an officer and a director for over 30 years affords the Board valuable insight regarding all aspects of the business and operations of Bancorp and Cathay Bank.

**Thomas C.T. Chiu**, M.D., a medical doctor, had served as President and Chief Executive Officer of an

independent physicians association, chairman of its governing board, and chair of various committees at a healthcare facility in Monterey Park, California. He had been a director of General Bank and its publicly-held bank holding company, GBC Bancorp, for 10 years until they merged with Cathay Bank and Bancorp in 2003. Dr. Chiu has been a Director of Bancorp and Cathay Bank since 2003.

Dr. Chiu is a well-respected medical doctor in Southern California. He has been extensively involved with a multi-language/multi-cultural healthcare facility in Monterey Park, California, a community that has a large Chinese-American population. He is an active participant in the Chinese-American community, which is served by Cathay Bank. He also provides institutional knowledge of the history and operations of General Bank and GBC Bancorp.

**Joseph C.H. Poon** is President of Edward Properties, LLC, a real estate development company that specializes in residential, industrial, and commercial projects, and he has over 30 years of experience in real estate development. He received a Master of Business Administration degree and a Master of Science degree in Civil Engineering. Mr. Poon has been a Director of Cathay Bank since 1981 and of Bancorp since it was formed as a holding company in 1990. He served as the Lead Independent Director of Bancorp from July 2010 to May 2011.

Mr. Poon provides the Board with considerable managerial experience, as well as an extensive background in commercial, industrial, and residential real estate construction and development. He also contributes his academic background in business and engineering.

*Continuing Directors (Class III)*

**Nelson Chung** is President of Pacific Communities Builder, Inc., which has built more than 4,000 home sites and developed more than 150 communities in Southern California. He received a Master of Urban Design degree and is a licensed architect, general contractor, and real estate broker in California. Mr. Chung has been a Director of Bancorp and Cathay Bank since 2005.

Mr. Chung contributes managerial experience and an extensive knowledge of residential real estate

development in Southern California, with which he has been involved for over 30 years. His academic background in urban design and his experience as an architect, general contractor, and real estate broker provide the Board with a unique perspective of the real estate market.

**Felix S. Fernandez** has served as a leader at Wells Fargo in various capacities for over 15 years. In 2011, he retired as a Corporate Executive Vice President and Regional President of Community Banking for Wells Fargo in the Northern California region, responsible for up to 150 branches, \$15 billion in deposits and \$1.5 billion in loans, and 2,700 employees. Prior to working at Wells Fargo, Mr. Fernandez served as Executive Vice President of International Business Banking at State National Bank in El Paso, Texas, where he was responsible for the Mexico business market, and also served in various positions at Valley National Bank of Arizona (later a part of Chase Bank). Mr. Fernandez has been active in the community and business organizations throughout his career, including affiliations with the United Way, Boys and Girls Club of America, Boy Scouts of America, Bankers Association for Finance and Trade, and the Greater Sacramento Chamber of Commerce. He currently serves on the board of Sacramento State University Enterprise, Inc., Dignity Health Sacramento Service Region Board, Crocker Art Museum, the California Bankers Association, and Pan American Bank. He received a Master of Business Administration degree, with an emphasis in Finance. Mr. Fernandez has been a Director of Bancorp and Cathay Bank since 2013.

Mr. Fernandez brings with him valuable skills and diverse experience, along with a leadership record in the banking industry, all of which enhance our Board's capacity to guide our future growth and development.

**Patrick S.D. Lee** is the founder and former President of T.C. Construction Corporation, a company involved in the construction and development of commercial and residential real estate in the greater Los Angeles area. Mr. Lee is active in the Los Angeles Chinese-American community and currently serves as a director of the Chinatown Service Center and as an advisor on the Chinese Chamber of Commerce. He has been a Director of Cathay Bank Foundation since 2004. He received a Bachelor of Science degree in Civil Engineering, and has been

licensed as a structural engineer, civil engineer, and general contractor. Mr. Lee has been a Director of Cathay Bank since 1983 and of Bancorp since it was formed as a holding company in 1990. He has been serving as the Lead Independent Director of Bancorp since May 2011.

Mr. Lee provides the Board with considerable managerial experience, as well as extensive experience in commercial and residential real estate construction and development in the Los Angeles area. His active involvement in civic organizations within the Chinese-American community served by Cathay Bank, as well as his tenure as a director, provides valuable insight regarding its business and operations.

**Ting Y. Liu, Ph.D.**, was a co-founder and a director of General Bank and its publicly-held bank holding company, GBC Bancorp, until they merged with Cathay Bank and Bancorp in 2003. Mr. Liu was an aerospace research scientist for over 12 years, has been a real estate developer of motels and hotels, and co-founded Western Underwriter, an insurance company, in 1985. He also co-founded the Southern California Hotel/Motel Association in the early 1980s and was active in the Holiday Inn Franchisee Association where he served as the regional committee member for many terms. Mr. Liu received a Ph.D. in Aerospace Science. He has been a Director of Bancorp and Cathay Bank since 2003.

Mr. Liu's extensive experience in commercial real estate development provides a valuable perspective on the real estate market, and his background in the insurance business provides knowledge of the insurance market. His previous service as a director of GBC Bancorp and General Bank provides additional commercial banking and financial institution experience.

#### *Other Executive Officers*

**Heng W. Chen** has been Executive Vice President, Chief Financial Officer, and Treasurer of Bancorp and Executive Vice President of Cathay Bank since 2003, and Chief Financial Officer of Cathay Bank since 2004. He was Vice President and Chief Financial Officer of Cathay Real Estate Investment Trust from 2003 to 2013 and has been a Director, Vice President, and Chief Financial Officer of GBC Venture Capital, Inc. since 2003. Prior to joining

Bancorp, Mr. Chen had over 25 years of experience in the areas of finance, accounting, and banking at City National Bank and its publicly-held bank holding company, City National Corporation, and at Price Waterhouse. Mr. Chen was formerly a Certified Public Accountant and received a Master of Business Administration degree.

**Pin Tai** has been President and a Director of Cathay Bank since April 1, 2015. Mr. Tai joined Cathay Bank in 1999 as General Manager of New York Regions with a goal to establish our footing in the East Coast region. In 2006, Mr. Tai became Executive Vice President and the General Manager of Eastern Regions, and then became the Deputy Chief Lending Officer in 2010 and the Chief Lending Officer in 2013. He has also been a Director of Cathay Bank Foundation since 2004. Mr. Tai has over 32 years of banking experience. Prior to joining Cathay Bank, Mr. Tai worked at Bank of China in its New York office to help establish its commercial lending operations in the United States.

**Irwin Wong** has been Senior Executive Vice President of Cathay Bank since 2014 and Chief Operating Officer of Cathay Bank since April 1, 2015. Mr. Wong joined Cathay Bank in 1988 as Vice President of Branch Administration, advanced to Senior Vice President of Branch Administration in 1989, served as Executive Vice President of Branch Administration from 1998 to 2011 and as Executive Vice President and Chief Risk Officer from 2011 to 2013, and became the Chief Retail Administration and Regulatory Affairs Officer in January 2014. He has also been a Director and Vice President of Cathay Bank Foundation since 2002, and Chief Financial Officer/Treasurer of Cathay Bank Foundation from 2004 to 2011. Mr. Wong has over 35 years of banking experience. Mr. Wong is active in community organizations and serves as a director of Junior Achievement of Southern California, the California Council on Economic Education, and the Los Angeles Nashi Hongwanji Buddhist Temple.

**Donald S. Chow** has been an Executive Vice President and Chief Credit Officer of Cathay Bank since January 2014. Mr. Chow joined Cathay Bank in August 2013 as a Consultant of the Office of the President. Prior to joining Cathay Bank, Mr. Chow was Executive Vice President and Senior Supervisor at East West Bank from 2009 to 2013 and President of Desert Community Bank, a Division of East West Bank, from 2007 to 2009. Mr. Chow has over 25 years of banking experience in the areas of credit and commercial lending.

**Kim R. Bingham** has been an Executive Vice President of Cathay Bank since 2004 and Chief Risk Officer of Cathay Bank since January 2014. Mr. Bingham joined Cathay Bank in 2004 as Chief Credit Officer and served in that capacity until December 2013. Prior to joining Cathay Bank, Mr. Bingham managed Private Banking for Mellon Bank in the Western United States and prior to this position, Mr. Bingham served in a series of increasingly responsible staff and management positions in lending and credit for City National Bank. Mr. Bingham has more than 30 years of banking experience.

## BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

We are committed to maintaining the highest standards of business conduct and corporate governance. Our Board has adopted Corporate Governance Guidelines, which, together with our certificate of incorporation, bylaws, and Board committee charters, form the framework for the governance of Bancorp. The Corporate Governance Guidelines and committee charters are available at [www.cathaygeneralbancorp.com](http://www.cathaygeneralbancorp.com).

### Meetings

The Board generally holds regular monthly meetings. Special meetings are called when necessary. During 2014, the Board held 12 meetings. In 2014, each director attended more than 75% of the aggregate total number of meetings of the Board held during the period for which he or she has been a director, and the total number of meetings held by all committees of the Board on which he or she served during the periods that he or she served. It is our policy to invite and strongly encourage all members of the Board to attend Bancorp's annual meeting of stockholders. All of our directors, except Felix S. Fernandez and Jane Jelenko, attended the 2014 annual meeting.

### Board Leadership

Dunson K. Cheng has served as both Chairman of the Board and Chief Executive Officer of Bancorp since 1994. The Chairman of the Board sets the agendas and presides at Board meetings and generally takes the lead role in the boardroom. In the absence of the Chairman of the Board, a Vice Chairman presides at Board meetings. Any director may suggest the inclusion of items on the agenda and raise at any Board meeting subjects that are not specifically on the agenda for that meeting. The Board believes that this structure provides clarity of leadership and that Mr. Cheng is uniquely qualified through his experience and expertise to continue leading Bancorp in this dual capacity.

Currently, Patrick S.D. Lee serves as the Lead Independent Director. The Lead Independent Director is elected by the majority of independent directors on an annual basis at the first executive

session after the annual stockholders' meeting, and is charged with the following responsibilities:

Presiding at meetings of the independent directors in executive session;

Facilitating communications between other members of the Board and the Chairman of the Board and/or the Chief Executive Officer; and

Consulting with the Chairman of the Board and/or the Chief Executive Officer on matters relating to corporate governance and Board performance.

The Board accomplishes much of its governance and oversight role through its Audit, Compensation, Nomination and Governance, and Risk Committees that, with the exception of the Risk Committee, are made up entirely of independent directors, and the chairs of these committees take the lead in matters coming within their purview. In addition, the independent directors meet at least quarterly in executive session. Finally, the Chairman of the Board serves at the pleasure of the Board, and the independent members of the Board (constituting a majority of the directors) can call special meetings if the need arises.

The Board therefore believes that adequate controls exist to mitigate any risks associated with one individual serving in this dual capacity and that, given its size and the nature of its business, Bancorp and its stockholders are currently most advantaged by leaving the roles of Chairman of the Board and Chief Executive Officer combined.

**Director Independence**

Our Corporate Governance Guidelines provide that the Board shall be comprised of a majority of directors who, in the opinion of the Board, qualify as independent directors pursuant to the listing standards of The Nasdaq Stock Market LLC ( Nasdaq ). An independent director for purposes of the Guidelines means a person other than: (i) an executive officer or employee of Bancorp or its subsidiaries, or (ii) any other individual having a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a

director. The Board considered relationships, transactions, and/or arrangements with each of its directors, including those disclosed below under Transactions with Related Persons, Promoters and Certain Control Persons, and determined that the following eight of its current 12 members are independent as defined in the Nasdaq Stock Market Rules: Kelly L. Chan, Michael M.Y. Chang, Nelson Chung, Felix S. Fernandez, Jane Jelenko, Patrick S.D. Lee, Ting Y. Liu, and Joseph C.H. Poon.

In addition, the Board has determined that:

All directors who serve on the Audit, Compensation, and Nomination and Governance Committees are independent under applicable Nasdaq listing standards and Securities and Exchange Commission (SEC) rules, and

All members of the Audit and Compensation Committees meet the additional independence requirement that they not directly or indirectly receive any compensation from us 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 on a regularly scheduled basis, but not less than four times a year, in February, May, August, and November. In 2014, the independent directors met eight times in executive session.

### **Risk Management Oversight**

The Board is responsible for the oversight of risk management, but it looks to Bancorp's and its subsidiary Cathay Bank's management to develop and implement policies, processes, and procedures to appropriately identify, manage, and control risk exposure. The Board's function is, among other things, to review these policies, processes, and procedures and determine whether they are aligned and integrated with the Board's corporate strategy and risk tolerance, functioning appropriately, and adequately fostering a culture of risk-adjusted decision making within the organization.

In its oversight role, the Board relies to a large extent on its committee structure. Each of the committees considers the management of risk within the particular area of its responsibility. For example, the Compensation Committee has responsibility for monitoring the performance, and regularly reviewing the design and function, of our incentive compensation plans and arrangements and seeks to ensure that they do not encourage executive officers to take unnecessary and excessive risks that threaten our value and do not encourage the manipulation of reported earnings to enhance the compensation of any employee. Separately, the Audit Committee oversees activities performed by the audit and loan review functions of the Bancorp. The Board has delegated the general responsibility for overall risk management oversight to the Risk Committee. The Risk Committee meets periodically with the Chief Risk Officer. The Chief Internal Auditor of Cathay Bank reports on audit matters directly to Cathay Bank's Audit Committee, which also evaluates the performance of the Chief Internal Auditor.

Risk management oversight is also provided through an internal committee of Cathay Bank, which is chaired by Cathay Bank's Executive Vice President and Chief Risk Officer. This group meets monthly and is responsible for evaluating relevant risk information, implementing appropriate strategies to address risks, and reporting the results to executive management, the Risk and Compliance Committee of the Cathay Bank Board of Directors, the Risk Committee, and the Board.

The Board receives regular reports from its committees, including the Risk Committee, regarding their deliberations and actions, as well as a quarterly report from the Chief Risk Officer of Cathay Bank, and regularly discusses and evaluates the risks we are facing and the effectiveness of actions being taken to monitor and control exposure from such risks. In addition, the independent directors meet at least annually in executive session with Cathay Bank's Chief Risk Officer, Cathay Bank's Chief Internal Auditor, and representatives of Bancorp's independent registered public accounting firm.

## Board Committee Structure

The directors of Bancorp are also the directors of Cathay Bank and members of certain of its committees. The Board has five standing committees: the Audit Committee, the Compensation Committee, the Investment Committee, the Nomination and Governance Committee, and the Risk Committee. Each of these committees has adopted a written charter which is available on our website at [www.cathaygeneralbancorp.com](http://www.cathaygeneralbancorp.com). The following table identifies the current committee membership and the number of meetings held in 2014:

Name	Audit	Compensation	Investment	Nomination and Governance	Risk
Kelly L. Chan	Chair	x		x	
Michael M.Y. Chang				x*	x
Dunson K. Cheng			Chair		x
Thomas C.T. Chiu			x		
Nelson Chung					Chair
Felix S. Fernandez					x
Jane Jelenko	x				x
Patrick S.D. Lee		x			
Ting Y. Liu	x	Chair		x	x
Joseph C.H. Poon		x	x	Chair	
Anthony M. Tang					
Peter Wu			x		x
Number of Committee Meetings Held in 2014	18	9	8	5	13

\*/ Member since May 2014.

## Audit Committee

The Audit 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.

As provided by its charter, the Audit Committee shall be comprised of three or more directors, and its members must meet the Nasdaq listing standards, the regulations of the SEC, and the requirements of the Federal Deposit Insurance Corporation.

All members of the Audit Committee are independent as defined in the Nasdaq listing

standards. The Board 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 Mr. Chan, its Chairman, and Ms. Jelenko each qualifies as an audit committee financial expert, as defined in Item 407(d)(5) of the SEC's Regulation S-K.

The Audit Committee does not have a policy for pre-approving services to be provided by Bancorp's independent auditors. 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.



### **Compensation Committee**

The purpose of the Compensation Committee is to exercise oversight with respect to the compensation philosophy, policies, practices, and implementation for our executive officers and directors, the administration of our equity-based compensation plans, and the administration of our incentive and other plans for our executive officers. In addition to its risk management responsibilities as described above, the Compensation Committee has responsibility for: (a) establishing our compensation policies and practices with regard to our Chief Executive Officer and the other executive officers; (b) reviewing and approving, at least annually, goals and objectives with respect to the performance of our Chief Executive Officer and the other executive officers; (c) evaluating, at least annually, the performance of our Chief Executive Officer and the other executive officers in light of the corporate goals and objectives and the performance evaluations; and (d) administering our equity-based compensation plans, including making awards and determining the terms and conditions of awards.

As provided by its charter, the Compensation Committee is comprised of at least two members of the Board. Each member of the Compensation Committee is required to be and is an independent director and otherwise qualifies as a member of the Compensation Committee under the Nasdaq listing standards; qualifies as a non-employee director under Rule 16b-3(b)(3)(i) promulgated by the SEC under the Exchange Act; and qualifies as an outside director under the rules promulgated by the Internal Revenue Service under Section 162(m) of the Internal Revenue Code.

### **Investment Committee**

The Investment 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.

### **Nomination and Governance Committee**

All members of the Nomination and Governance 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. In addition, the committee has the following responsibilities with respect to corporate governance: (a) developing and recommending to the Board a set of corporate governance guidelines, reviewing and reassessing as appropriate the adequacy of any corporate governance guidelines adopted by the Board and recommending any proposed changes to the Board; (b) considering any other corporate governance issues that arise, developing appropriate recommendations for the Board, and addressing matters of corporate governance not otherwise delegated to other committees of the Board; (c) serving in an advisory capacity to the Board on matters of organizational and governance structure; (d) overseeing the implementation of the Board's annual reviews of director independence; (e) developing and recommending to the Board a process to evaluate performance of the Board and its committees, and implementing and overseeing any process adopted; (f) reviewing and reassessing, taking into account the assessments of the relevant committees, the adequacy of the various committee charters and recommending any proposed changes to the Board; and (g) assisting the Board in reviewing our senior management development and succession planning. Nominees for this 2015 annual meeting of stockholders were recommended by this committee and unanimously approved by all of Bancorp's independent directors.

The policy of the Nomination and Governance Committee is to consider candidates properly recommended by our stockholders. In evaluating any such candidates, the Nomination and Governance 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 Lisa L. Kim, 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 Stockholder Proposals for 2016 Annual Meeting of Stockholders below. The Board and the Nomination and Governance 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 ensure 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. When an independent director retires, resigns or declines to stand for reelection, the Nomination and Governance Committee will seek to identify and recommend to the Board candidates for election by the stockholders or by the Board to fill the vacancy who are independent under all applicable standards.

Cathay Bank was founded in 1962 in Los Angeles, California, and is today America's oldest bank founded by Chinese-Americans. Since that time, it has expanded into metropolitan areas of the U.S. that have substantial Chinese-American populations, as well as established a branch in Hong Kong and a representative office in Shanghai and in Taipei. To better serve its customers, many of Cathay Bank's employees speak both English and one or more Chinese dialects or Vietnamese. As Cathay Bank has grown and expanded, the Board and the Nomination and Governance Committee have been considering greater diversity for the Board, in terms of race, gender, national origin, geography, skills, experience, and/or expertise. While there is no specific policy in place with respect to diversity, a conscious effort has been made, and will continue to be made, to add to the Board otherwise qualified individuals who are representative of diverse backgrounds and experiences.

The process for identifying and evaluating candidates is commenced by the Board upon its determination of a need to nominate a director or fill a new position or vacancy on the Board. At the request of the Board, the Nomination and Governance 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 and Governance Committee conducting inquiries into the backgrounds and qualifications of such candidates. If the Nomination and Governance 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 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 and Governance Committee, the Nomination and Governance Committee will evaluate whether the candidate meets the requisite qualifications and criteria and should be recommended to the Board. Candidates recommended by the Nomination and Governance 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 and Governance Committee expects that a similar process will be used to evaluate nominees recommended by stockholders.

#### **Risk Committee**

The purpose of the Risk Committee is to oversee the risk management practices of our operations. This committee exists alongside the Risk and Compliance Committee at Cathay Bank.

The Risk Committee is, among other things, responsible for documenting, reviewing, and approving, on an oversight basis, our enterprise-wide risk management practices, and overseeing the operation of, on an enterprise wide-basis, an appropriate risk management framework commensurate with our capital structure, risk profile, complexity, activities, size, and other appropriate risk-related factors.

As provided by its charter, the Risk Committee shall be composed of at least three Board members and shall be chaired by an independent director. The

independent director chair (a) shall not be an officer or employee and shall not have been an officer or employee during the previous three years, (b) shall not be a member of the immediate family, as defined in Regulation Y, of a person who is, or has been within the last three years, an executive officer, as defined in Regulation O, and (c) shall be an independent director under Item 407 of the SEC's Regulation S-K.

### **Stock Ownership of Directors**

Our Corporate Governance Guidelines provide that directors should hold shares of our common stock with a value equal to two times the amount of the annual cash retainer paid to directors as of March 15, 2012, or the date the director is elected to the Board, whichever is later. They further provide that directors should achieve such holdings within five years of joining the Board or, in the case of directors serving at the time the Guidelines were first adopted, within five years of March 15, 2012.

### **Compensation of Directors**

The directors of Bancorp are also the directors of Cathay Bank's board of directors ( Bank Board ) and members of certain of its committees. For 2014, with the exception of Anthony M. Tang and Peter Wu as discussed below, each director who was not also a full-time officer of Bancorp or Cathay Bank was paid an annual retainer of \$50,000 payable on a monthly basis in cash and a fee of \$750 for each committee meeting or executive session of independent directors attended. Board and Bank Board committee meetings that are held on the same day count only as one meeting, except for the Audit Committee and the Bank Board's Audit Committee. In addition, the following monthly retainers were paid: \$1,000 to the Lead Independent Director of Bancorp, \$1,000 to the chair of the Audit Committee, \$1,250 to the chair of the Bank Board's Credit Committee, \$750 to the chair of the Bank Board's

Audit Committee for each meeting with the Chief Internal Auditor and the Chief Risk Officer of the Bank for administrative purposes, and \$500 to the chairs of all Board or Bank Board committees other than the chairs of the Bank Board's Audit Committee and Investment Committee, who only received retainers for their service as the respective chairs of the Board's Audit Committee and Investment Committee. Bancorp and Cathay Bank reimburse directors for out-of-pocket expenses incurred in attending meetings of the boards and committees and in traveling on company business. The Compensation Committee advises the Board on director compensation.

On March 13, 2014, the Board approved as part of the target annual compensation for directors, an equity incentive for non-employee directors and Anthony M. Tang, who is an employee director, consisting of 1,369 shares of common stock with a target value of \$35,000.

Our Corporate Governance Guidelines provide that the Board may make exceptions to the policy that a director who is also an officer or employee of Bancorp shall not receive additional compensation for such services as a director.

Cathay Bank has paid Mr. Anthony M. Tang \$15,000 per month for his service as Vice Chairman of the Board of Bancorp and of Cathay Bank, in addition to his monthly retainer as chair of the Bank Board's Credit Committee, his director retainer fee, and his committee meeting attendance fees.

Mr. Peter Wu retired as Chief Operating Officer of Bancorp and of Cathay Bank, effective July 1, 2014. Mr. Wu continues to serve as a director and a Vice Chairman of the Board of Bancorp and of Cathay Bank. Cathay Bank has paid Mr. Wu since his retirement approximately \$16,667 per month for his services as Vice Chairman of the Board of Bancorp and of Cathay Bank, in addition to his director retainer fee and his committee meeting attendance fees.

*Director Compensation*

The following table sets forth for 2014 a summary of the compensation paid to all directors who were not also a Named Executive Officer:

Name	Fees earned or paid in cash (\$)	Stock awards (\$)	Option awards <sup>1/</sup> (\$)	Non-equity incentive plan compensation (\$)	Change in pension value and nonqualified deferred compensation earnings (\$)	All other compensation (\$) <sup>2/</sup>	Total (\$)
Kelly L. Chan	110,750	34,978				12,000 <sup>3/</sup>	157,728
Michael M.Y. Chang	106,250	34,978					141,228
Thomas C.T. Chiu	97,250	34,978				12,000 <sup>3/</sup>	144,228
Nelson Chung	74,500	34,978					109,478
Felix S. Fernandez	104,750	34,978				12,000 <sup>3/</sup>	151,728
Jane Jelenko	87,500	34,978				12,000 <sup>3/</sup>	134,478
Patrick S.D. Lee	119,000	34,978				12,000 <sup>3/</sup>	165,978
Ting Y. Liu	104,750	34,978				12,000 <sup>3/</sup>	151,728
Joseph C.H. Poon	85,250	34,978				12,000 <sup>3/</sup>	132,228
Anthony M. Tang	288,442 <sup>4/</sup>	34,978				19,763 <sup>5/</sup>	343,183
Peter Wu	152,042 <sup>6/</sup>					8,346	160,388

<sup>1/</sup> No stock options were granted in 2014. The aggregate number of options outstanding as of the close of December 31, 2014, for each named director is as follows: Mr. Chan 10,500, Mr. Chang 10,500, Dr. Chiu 10,500, Mr. Chung 7,000, Mr. Lee 10,500, Mr. Liu 10,500, Mr. Poon 10,500, Mr. Tang 126,510, and Mr. Wu 216,570.

<sup>2/</sup> The amount in this column consist of employer contributions under the 401(k) Profit Sharing Plan. Perquisites and other personal benefits, or property, are excluded if the aggregate amount of such compensation was less than \$10,000. Group life insurance, health insurance, and long-term disability insurance premiums are also excluded because such premiums are pursuant to a plan that does not favor executive officers or directors and is generally available to all salaried employees.

<sup>3/</sup> This amount consists of director off-site meeting allowances of \$4,000 to New York and \$8,000 to Hong Kong.

<sup>4/</sup> This amount consists of \$180,692 for Mr. Tang's services as Vice Chairman of the Board of Bancorp and Cathay Bank, a retainer fee of \$50,000 as a director of Bancorp and Cathay Bank, a retainer fee of \$15,000 as chair of the Bank Board Credit Committee, and committee meeting attendance fees of \$42,750.

<sup>5/</sup> This amount consists of \$5,123 in employee contributions under the 401(k) Profit Sharing Plan, \$2,640 in club memberships, and director off-site meeting allowances of \$4,000 to New York and \$8,000 to Hong Kong.

<sup>6/</sup> This amount consists of \$101,538 for Mr. Wu's services as Vice Chairman of the Board of Bancorp and Cathay Bank, a retainer fee of \$25,004 as a director of Bancorp and Cathay Bank, and committee meeting attendance fees of \$25,500 from July 1, 2014 to December 31, 2014. This amount does not include \$241,611 salary and \$202,000 cash bonus that was paid for his services as Executive Vice Chairman and Chief Operating Officer of Bancorp and Cathay Bank from January 1, 2014 to June 30, 2014.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

*This Compensation Discussion and Analysis ( CD&A ) is intended to provide information relevant to an understanding of our executive compensation program, philosophy and objectives, our process for making compensation decisions, and our executive compensation components. We address the factors most relevant to an understanding of our 2014 compensation policies and decisions regarding the compensation for each of the executive officers identified in the Summary Compensation Table under Remuneration of Executive Officers below (the Named Executive Officers ).*

*This was the first full year in which we were not subject to the standards for executive compensation and corporate governance that resulted from our participation in the Capital Purchase Program portion of the United States Department of the Treasury's Troubled Assets Relief Program (the TARP Capital Purchase Program ). Our participation began on December 5, 2008, and ended on September 30, 2013 (the TARP Period ), so that compensation decisions for the last quarter of 2013 and all of 2014 could be made without the limitations that were part of these standards. This permitted the Compensation Committee to, among other things, reinstitute the payment of cash bonuses based on an evaluation of individual and corporate performance, and to make equity incentive awards based on performance criteria established by the Compensation Committee. These decisions are described in more detail under Components of Our 2014 Executive Compensation Program and Establishing Our Executive Compensation below.*

### Objectives of Our Executive Compensation Program

It is our policy to build stockholder value by attracting, motivating, and retaining capable executive management and other key personnel for the purpose of achieving our business goals. We seek to implement this policy, in part, through our executive compensation program.

We believe that an effective executive compensation program is one in which executive officers receive

compensation that is competitive with the practices of other financial institutions in our market area, but which at the same time ties compensation to our financial and operating performance and does not encourage the taking of unnecessary and excessive risk or encourage the manipulation of reported earnings. In addition, we believe that individual compensation should be based on the experience, performance, and responsibility level of the executive officers and their contributions towards achievement of our business goals.

Further, we believe that an effective executive compensation program is one that is designed to align the interests of our executive officers with those of our stockholders through both cash and equity-based incentive compensation that rewards performance as measured against the achievement of our annual, long-term, and strategic goals.

Accordingly, our executive compensation program consists of cash and non-cash components, all of which are intended to work together to help fulfill the objectives of our compensation policy, which are to:

attract, motivate, and retain capable executive management and other key personnel;

optimize the individual performance of our executive officers and our financial and operating performance;

## Edgar Filing: CATHAY GENERAL BANCORP - Form DEF 14A

align the interests of our executive officers with those of our stockholders and link specific performance to the overall quality and sustainability of our performance and profitability;

ensure that we are not unnecessarily exposed to risks or to the manipulation of our reported earnings;

more closely reflect programs that can be utilized on an ongoing basis; and

provide incentives that appropriately balance risk and reward, are commensurate with prudent risk-taking, and are compatible with effective controls and risk-management.

We seek to combine these components, which are described below, in such a way as to best achieve these objectives.

## 2014 Financial Performance

The following are highlights of our financial performance for 2014:

Net income attributable to common stockholders increased 21.5% to \$137.8 million from \$113.5 million in 2013.

Diluted earnings per share increased 20.3% to \$1.72 from \$1.43 in 2013.

Total loans, excluding loans held-for-sale, increased 10.3% to \$8.91 billion at December 31, 2014, compared to \$8.08 billion at December 31, 2013.

Core deposits increased 14.5% to \$5.18 billion at December 31, 2014, from \$4.52 billion at December 31, 2013.

Non-performing assets decreased by \$35.5 million, or 25.9%, to \$101.6 million in 2014, from \$137.2 million in 2013.

### The Impact of the TARP Capital Purchase Program

During the TARP Period, we were subject to certain standards for executive compensation and corporate governance that applied generally to certain officers and highly compensated employees. As a result of these standards and the restrictions they imposed on executive compensation, some of the Compensation Committee's decisions varied from historical practice and from previous compensation programs. For example, we could not pay or accrue any bonus, retention award, or incentive compensation, including stock options and equity awards, other than long-term restricted stock or restricted stock units that were limited in amount and complied with certain vesting requirements. After the end of the TARP Period, we were no longer subject to these standards and restrictions.

### Risk Assessment

Our Compensation Committee meets on at least a semi-annual basis with our senior risk officers to evaluate the risks, both long-term and short-term, that we face. As part of this evaluation, the Compensation Committee identifies risks inherent in our business, including credit risk, interest rate risk, liquidity risk, price risk, transaction risk, compliance risk, strategic risk, and reputation risk. The Compensation Committee then reviews our incentive compensation

arrangements to ensure that they do not encourage our executive officers to take any unnecessary or excessive risks that threaten our value, to identify features that could pose risks to us and limit those features to ensure that we are not unnecessarily exposed to risks, and to eliminate any features that would encourage the manipulation of our reported earnings to enhance the compensation of any employee.

The review by the Compensation Committee also includes consideration of the *Guidance on Sound Incentive Compensation Policies* that was jointly issued in June 2010 by federal regulatory agencies, including the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. The Guidance is based on the following three principles that are to be incorporated in incentive compensation practices:

incentive compensation arrangements should balance risk and financial results in a manner that does not encourage employees to expose their organizations to imprudent risks;

a banking organization's risk-management processes and internal controls should reinforce and support the development and maintenance of balanced incentive compensation arrangements; and

## Edgar Filing: CATHAY GENERAL BANCORP - Form DEF 14A

banking organizations should have strong and effective corporate governance to help ensure sound compensation practices. To comply with the Guidance, our Board adopted in February 2014 an Incentive Compensation Policy to guide the Compensation Committee, as well as approving the adoption of procedures by management to implement the policy.

### **Components of Our 2014**

#### **Executive Compensation Program**

The specific amounts paid or awarded to our Named Executive Officers for 2014 are described below under **Establishing Our Executive Compensation**. In this section, we discuss the components that comprised our executive compensation program for 2014, which were:

base salary;

cash bonus;



equity incentive compensation;

retirement benefits provided under a 401(k) plan and an employee stock ownership plan for employees who met their eligibility requirements prior to January 2003;

life insurance and the same medical, dental, and disability benefits as provided generally to other employees; and

perquisites and other personal benefits.

Each of these components serves as a means to achieve one or more of the objectives of our executive compensation program. The Compensation Committee does not follow rigid formulas for allocating compensation among these various components. Instead, it utilizes its judgment taking into account our safety and soundness, as well as consideration of our business objectives, fiduciary and corporate responsibilities (including internal equity considerations and affordability), competitive practices and trends, and regulatory requirements. After the end of the TARP Period, the Compensation Committee has adjusted these components to more closely reflect compensation programs that can be utilized on an ongoing basis.

#### *Base Salary*

We provide our executive officers with a base salary to compensate them for services rendered during the year and to attract, motivate, and retain them. The Compensation Committee does not apply any fixed formula for setting base salaries for our executive officers. Instead, it considers a wide range of factors. In particular, the Compensation Committee will consider our overall financial and operating performance and profitability, and its evaluation of each executive officer's individual performance and contribution toward this overall performance and profitability. Our overall performance and profitability is determined, without any quantified targets or particular weighting, with reference to financial factors such as net income, earnings per share, return on average assets, return on average stockholders' equity, efficiency ratio, and percentage increase or decrease in total assets, loans, and deposits.

The evaluation of each executive officer's individual performance involves consideration of such factors as the significance of the executive officer's services,

level of responsibility, any changes to those responsibilities, and the achievement of individual performance goals or completion of any strategic initiatives and special projects or assignments that may have been set from year to year, without any particular weight being assigned to these factors. As part of this evaluation, the Compensation Committee may consider the executive officer's individual skills, experience, length of service, and compensation levels in past years, not only in relation to the individual's performance in those years compared with the current year, but also in relation to competitive employment opportunities for that individual. Consideration is also given to changes in the cost of living.

The Compensation Committee also takes into consideration the base compensation of executive officers in equivalent positions at banks and bank holding companies considered to be similar to Cathay Bank and Bancorp. We believe it is helpful to consider comparative market information about compensation paid to executive officers of other companies in our business and geographic marketplace that seek similarly skilled and talented executives. We want to be able to retain our executive officers and, accordingly, we take into consideration publicly available information about compensation paid to executive officers at other financial institutions in making our decisions about compensation. However, we do not establish compensation levels based on benchmarking and we do not attempt to maintain a certain target percentile within any peer group to determine compensation. We view information on pay practices at other institutions as relevant to a general understanding of the market and for assessing the competitiveness and reasonableness of our executive compensation program.

Salary levels are typically considered in March as part of our employee performance review process. Salary levels may also be reviewed and adjusted for an executive officer upon a promotion or change in job responsibility or for special retention purposes. The Compensation Committee does not set any target range or apply any formulas or any particular minimum or maximum percentages. Instead, it considers the base salary increases on a case-by-case and year-by-year basis applying the factors set forth above. However, the Compensation Committee takes into consideration the compensation history of the

executive officers and will observe past ranges for reference and guidance without being bound or limited by them.

#### *Cash Bonus*

During the TARP Period, no cash bonuses could be paid to our Named Executive Officers. The Compensation Committee believes that a cash bonus component of our executive compensation program can serve as an important incentive and reward for the achievement of our business goals and as a means to attract, motivate, and retain our executive officers. Accordingly, the Compensation Committee awarded cash bonuses to our executive officers for the last quarter of 2013 after the end of the TARP Period and for 2014.

The Compensation Committee adopted, effective January 1, 2014, an Executive Officer Annual Cash Bonus Program, pursuant to which our executive officers may be entitled to cash bonus awards that constitute cash awards under the 2005 Incentive Plan. To determine a participant's bonus award, the Compensation Committee may establish for a program year company-wide financial criteria, including the achievement of quantifiable financial metrics, and metric and/or non-metric individual or department-wide performance goals. Following completion of a program year, the Compensation Committee is to determine the extent to which the financial criteria and performance goals for each participant have been achieved or exceeded and the amount of the bonus award to be paid. The Executive Officer Annual Cash Bonus Program sets forth factors the Compensation Committee should take into account in determining financial criteria and performance goals and the circumstances in which the results and bonus awards may be adjusted. Any bonus awards are subject to a three-year clawback provision, whereby under specified circumstances some or all the amounts paid may be recovered or the value recouped.

#### *Equity Incentive Compensation*

Our 2005 Incentive Plan permits us to grant stock options (both incentive stock options designed to comply with Internal Revenue Code Section 422 and nonstatutory stock options which will not so comply), stock awards (including shares, stock appreciation rights, stock units and other similar awards), and cash

awards. Equity awards under the 2005 Incentive Plan compensate eligible participants for their contributions to our business and encourage them to exert maximum efforts for our success by providing them with an opportunity to benefit from increases in the value of our common stock, thereby aligning the interests of the participants with those of our stockholders. In this manner, the awards serve as an incentive and reward for the achievement of our long-term business goals and a means to attract, motivate, and retain key personnel.

The Compensation Committee has authority to determine the number and type of equity awards for executive officers and all other employees of Bancorp and Cathay Bank. Awards are generally based on a qualitative analysis of the individual's performance and our overall performance and profitability, taking into account the factors discussed above under Base Salary and Cash Bonus. Without benchmarking, and for general reference purposes only, the Compensation Committee also will consider the size of awards made in the past to each individual and also generally refer to the size of awards made at other banks and bank holding companies of comparable size and complexity. Consideration is also given to the estimated dilutive effect of such awards on our stockholders.

Awards generally have been made on meeting dates that are specified in advance of the actual meeting. Awards are also made on occasion during the year to newly hired or newly promoted officers or for special retention purposes. Such awards for new hires, promotions, and retention become effective on the date of approval of the award by the Compensation Committee. All awards are made at or above the fair market value of our common stock as quoted on the Nasdaq Global Select Market. Outstanding options may not be repriced to reduce the exercise price without stockholder approval.

During the TARP Period, we were unable to grant options or other forms of incentive compensation to our Named Executive Officers other than certain long-term restricted stock or restricted stock units. After the end of the TARP Period, the Compensation Committee has awarded the executive officers restricted stock units that are not subject to these additional restrictions and performance-based restricted stock units.

#### *Retirement and Other Benefits*

Salaried employees of Cathay Bank who have completed three months of service and have attained the age of 21 are eligible to participate in the 401(k) Profit Sharing Plan, which provides them with an opportunity to save for retirement in a tax efficient manner. Participants can contribute up to 75% of their eligible compensation for the year, but not to exceed the limit set by the Internal Revenue Code. Cathay Bank matched 100% of a participant's contribution up to 2.5% of the participant's eligible compensation per pay period. Effective with the first pay period beginning on October 1, 2014, Cathay Bank's matching contribution increased to 100% of the first 4.0% of a participant's eligible compensation contributed per pay period after one year of service. The vesting schedule for the matching contribution is 25% after two years of service, and from then on at an increment of 25% each year until 100% is vested after five years of service.

Under our Cathay Bank Employee Stock Ownership Plan (the "ESOP"), we can make annual contributions to a trust in the form of either cash or common stock. Each participant's benefits under the ESOP consist of cash (or cash equivalents) and shares of our common stock allocated to the participant. As of April 1, 2015, the ESOP held approximately 1,083,024 shares of our common stock. We have not made contributions since 2003, and we do not plan to make a contribution in 2015.

We also provide group life, health, dental, disability, and medical reimbursement plans that do not discriminate in scope, terms, or operation in favor of our executive officers and that are available generally to all salaried employees.

Our executive officers are eligible to participate in all of these plans on the same terms as other employees.

#### *Perquisites and Other Personal Benefits*

We provide our executive officers with perquisites and other personal benefits that the Board and the Compensation Committee believe are reasonable and consistent with our overall compensation program to better enable us to attract and retain employees for key positions. The Compensation Committee periodically reviews the levels of perquisites and other personal benefits provided to the executive officers. Currently, these perquisites consist of

automobile expenses and club memberships. For 2014, the aggregate amount of perquisites and other personal benefits provided to our Named Executive Officers was less than \$10,000 each, except for our Chief Executive Officer, Dunson K. Cheng.

### **Establishing Our Executive Compensation**

#### *Role of Compensation Committee*

The Compensation Committee, which is comprised of independent directors, exercises oversight with respect to the compensation philosophy, policies, practices, and implementation for our executive officers and directors. For information relating to the composition and responsibilities of the Compensation Committee, see "Compensation Committee" under "Board of Directors and Corporate Governance" above.

The Chief Executive Officer and the Compensation Committee review the performance of each executive officer (other than the Chief Executive Officer). The conclusions reached and recommendations made based on these reviews, which include salary adjustments and equity award amounts, are then taken into account by the Compensation Committee as it makes decisions about compensation of the executive officers. With respect to the Chief Executive Officer, the Compensation Committee reviews and approves the corporate goals and objectives relevant to the Chief Executive Officer's compensation, evaluates the Chief Executive Officer's performance against those objectives, and approves the Chief Executive Officer's compensation based on that evaluation. The Chief Executive Officer does not participate in any deliberations or voting regarding his own compensation.

The Compensation Committee has the authority to retain or obtain the advice of a compensation consultant, legal counsel, or such other advisor to the Committee as it, in its sole discretion, deems necessary or advisable to assist it in carrying out its responsibilities. The Compensation Committee is responsible for the appointment, compensation, and oversight of the work of any such compensation consultant or other advisor. Before selecting an advisor or receiving advice, other than from our in-house counsel, the Compensation Committee makes inquiry and assesses the responses to determine whether there are any potential conflicts of interest.

In making its determinations with respect to compensation, the Compensation Committee also has access to and seeks input from senior management, the Lead Independent Director, and other directors, as well as receiving administrative support and advice from the General Counsel, the Director of Human Resources of Cathay Bank, our senior risk officers, and representatives of other departments of Cathay Bank.

*Compensation Consultant*

In June 2012, the Compensation Committee retained Frederic W. Cook & Co., Inc. ( FWC ) as its compensation consultant. FWC reports directly to the Compensation Committee. Management has not retained its own compensation consultant. The Compensation Committee has conducted an inquiry and assessment with respect to FWC, and determined that it is independent of management, provides no other services to us or to management, has in place policies and procedures designed to prevent conflicts of interest, and has no conflicts of interest in acting as a compensation consultant to the Compensation Committee.

As part of its engagement, FWC informs the Compensation Committee on practices and trends in executive compensation in the banking sector and current guidelines on executive compensation of proxy advisory firms, and provides compensation data with respect to comparable banking institutions. Specifically, FWC has assisted the Compensation Committee in (a) designing a post-TARP Period compensation plan for certain of our executive officers that can meet the requirements of Section 162(m) of the Internal Revenue Code, (b) structuring our post-TARP Period equity compensation program, (c) assessing whether our incentive compensation program will be commensurate with prudent risk taking and links specific performance to the overall quality and sustainability of our performance and profitability, and (d) reviewing the CD&A in our proxy statements.

FWC was consulted by the Compensation Committee as to how annual and long-term incentives might be structured after the TARP Period and as to levels of compensation at companies considered in our peer group. FWC consulted with the Compensation Committee with respect to the design for the performance restricted stock units that were awarded

by the Compensation Committee, as well as with respect to the design of the Executive Officer Annual Cash Bonus Program described above. In awarding performance restricted stock units, the Compensation Committee considered the tax and accounting treatment of the units compared to other forms of equity awards, the vesting provisions in the case of events such as death, disability, retirement, and change in control, and the range and scope of clawbacks. The amounts of the restricted stock unit awards and cash bonus awards were ultimately determined by the Compensation Committee.

*Peer Group*

As part of its engagement, FWC advised the Compensation Committee on selecting a group of peer companies ( Peer Group ) for purposes of assessing the competitiveness of executive compensation and performance for the post-TARP Period. The recommended Peer Group includes publicly-traded commercial banks or holding companies in the western United States (or major metropolitan areas) with which Cathay Bank may compete for business, capital, executive talent, or that are within the range similar in total assets, number of employees, and market capitalization (between approximately one-third and three times Bancorp's total assets and market capitalization). As of December 31, 2014, total assets for the Peer Group ranged from \$7.1 billion to \$39.6 billion, and market capitalization ranged from \$1.1 billion to \$5.9 billion. By comparison, our total assets were \$11.5 billion and our market capitalization was \$2.0 billion, which placed us near the median of the Peer Group. The Peer Group consists of the following 15 companies:

Bank of Hawaii Corporation

BBCN Bancorp, Inc.

City National Corporation

CVB Financial Corp.

East West Bancorp, Inc.

MB Financial, Inc.

National Penn Bancshares, Inc.

PacWest Bancorp

PrivateBancorp, Inc.

Prosperity Bancshares, Inc.

Sterling Financial Corporation

SVB Financial Group

Umpqua Holdings Corporation

Valley National Bancorp

Western Alliance Bancorporation

*Compensation Decisions for Named Executive Officers*

During 2014, the Compensation Committee held nine meetings to discuss, review, and/or deliberate about our compensation program and the appropriate levels of compensation for the executive officers. As discussed in this CD&A and elsewhere in this proxy statement, the Compensation Committee, consistent with its charter and the objectives of our compensation program, reviewed and considered relevant information available to it in making its compensation decisions.

While our policies and decisions with respect to our Named Executive Officers are not materially different than for our other executive officers, the Compensation Committee is not precluded from taking into account exceptional circumstances when making its decisions so long as those policies and decisions are believed to be in our best interests and those of our stockholders. In the case of our Chief Executive Officer, the greater relative size and range of his total compensation reflect his length of service, his critical role as the key person responsible for our expansion and growth, and his leadership in guiding us through the recession and financial crisis of recent years back to profitability.

**Base Salary.** On March 13, 2014, the Compensation Committee adjusted the annual base salaries for each of our Named Executive Officers, effective April 1, 2014. The annual base salaries for the Named Executive Officers before adjustment and after adjustment are as follows:

Name	Annual Base Salary Before Adjustment (\$)	Annual Base Salary After Adjustment (\$)
Dunson K. Cheng	1,000,000	1,000,000
Heng W. Chen	349,000	384,000
Pin Tai	310,000	341,000
Irwin Wong	275,000	303,000
Donald S. Chow	280,000	285,000

In making these adjustments, the Compensation Committee discussed the performance evaluations provided by Mr. Cheng for the Named Executive Officers other than himself, and the factors considered by the Compensation Committee regarding the 2013 incentive compensation for the executive officers, which included our financial condition and results, retention of executive officers, the amount of salary stock previously awarded and the compensation of executive officers at peer banks and bank holding companies. Also considered were the redemption of the preferred shares under the TARP Capital Purchase Program and the termination of the memorandum of understanding with the Federal Reserve.

In March 2015, the Board of Directors of Cathay Bank appointed Pin Tai as President of Cathay Bank and Irwin Wong as Chief Operating Officer of Cathay Bank, effective April 1, 2015. Mr. Wong will continue to serve as Senior Executive Vice President. Effective with these new roles, Mr. Tai will receive a new annual base salary of \$450,000 and Mr. Wong will receive a new annual base salary of \$350,000. In addition, Mr. Tai will join the Board of Directors of Cathay Bank, effective April 1, 2015.

**Cash Bonuses.** On March 30, 2015, the Compensation Committee awarded cash bonuses to the Named Executive Officers for 2014. The amounts awarded to the Named Executive Officers are as follows:

Name	Amount of Cash Bonus (\$)
Dunson K. Cheng	1,080,000
Heng W. Chen	291,000

Edgar Filing: CATHAY GENERAL BANCORP - Form DEF 14A

Pin Tai	241,000
Irwin Wong	219,000
Donald S. Chow	206,000

On March 13, 2014, the Compensation Committee set our net income as the criteria for the award of a cash bonus to Mr. Cheng under the Executive Officer Annual Cash Bonus Program for the measurement period of 2014. Mr. Cheng was entitled under the performance targets to receive a cash bonus of up to 62% of his base salary for net income of \$93.58 million up to 154% of his base salary for net income of over \$167.11 million, with the Compensation Committee having the right to reduce or eliminate the cash bonus in its discretion. In accordance with the

net income criteria for the award of a cash bonus to Mr. Cheng established by the Compensation Committee last year, the Compensation Committee awarded Mr. Cheng a cash bonus equal to 108% of this base salary based upon achievement of our 2014 net income of \$137.8 million.

On March 13, 2014, the Compensation Committee also set the financial criteria and individual and department performance goals for the Named Executive Officers, other than Mr. Cheng, under the Annual Cash Bonus Plan for Executive Officers for 2014. The financial criteria and performance goals were weighted for each individual, with the financial criteria being from 40% to 70% of the total.

In making the awards for the Named Executive Officers, other than Mr. Cheng, the Compensation Committee discussed, among other things, our financial condition and actual financial results, safety and soundness and risk management considerations, paying for performance, and the compensation of executive officers at peer banks and bank holding companies. During its discussions, the Compensation Committee considered, among other things, our growth in earnings, loans and deposits, improvement to our efficiency ratio, and that our earnings were near record levels. Consideration of the amount of each award included an evaluation of each Named Executive Officer's individual contributions towards these results.

**Performance-Based Restricted Stock Units.** On December 18, 2014, the Compensation Committee awarded performance-based restricted stock units under the 2005 Incentive Plan to the Named Executive Officers. If target performance is achieved, each restricted stock unit generally represents the right to receive one share of our common stock at the end of the performance period, subject to adjustment. Performance above the target generally results in payment of additional shares and performance below the target generally results in payment of fewer or no shares. The performance period for the restricted stock unit awards is three years. The performance criteria for the awards are diluted earnings per share (EPS) and total stockholder return (TSR) consisting of stock price growth plus dividends, relative to the companies in the KBW Regional Bank Index over the performance period. The Compensation Committee chose these two metrics because it concluded that successful performance

against these metrics would align well with increases in long-term stockholder value.

FWC had been consulted earlier by the Compensation Committee with respect to the structure of the program for performance-based restricted stock units, which included consideration of types and amounts of long-term incentives at companies in our peer group. The Compensation Committee also considered the methodologies for calculating the amounts of the awards. Executives would be granted a target number of restricted stock units for each award type that would be based on an approved dollar value, which would then be converted to an amount of restricted stock units, based on accounting values, which in the case of the TSR-based restricted stock units, used the Monte-Carlo valuation model. The Compensation Committee also considered the tax and accounting treatment of performance share units compared to other forms of equity awards, the vesting provisions in the event of death, disability or retirement or a change in control, and the range and scope of clawbacks. The amounts of the performance-based restricted stock unit awards were ultimately determined by the Compensation Committee.

The restricted stock units awarded on December 18, 2014 to the Named Executive Officers for target performance are as follows:

Name	Number of Restricted Stock Units Based on EPS (#)	Number of Restricted Stock Units Based on TSR (#)
Dunson K. Cheng	23,464	24,610
Heng W. Chen	8,173	8,572
Pin Tai	7,274	7,629
Irwin Wong	6,257	6,562
Donald S. Chow	5,885	6,173

The number of target restricted stock units will be increased to the extent that dividends are paid on our common stock, as if reinvested on the ex-dividend date in additional shares.

For the awards based on EPS, the Compensation Committee used a projected cumulative EPS for the three-year performance period to establish a target EPS. The target EPS was based on our strategic plan and, in the opinion of the Compensation Committee,





reflects reasonable earnings growth over the performance period and will not involve excessive risk to achieve. If the actual cumulative EPS for the three-year period equals the target, 100% of the restricted stock units earned will be scaled up to 150% of the units if the actual cumulative EPS is up to 15% or more than the target. If the actual cumulative EPS is less than 100%, but not more than 15% below the target, the number of units earned will be scaled down to 50%. If the actual cumulative EPS is more than 15% below the target, none of the restricted stock units will be earned.

For the awards based on TSR, the number of earned restricted stock units will be determined by comparing our TSR from the award date to the end of the three-year performance period, with the TSR of each of the companies in the KBW Regional Bank Index over the performance period. If our TSR over the performance period is below the 30th percentile when ranked against each of the peer companies, no restricted stock units will be earned. If the ranking is equal to the 30th percentile, 50% of the target restricted stock units will be earned. To the extent that our TSR is ranked above the 30th percentile, the number of earned target restricted stock units will be scaled up to 150% of the target restricted stock units for performance at or above the 70th percentile, so that 100% of the target restricted stock units will be earned for performance at the 50th percentile.

If a change in control occurs before the end of the performance period, a number of the target restricted stock units based on EPS or TSR may be earned depending on the timing of change in control and whether they are assumed by a public company.

All the restricted stock units earned will be fully vested, and distribution of shares will commence generally within 90 days following the end of the performance period, provided the Named Executive Officer remains continuously employed through the performance period. Special provision will apply if a Named Executive Officer dies, incurs a total and permanent disability or terminates employment on account of retirement.

Provision is made for cancellation of restricted stock unit awards or repayment under certain circumstances. In the event a restatement of our financial results as described in the award agreements occurs, up to 50% of the aggregate awards for that

individual can be forfeited or cancelled, whether or not such units are vested. If a distribution of shares has already occurred, provision is made for the surrender of up to 50% of the total shares received or, if shares have been sold, repayment of the proceeds, but in no event more than 50% of the aggregate fair market value of all shares received by the employee pursuant to the award agreements.

In considering the award of performance-based restricted stock units, the Compensation Committee reviewed a spreadsheet that encompassed, among other things, factors such as the goal of retaining superior executives, pay-for-performance (as a group and individual ratings), competitive pay with peer banks and bank holdings companies, compensation risks and past practices, and discussed these factors as they applied to each Named Executive Officer.

#### **Additional Information Relating to Executive Compensation**

##### *Ownership Guidelines*

We do not require that each Named Executive Officer maintain a minimum ownership interest in our stock.

##### *Compensation Recovery Policy*

A compensation recovery policy (or clawback) generally provides that bonuses or other incentive compensation awards are subject to forfeiture and recovery if such payments or awards were made based on materially inaccurate financial statements.

The performance-based restricted stock units that were awarded to executive officers in 2014 are subject to a clawback provision, and our Executive Officer Annual Cash Bonus Program provides for a clawback as well. The 2005 Incentive Plan, As Amended, that we are submitting to our stockholders for approval at this meeting also has a clawback provision. We believe the principles of a clawback in the event of materially inaccurate financial statements are consistent with our compensation philosophy, which ties compensation to our financial and operating performance and the overall increase in stockholder value, and which does not encourage the taking of unnecessary and excessive risks that could threaten our value or encourage the manipulation of reported earnings to enhance the compensation of any employee.

#### *Change of Control Agreements*

The Board desires to promote stability and continuity of senior management and to help align their interests with those of our stockholders in the event of a change in control or potential change in control of Bancorp. Accordingly, we entered into Change of Control Employment Agreements (the *Control Agreements*) with our executive officers and with each Executive Vice President of Cathay Bank. We believe that these agreements help to ensure that our key officers will remain fully engaged during a change in control or potential change in control. The Control Agreements provide for enhanced severance benefits in the event of a voluntary termination of employment for *good reason* or involuntary termination other than for *cause* following a change in control. Based on a review of information generally available to the public and the advice of outside legal counsel, the Board determined that these arrangements were competitive and reasonable. The Control Agreements do not influence our decisions surrounding the Named Executive Officer's cash and equity compensation. For a more detailed discussion of the severance benefits, the events that would trigger payment of severance benefits, and the Control Agreements in general, see *Potential Payments Upon Termination or Change in Control* below.

#### *Say on Pay/Response to 2014 Vote*

Our Board has been annually submitting to our stockholders a proposal to approve, on an advisory (non-binding) basis, our executive compensation. At the 2014 annual meeting of stockholders, 98.5% of the votes cast were in favor of approving this proposal. The Compensation Committee was aware of and considered the results of the advisory vote on executive compensation, and has construed this favorable vote of stockholders as supporting its executive compensation decisions and policies. At the same meeting, our stockholders decided, which our Board had recommended, that an advisory vote on executive compensation be held every year.

#### *Pledging and Hedging Policy*

Our Board has adopted a policy that prohibits, unless advance approval has been obtained from the Board, all directors and executive officers (including the Named Executive Officers) from holding our securities in a margin account or otherwise pledging

or hypothecating our securities as collateral for a loan, entering into hedging or monetization transactions or similar arrangements with respect to our securities, or engaging in certain other speculative trading in our securities. No such requests have been made and consequently no such approvals have been granted.

#### *Deductibility of Executive Compensation*

As part of its responsibilities, the Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, which provides that we may not deduct compensation of more than \$1,000,000 that is paid to certain employees. This limitation does not apply, however, to performance-based compensation that is payable due to the attainment of one or more pre-established performance goals, the material terms of which have been approved by the stockholders in advance of payment, and meets certain other technical requirements under the Internal Revenue Code.

#### *Nonqualified Deferred Compensation*

We do not have a deferred compensation program, and we have no current plans to implement such a program. However, we do have two deferred compensation arrangements with Dunson K. Cheng, our President and Chief Executive Officer. For details regarding these deferral arrangements, see *Nonqualified Deferred Compensation* below.

#### *Accounting for Stock-Based Compensation*

On January 1, 2006, we adopted FASB Accounting Standards Codification Topic 718, Compensation - Stock Compensation (FASB ASC Topic 718) on a modified prospective basis. FASB ASC Topic 718 requires an entity to recognize compensation expense based on an estimate of the number of awards expected to actually vest, exclusive of awards expected to be forfeited.

Under the 2005 Incentive Plan, we are permitted to issue both incentive stock options and nonstatutory stock options. However, in earlier years the Compensation Committee elected to award only nonstatutory stock options because it believed that the tax benefits to the company outweighed the potential tax benefits of incentive stock options to our



employees. Generally, nonstatutory stock options entitled us to a deduction at the time the options are exercised and in the same amount as the optionee's taxable income, calculated as the excess of the fair market value of the shares over the exercise price. In the case of incentive stock options, we would be entitled to a deduction equaling the amount of the optionee's taxable income as calculated above, but only if shares were sold within one year of exercise or two years of grant.

With the adoption of FASB ASC Topic 718, the accounting treatment for all forms of stock options changed, thereby prompting us to review the relative merits of nonstatutory stock options and, more recently, restricted stock and restricted stock units. During the TARP Period, we could not grant any stock options or make any equity awards, other than long-term restricted stock or restricted stock units that were limited in amount and met certain vesting requirements. After the end of the TARP Period, we were no longer subject to these standards and restrictions.

A desirable feature of restricted stock and restricted stock units is that they permit us to issue fewer shares, thereby reducing potential stockholder dilution. We believe that restricted stock and restricted stock units provide an equally motivating form of incentive compensation as stock options, and we will weigh the costs of restricted stock, restricted stock units, and nonstatutory stock option grants with their potential benefits as compensation tools. Stock options only have value to the extent that our share price on the date of exercise exceeds the exercise price on the grant date and are an effective motivational tool when the stock price rises over the term of the award. Restricted stock and restricted stock units serve to reward and retain executive officers through shares valued at the current price on the date the restriction lapses, which awards may be subject to both service- and performance-based conditions.

We believe that being able to award restricted stock, restricted stock units, and nonstatutory stock options, separately or in combination, should serve our objectives of incentivizing our executive officers to focus on delivering long-term value to our stockholders.

#### **Compensation Committee Interlocks and Insider Participation**

No person who was a member of the Compensation Committee during 2014 had any relationships requiring disclosure.

#### **Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management the foregoing Compensation Discussion and Analysis ( CD&A ) and, based on such review and discussion, has recommended to the Board that the CD&A be included in this proxy statement and incorporated by reference into Bancorp's Annual Report on Form 10-K for the year ended December 31, 2014.

#### **Compensation Committee**

Ting Y. Liu (Chairman)

Kelly L. Chan

Patrick S.D. Lee

Joseph C.H. Poon

## Remuneration of Executive Officers

The following tables set forth information regarding the compensation for services in all capacities paid or accrued for the periods indicated to our principal executive officer, principal financial officer, and three most highly compensated executive officers other than our principal executive officer and principal financial officer (the Named Executive Officers).

### Summary Compensation Table

The table below sets forth information for the Named Executive Officers regarding compensation for the last three completed fiscal years:

Summary Compensation Table									
Name and Principal Position	Year	Salary <sup>1/</sup> (\$)	Bonus (\$)	Stock awards <sup>2/</sup> (\$)	Option awards <sup>3/</sup> (\$)	Non-equity incentive plan compensation (\$)	Change in pension value and non-qualified deferred compensation earnings (\$)	All other compensation <sup>4/</sup> (\$)	Total (\$)
<b>Dunson K. Cheng</b> Chairman of the Board, President, and Chief Executive Officer of Bancorp and Chairman of the Board and Chief Executive Officer of Cathay Bank	2014	1,003,846		1,199,966		1,080,000	19,079 <sup>5/</sup>	17,561 <sup>6/</sup>	3,320,452
	2013	1,848,846	300,000	1,999,975			15,980	17,235	4,182,036
	2012	1,565,000		782,485			14,909	6,250	2,368,644
<b>Heng W. Chen</b> Executive Vice President and Chief Financial Officer of Bancorp and Cathay Bank	2014	376,861	291,000	417,969				10,047	1,095,877
	2013	520,828	66,000	771,960				6,375	1,365,163
	2012	467,800		233,899				6,250	707,949
<b>Pin Tai</b> President and Director of Cathay Bank	2014	334,681	241,000	371,991				6,375	954,047
	2013	456,039	56,000	681,059				28,835	1,221,933
	2012								
<b>Irwin Wong</b> Senior Executive	2014	297,273	219,000	319,973				8,304	844,550
	2013	395,886	54,000	520,951				6,375	977,212

Edgar Filing: CATHAY GENERAL BANCORP - Form DEF 14A

Vice President and	2012	357,850	178,916	6,250	543,016
Chief Operating					
Officer of Cathay					
Bank					
<b>Donald S. Chow</b>	2014	286,096	206,000	300,977	793,073
Executive Vice					
President and Chief					
Credit Officer of					
Cathay Bank					

<sup>1/</sup> Includes stock received by the Named Executive Officers in lieu of salary in 2012 and 2013 and amounts deferred by Named Executive Officers under the 401(k) Profit Sharing Plan.

<sup>2/</sup> The amounts shown, if any, are not cash compensation received by the Named Executive Officer and may not correspond to the actual value that could be realized by the Named Executive Officer. Instead, the amount represents the fair value of restricted stock units computed for the corresponding fiscal year, in accordance with FASB ASC Topic 718,

valued based on the closing price of the Bancorp's common stock on the date of the grant. Each restricted stock unit represents the contingent right to receive one share of common stock upon vesting. The number of restricted stock units that are earned can be from 0% to 150% of the target award, depending upon the achievement of certain performance criteria.

<sup>3/</sup> No stock options were granted to the Named Executive Officers for the last three completed fiscal years.

<sup>4/</sup> The amounts in this column consist of employer contributions under the 401(k) Profit Sharing Plan. Perquisites and other personal benefits, or property, are excluded if the aggregate amount was less than \$10,000. Group life insurance, health insurance, and long-term disability insurance premiums are also excluded because such premiums are pursuant to a plan that does not favor executive officers or directors and is generally available to all salaried employees.

<sup>5/</sup> This amount consists of interest paid on deferred compensation that is considered above-market under the regulations of the SEC. For a discussion of the deferral arrangements, see *Nonqualified Deferred Compensation* below.

<sup>6/</sup> This amount consists of \$6,500 in employer contributions under the 401(k) Profit Sharing Plan, \$3,231 for automobile expense, and \$7,830 in club memberships.

**Grants of Plan-Based Awards**

The table below sets forth information regarding grants of plan-based awards to our Named Executive Officers in 2014.

<b>Grants of Plan-Based Awards</b>									
<b>Name</b>	<b>Grant Date</b>	<b>Estimated future payouts under non-equity incentive plan awards <sup>1/</sup></b>			<b>Estimated future payouts under equity incentive plan awards <sup>2/</sup></b>			<b>All other stock awards: Number of shares or units <sup>3/</sup></b>	<b>Grant date fair value of stock awards <sup>4/</sup></b>
		<b>Threshold (\$)</b>	<b>Target (\$)</b>	<b>Maximum (\$)</b>	<b>Threshold (#)</b>	<b>Target (#)</b>	<b>Maximum (#)</b>		
Dunson K. Cheng	03/13/2014	620,000	1,080,000	1,540,000					
	12/18/2014				12,305	24,610	36,915		599,992
	12/18/2014				11,732	23,464	35,196		599,974
Heng W. Chen	3/13/2014							861	21,999
	12/18/2014				4,286	8,572	12,858		208,985
	12/18/2014				4,086	8,173	12,259		208,984
Pin Tai	3/13/2014							1,095	27,977
	12/18/2014				3,814	7,629	11,443		185,995
	12/18/2014				3,637	7,274	10,911		185,996
Irwin Wong	3/13/2014							821	20,977
	12/18/2014				3,281	6,562	9,843		159,982
	12/18/2014				3,128	6,257	9,385		159,991
Donald S. Chow	12/18/2014				3,086	6,173	9,259		150,498
	12/18/2014				2,942	5,885	8,827		150,479

<sup>1/</sup> Consists of the potential payment for Mr. Cheng under the Executive Officer Annual Cash Bonus Program. For further discussion, see *Compensation Decisions for Named Executive Officers Cash Bonuses* above. The actual payment received is based upon the performance attained and is included in the *Non-equity incentive plan compensation* column for Mr. Cheng in the *Summary Compensation Table* above.

<sup>2/</sup> Consists of performance-based restricted stock units. For further discussion, see *Compensation Decisions for Named Executive Officers Performance-Based Restricted Stock Units* above. Each stock unit represents the contingent right to receive one share of common stock upon vesting. The number of restricted stock units that are earned depends upon the achievement of certain performance criteria on the



## Edgar Filing: CATHAY GENERAL BANCORP - Form DEF 14A

vesting date, subject to continued employment, with an exception for earlier death, disability or retirement or a change in control.

- <sup>3/</sup> Consists of long-term restricted stock units. Each unit represents a contingent right to receive one share of common stock. These restricted stock units are scheduled to vest on the second anniversary of the grant date, or earlier in the event of death or disability.
- <sup>4/</sup> Grant date fair value is based on the closing price of Bancorp's common stock on the date of the grant. The estimated value of the performance-based restricted stock units at the grant date is based on the projected performance at the grant date for Bancorp showing a payout of 100% of the target number of performance-based restricted stock units.

### Outstanding Equity Awards at Fiscal Year-End

The table below sets forth information regarding outstanding equity awards as of December 31, 2014, made to our Named Executive Officers. Except as stated in the footnotes below, all options vest in 20% increments over a five-year period. All options terminate 10 years from the date of the grant, subject to early termination in the event of termination of employment, disability, or death. Stock awards consist of restricted stock units, each of which represents a contingent right to receive one share of our common stock.

Name	Option awards				Stock awards				
	Number of securities underlying unexercised options exercisable (#)	Number of securities underlying unexercised options unexercisable (#)	Equity incentive plan awards: number of securities underlying unexercised unearned options (#)	Option exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: market or payout value or unearned shares, units or other rights that have not vested (\$) <sup>*/</sup>
Dunson K. Cheng	154,940			37.00	2/17/2015				
	245,060 <sup>1/</sup>			32.47	3/22/2015				
	264,694 <sup>2/</sup>			33.54	5/12/2015				
	154,940			36.24	1/25/2016				
	154,970			23.37	2/21/2018				
	100,000 <sup>3/</sup>			23.37	2/21/2018				
								39,292 <sup>4/</sup>	1,005,482 <sup>4/</sup>
								38,095 <sup>4/</sup>	974,851 <sup>4/</sup>
								24,610 <sup>5/</sup>	629,770 <sup>5/</sup>
								23,464 <sup>5/</sup>	600,444 <sup>5/</sup>
Heng W. Chen	40,100			37.00	2/17/2015				
	45,000			36.24	1/25/2016				
	44,000			23.37	2/21/2018				
								14,734 <sup>4/</sup>	377,043 <sup>4/</sup>
								14,285 <sup>4/</sup>	365,553 <sup>4/</sup>
								861 <sup>6/</sup>	22,033 <sup>6/</sup>
								8,572 <sup>5/</sup>	219,357 <sup>5/</sup>
								8,173 <sup>5/</sup>	209,147 <sup>5/</sup>
Pin Tai	14,710			37.00	2/17/2015				
	13,750			36.90	1/19/2016				
	25,000			23.37	2/21/2018				
								3,981 <sup>7/</sup>	101,874 <sup>7/</sup>
								3,973 <sup>8/</sup>	101,669 <sup>8/</sup>
								1,454 <sup>9/</sup>	37,208 <sup>9/</sup>
								10,805 <sup>4/</sup>	276,500 <sup>4/</sup>
								10,476 <sup>4/</sup>	268,081 <sup>4/</sup>
								1,095 <sup>6/</sup>	28,021 <sup>6/</sup>
								7,629 <sup>5/</sup>	195,226 <sup>5/</sup>
								7,274 <sup>5/</sup>	186,142 <sup>5/</sup>
Irwin Wong	32,580			37.00	2/17/2015				
	31,000			36.24	1/25/2016				
	20,000			23.37	2/21/2018				
								9,823 <sup>4/</sup>	251,371 <sup>4/</sup>
								9,523 <sup>4/</sup>	243,694 <sup>4/</sup>
								821 <sup>6/</sup>	21,009 <sup>6/</sup>
								6,562 <sup>5/</sup>	167,922 <sup>5/</sup>
								6,257 <sup>5/</sup>	160,117 <sup>5/</sup>
Donald S. Chow								9,823 <sup>4/</sup>	251,371 <sup>4/</sup>
								9,523 <sup>4/</sup>	243,694 <sup>4/</sup>
								6,173 <sup>5/</sup>	157,967 <sup>5/</sup>
								5,885 <sup>5/</sup>	150,597 <sup>5/</sup>

## Edgar Filing: CATHAY GENERAL BANCORP - Form DEF 14A

- <sup>\*/</sup> The value equals the closing price of Bancorp common stock on the last business day of Bancorp's most recently completed fiscal year, multiplied by the number of shares underlying the award.
- <sup>1/</sup> These options vested at a rate of 30% on the date of grant, March 22, 2005; 10% vested on November 20, 2005; and the remainder vested at a rate of 20% in three equal annual increments beginning November 20, 2006.
- <sup>2/</sup> These options vested at a rate of approximately 40% on November 20, 2005, and the remainder vested at a rate of approximately 20% in three equal annual increments beginning November 20, 2006.
- <sup>3/</sup> These options vested at a rate of 50% in two annual increments beginning February 21, 2009.

<sup>4/</sup> Each restricted stock unit represents the contingent right to receive one share of common stock upon vesting. The number of restricted stock units that are earned can be from 0% of the target award up to 150% of the target award, depending upon the achievement of certain performance criteria. These restricted stock units are scheduled to vest in a single installment on December 31, 2016, subject to continued employment, but may vest to some extent earlier in the event of death, disability, retirement after December 31, 2015, or a change in control, with the number of units earned being based on the achievement of certain performance criteria.

<sup>5/</sup> Each restricted stock unit represents the contingent right to receive one share of common stock upon vesting. The number of restricted stock units that are earned can be from 0% of the target award up to 150% of the target award, depending upon the achievement of certain performance criteria. These restricted stock units are scheduled to vest in a single installment on December 31, 2017, subject to continued employment, but may vest to some extent earlier in the event of death, disability, retirement after December 31, 2016, or a change in control, with the number of units earned being based on the achievement of certain performance criteria.

<sup>6/</sup> These restricted stock units are scheduled to vest in a single installment on March 13, 2016, or earlier in the event of death or disability.

<sup>7/</sup> These restricted stock units are scheduled to vest in a single installment on March 14, 2015, or earlier in the event of death or disability.

<sup>8/</sup> These restricted stock units are scheduled to vest in a single installment on April 15, 2015, or earlier in the event of death or disability.

<sup>9/</sup> These restricted stock units are scheduled to vest in a single installment on May 17, 2015, or earlier in the event of death or disability.

**Option Exercises and Stock Vested**

The table below sets forth information regarding stock options exercised and vesting of stock awards for the Named Executive Officers during 2014.

Name	Option awards		Stock awards	
	Number of shares acquired on exercise (#)	Value realized on exercise (\$) <sup>1/</sup>	Number of shares acquired on vesting (#)	Value realized on vesting (\$) <sup>2/</sup>
Dunson K. Cheng			42,343	\$ 1,050,010
Heng W. Chen			12,807	\$ 315,245
Pin Tai			3,084	\$ 72,258
Irwin Wong			9,811	\$ 241,274
Donald S. Chow				

<sup>1/</sup> The value realized equals the difference between the option exercise price and the closing price of Bancorp common stock on the date of exercise, multiplied by the number of shares for which the option was exercised.

<sup>2/</sup> The value realized equals the closing price of Bancorp common stock on the vesting date, multiplied by the number of shares that vested.

**Pension Benefits**

Our Named Executive Officers did not receive any benefits during 2014 under any defined contribution plan other than the 401(k) Profit Sharing Plan. We do not have any defined benefit plans.

**Nonqualified Deferred Compensation**

We have two deferred compensation arrangements with Dunson K. Cheng, our President and Chief Executive Officer.

In an agreement, effective November 23, 2004, Mr. Cheng agreed to defer any cash bonus amounts in excess of \$225,000 for the year ended December 31, 2004, until January 1 of the first year following such time as Mr. Cheng separates from us (the Cheng Deferred Compensation Agreement ). This Cheng Deferred Compensation Agreement was amended and restated on November 8, 2007, to comply with Section 409A of the Internal Revenue Code (the Code ) and provides that, if Mr. Cheng is subject to Section 409A of the Code, payment of the deferred amount will be delayed to the later of:

(i) January 1 of the first year following his separation from service; or (ii) the first day of the seventh month following his separation from service. Pursuant to this agreement, an amount equal to \$610,000 was deferred in 2004. The deferred amount accrues interest at the rate of 7% per annum computed based on the actual number of days during each period divided by the actual number of days for the full year. The deferred amount will be increased each quarter by the amount of interest computed for the preceding quarter. On November 23, 2014, the interest rate was reset to 5.06% based on 275 basis points above the interest rate on a 10-year Treasury note on that date.

On March 13, 2014, the Compensation Committee awarded Dunson K. Cheng a cash bonus in the amount of \$300,000 for the quarter ended December 31, 2013, and provided as part of the award that payment of the bonus would be deferred

until the later of: (i) January 1 of the first year following Mr. Cheng's separation from service; or (ii) the first day of the seventh month following Mr. Cheng's separation from service. The Committee's award further provided that the deferred amount accrues interest at the rate of 5.02% per annum compounded quarterly, will be increased each quarter by the amount of interest computed for that quarter, and, beginning on the fifth anniversary of the award, the interest rate will equal 350 basis points above the then prevailing interest rate on a five-year Treasury note.

The table below sets forth information regarding non-qualified deferred compensation arrangements for our Named Executive Officers during 2014.

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals / Distributions (\$)	Aggregate Balance at Last FYE (\$)
Dunson K. Cheng			92,737 <sup>1/</sup>		1,535,560 <sup>2/</sup>
Heng W. Chen					
Pin Tai					
Irwin Wong					
Donald S. Chow					

<sup>1/</sup> Includes \$19,079 reported in the Summary Compensation Table above as interest that is considered above-market under the regulations of the SEC.

<sup>2/</sup> Includes \$721,132 reported in the Summary Compensation Table for previous years.

## POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Bancorp has not entered into any written employment agreements with any of the Named Executive Officers, with the exception of the Control Agreements with each of the Named Executive Officers which in effect become employment agreements upon the occurrence of a change in control as defined therein.

The tables below under Cash Compensation and Benefits in the Event of a Change in Control reflect the amount of compensation payable to each of the Named Executive Officers in the event of termination of the Named Executive Officer's employment after a change in control. The amount of compensation payable to each Named Executive Officer upon

## Edgar Filing: CATHAY GENERAL BANCORP - Form DEF 14A

voluntary and involuntary termination and in the event of death or disability of the Named Executive Officer is shown. The amounts shown assume that such termination was effective as of December 31, 2014, and thus include amounts earned through such time, and are estimates of the amounts which would be paid out to the Named Executive Officers upon their termination. The actual amounts to be paid out, if any, can only be determined at the time of the Named Executive Officer's separation from Bancorp and Cathay Bank.

In addition, a separate table below under **Equity Compensation in the Event of a Change in Control** reflects the value of any equity awards granted to

each Named Executive Officer under the 2005 Incentive Plan that may be accelerated upon a change in control of Bancorp even if there was no termination of the Named Executive Officer's employment. The administrator of the 2005 Incentive Plan has the discretion to have Bancorp assume, substitute, or adjust each outstanding award under such plan, accelerate the vesting of any options, or terminate any restrictions on stock awards or cash awards upon a change in control.

#### **Payments Made Upon Termination Other Than After a Change in Control**

A Named Executive Officer who ceases to be an employee of Bancorp other than after a change in control, whether voluntary or involuntary and with or without cause, including in the event of retirement, disability, or death, will be entitled to receive the following, which are generally available to all salaried employees:

base salary through the date of termination;

accrued vacation pay as of the date of termination;

vested benefits as of the date of termination;

if termination resulted from disability: long-term disability benefits of two-thirds annual base salary up to \$15,000 per month and vesting of long-term restricted stock units; and

if termination resulted from death: three times annual base salary, up to \$600,000, subject to reduction beginning at age 65, and vesting of long-term restricted stock units.

In addition, the performance-based restricted stock units awarded to Named Executive Officers provide that in the event of their death, disability or retirement prior to the maturity date of the restricted stock units, they shall continue to be entitled to receive the restricted stock units to the extent earned, but the amount otherwise payable shall be prorated to reflect the period from the date of the award through the maturity date during which they were employed.

Mr. Cheng would also be entitled to receive payment of the cash bonuses, and interest thereon, deferred under the deferred compensation arrangements described under *Executive Compensation* *Nonqualified Deferred Compensation* above.

#### **Change of Control Employment Agreements**

Bancorp entered into the Control Agreements with each of the Named Executive Officers which in effect become employment agreements upon the occurrence of a change in control as defined therein. The Control Agreements for each of the Named Executive Officers have been filed as exhibits to Bancorp's Annual Report on Form 10-K for the year ended December 31, 2013 and its Quarterly Report on Form 10-Q for the quarter period ended September 30, 2014.

The following is only a summary of the significant terms of the Control Agreements. This summary is qualified in its entirety by reference to the Control Agreements. For a discussion of the purposes of the Control Agreements and their relationship to our compensation policy, see *Change of Control Agreements* under *Executive Compensation* *Compensation Discussion and Analysis* above.

Pursuant to the Control Agreements, Bancorp or Cathay Bank (as applicable) has agreed to continue the employment of each Named Executive Officer for a period of three years from the occurrence of a change in control (the effective date). During this employment period, each Named Executive Officer will be entitled to the following compensation and benefits:

An annual base salary at least equal to 12 times the highest monthly base salary paid or payable (including deferred salary) during the 12-months preceding the effective date;



## Edgar Filing: CATHAY GENERAL BANCORP - Form DEF 14A

An annual cash bonus at least equal to the highest annual bonus earned for the last three full fiscal years prior to the effective date (with partial years being annualized for the purpose of determining the amount of the bonus);

Participation in all incentive, saving, and retirement plans and programs applicable generally to other peer executives on terms no less favorable than those in effect during the 120-day period immediately prior to the effective date;

Participation in welfare benefit plans and programs on terms no less favorable than those in effect during the 120-day period immediately prior to the effective date;

Reimbursement for all reasonable expenses in accordance with procedures in effect during the 120-day period immediately prior to the effective date;

Fringe benefits (including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses) in accordance with the most favorable plans in effect during the 120-day period immediately prior to the effective date;

Office, secretarial and support staff; and

Paid vacation in accordance with the most favorable plans in effect during the 120-day period immediately prior to the effective date.

**Payments Made Upon Death or Disability After a Change in Control**

The Control Agreements provide that, in the event of the death or disability of a Named Executive Officer after a change in control, Bancorp or Cathay Bank (as applicable) has agreed to pay the Named Executive Officer (or the Named Executive Officer's estate or beneficiaries in the event of death): (i) base salary through the date of termination; (ii) a pro-rata bonus until the date of termination of the higher of (A) the highest annual bonus earned for the last three full fiscal years prior to the change in control and (B) the annual bonus paid or payable for the most recently completed fiscal year following the change in control, including any bonus or portion thereof that has been earned but deferred (the greater of clauses (A) and (B), the Highest Annual Bonus); (iii) any accrued vacation pay (items (i), (ii), and (iii), collectively, the Accrued Obligations); and (iv) amounts that are vested benefits or that the Named Executive Officer is otherwise entitled to receive under any plan, policy, practice or program of, or any other contract or agreement with, Bancorp or Cathay Bank at or subsequent to the date of termination (Other Benefits).

**Payments Made Upon Involuntary Termination Other Than For Cause or Voluntary Termination For Good Reason After a Change in Control**

The Control Agreements provide that, if a Named Executive Officer's employment is terminated following a change in control (other than termination by Bancorp or Cathay Bank for cause or by reason of death or disability or by the Named Executive Officer for other than good reason) or if the Named Executive Officer terminates employment in certain circumstances defined in the Control Agreements

which constitute good reason, in addition to the Accrued Obligations and Other Benefits as defined in the preceding section, the Named Executive Officer will be paid the aggregate of the following in a lump sum in cash within 30 days after the date of termination:

an amount equal to a multiple (two or three, depending on the applicable Control Agreement) of the Named Executive Officer's annual base salary and of the Highest Annual Bonus; and

an amount equal to the sum of Bancorp's or Cathay Bank's (as applicable) matching or other employer contributions under Bancorp's or Cathay Bank's qualified defined contribution plans and any excess or supplemental defined contribution plans in which the Named Executive Officer participates that the Named Executive Officer would receive if the Named Executive Officer's employment continued (for two or three years after the date of termination, depending on the applicable Control Agreement).

Also (for a period of two or three years, depending on the applicable Control Agreement), the Named Executive Officer would be entitled to receive welfare benefits (including medical, prescription, dental, disability, employee life, group life, accidental death, and travel accident insurance) at least equal to, and at the same after-tax cost to the Named Executive Officer, as those that would have been provided in accordance with the plans, programs, practices, and policies then in effect. In addition, the Named Executive Officer would be entitled to receive outplacement services, provided that the cost of such outplacement services will not exceed \$50,000.

**Payments Made Upon Involuntary Termination For Cause or Voluntary Termination For Other Than Good Reason After a Change in Control**

The Control Agreements provide that, if a Named Executive Officer's employment is terminated for cause following a change in control or if the Named Executive Officer terminates his employment for other than good reason, Bancorp or Cathay Bank has agreed to pay the Named Executive Officer: (i) base salary through the date of termination; (ii) any accrued vacation pay; and (iii) Other Benefits.



**Certain Additional Payments**

The Control Agreements, except that for Donald S. Chow, provide that each Named Executive Officer is eligible for tax gross-up payments in reimbursement for change in control excise taxes imposed on the severance payments and benefits, unless the value of the payments and benefits does not exceed 110% of the maximum amount payable without triggering the excise taxes, in which case the payments and benefits will be reduced to the maximum amount.

**Cash Compensation and Benefits in the Event of a Change in Control**

The tables below show the potential cash payments and benefits for the Named Executive Officers if, hypothetically solely for the purposes of this proxy statement, there had been a change in control effective December 31, 2014, and the Named Executive Officer had been terminated as of the same day. These tables include the dollar amount of salary stock awarded as part of the base salary of each Named Executive Officer, but exclude accrued and unpaid salary and vacation as well as Other Benefits because all employees are generally entitled to these payments and benefits upon termination of employment.

	Voluntary Termination		Involuntary Termination		
	For Other Than Good Reason	For Good Reason	For Cause	Other Than For Cause	Death or Disability
<b>Dunson K. Cheng</b>					
<b>Compensation</b>					
Base Salary and Bonus <sup>1/</sup>	\$ 0	\$ 6,600,000	\$ 0	\$ 6,600,000	\$ 0
Accrued Obligations <sup>2/</sup>	0	1,200,000	0	1,200,000	1,200,000
401(k) Matching	0	19,500	0	19,500	0
<b>Benefits <sup>3/</sup></b>					
Group Life Insurance	0	2,096	0	2,096	0
Health Insurance	0	13,144	0	13,144	0
Long-Term Disability Insurance	0	2,187	0	2,187	0
<b>Other</b>					
Outplacement Services (max.)	0	50,000	0	50,000	0
Excise Tax plus Gross Up	0	2,822,829	0	2,822,829	0
<b>TOTAL:</b>	\$ 0	\$			