



CATHAY GENERAL  
BANCORP

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March 6, 2009


Via UPS Express Mail and Electronic Mail (SIGTARP.response@do.treas.gov)

Neil M. Barofsky  
Special Inspector General  
Office of the Special Inspector General  
Troubled Asset Relief Program  
1500 Pennsylvania Ave., N.W., Suite 1064  
Washington, D.C. 20220

Dear Mr. Barofsky:

Cathay General Bancorp ("Bancorp") responds to your letter dated February 6, 2009, regarding the Troubled Asset Relief Program ("TARP") as follows:

(1) **Use of TARP funds.** On December 5, 2008, Bancorp received an investment of \$258,000,000 in TARP funds. Bancorp applied the \$258,000,000 in TARP funds in the following manner: (a) \$219,300,000 was contributed by Bancorp to Cathay Bank, its wholly owned subsidiary, as additional paid in capital, (b) \$10,000,000 was invested in a one-month certificate of deposit with Cathay Bank at an interest rate of 1.90%, (c) \$25,000,000 was invested in a three-month certificate of deposit with Cathay Bank at an interest rate of 2.35%, and (d) the remaining \$3,700,000 in TARP funds were deposited into Bancorp's checking account. Since December 5, 2008, Bancorp has paid,

 to its outside auditor, KPMG, for services related to the registration statement filed with the Securities and Exchange Commission on January 2, 2009, registering the Series B preferred stock and the common stock issuable upon exercise of the TARP warrants, and \$11,660.31 on December 23, 2008, for the related filing fees with the Securities and Exchange Commission. b(4)

On December 30, 2008, Bancorp invested \$4,300,000, which included the remaining portion of the \$3,700,000 described in (d) above, in a 7-day certificate of deposit with Cathay Bank at an interest rate of .50%. Upon maturity of this certificate of deposit on January 6, 2009, the \$4,300,000 principal and interest earned of \$412.33 was deposited in Bancorp's checking account with Cathay Bank. On January 5, 2009, the \$10,000,000 certificate of deposit matured. From the proceeds of this maturing certificate of deposit, \$7,016,136.99, which included the interest, was invested in a new one-month certificate of deposit with Cathay Bank at an interest rate of 1.20% maturing on February 5, 2009. The remaining \$3,000,000 was deposited into Bancorp's checking account with Cathay Bank. On January 20, 2009, Bancorp's regular quarterly cash dividend of \$.105 per common share totaling \$5,198,366.90 was paid using funds on hand in Bancorp's checking account, which at that time included the funds from the two certificates of deposit as described above.

On February 5, 2009, the \$7,016,136.99 certificate of deposit matured and the funds together with interest of \$7,150.70 were deposited into Bancorp's checking account with Cathay Bank. On February 17, 2009, some of these funds were used to pay the first quarterly dividend on the TARP preferred stock in the amount of \$2,508,333.33. As of the date of this letter, the remaining TARP funds held by Bancorp consist of a certificate of deposit and accrued interest thereon for \$25,000,000 and a portion of the funds remaining in Bancorp's checking account with Cathay Bank.

On December 4 and 5, 2008, Cathay Bank bought \$245,000,000 face value of fifteen and thirty year mortgage-backed securities with a coupon of 4.5% as a temporary investment for the \$219,300,000 in TARP funds contributed by Bancorp. The purchase of these mortgage-backed securities settled on December 17 and 19, 2008.

[REDACTED] b(4)

As described above, except for the certificate of deposit for \$25,000,000 which matured on March 5, 2009, the TARP funds were not segregated from other institutional funds.

[REDACTED] b(4)

[REDACTED]

Since the receipt of TARP funds, Cathay Bank has increased its lending. Cathay Bank funded 13 new residential mortgage loans totaling \$2,939,750 in December 2008, 16 new residential mortgage loans totaling \$6,029,100 in January 2009, and 25 new residential mortgage loans totaling \$6,575,000 in February 2009.

Cathay Bank expects to further increase its lending in future months as a result of the receipt of TARP funds by Bancorp. Cathay Bank is in the midst of a program to send mailings to its existing residential mortgage loan borrowers with refinancing offers at today's lower interest rates.

[REDACTED] b(4)

[REDACTED]

**(2) Executive Compensation.** Bancorp has addressed the compensation requirements associated with the funding, including the provisions of the Securities Purchase Agreement with the U.S. Treasury (the "Purchase Agreement") and the Emergency Economic Stabilization Act of 2008 as amended from time to time ("EESA").

On November 20, 2008, Bancorp's Executive Compensation Committee amended Bancorp's "Benefit Plans," including any bonus, incentive, and other benefit plans, arrangements, policies, and agreements, with respect to its "Senior Executive Officers" (as such terms are defined in the Purchase Agreement) by adding the following provision to each of its Benefit Plans:

"Compliance With Section 111 of EESA. Solely to the extent, and for the period, required by the provisions of Section 111 of the Emergency Economic Stabilization Act of 2008 ("EESA") applicable to participants in the Capital Purchase Program under EESA and the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008: (a) each "Senior Executive Officer" within the meaning of Section 111 of EESA and the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008 who participates in this plan or is a party to this agreement shall be ineligible to receive compensation

hereunder to the extent that the Executive Compensation Committee of the Board of Directors of the Company determines this plan or agreement includes incentives for the Senior Executive Officer to take unnecessary and excessive risks that threaten the value of the financial institution; (b) each Senior Executive Officer who participates in this plan or is a party to this agreement shall be required to forfeit any bonus or incentive compensation paid to the Senior Executive Officer hereunder during the period that the Department of the Treasury holds a debt or equity position in the Company based on statements of earnings, gains, or other criteria that are later proven to be materially inaccurate; and (c) the Company shall be prohibited from making to each Senior Executive Officer who participates in this plan or is a party to this agreement, and each such Senior Executive Officer shall be ineligible to receive hereunder, any "golden parachute payment" in connection with the Senior Executive Officer's "applicable severance from employment," in each case, within the meaning of Section 111 of EESA and the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008."

b (4)

the Executive Compensation Committee determined that such arrangements do not encourage Bancorp's Senior Executive Officers to take unnecessary and excessive risks that could threaten the value of Bancorp. The Executive Compensation Committee will include a certification of this determination in the proxy statement for Bancorp's upcoming 2009 annual meeting of stockholders.

Bancorp has observed the \$500,000 deduction limit pursuant to *Internal Revenue Code* Section 162(m)(5) for remuneration for each of its Senior Executive Officer, prorated for the most recently ended fiscal year. In addition, Bancorp is reviewing and will implement the new executive compensation standards under the American Recovery and Reinvestment Act of 2009 ("ARRA") to ensure compliance with its provisions to the extent they amended the EESA. In compliance with the ARRA, Bancorp will include an advisory proposal for approval of its executive compensation in its proxy statement for its upcoming 2009 annual meeting of stockholders.

My certification is attached to this letter. Please contact me if you have any questions or need any additional information. Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read "Heng Chen". The signature is fluid and cursive, with the first name "Heng" and last name "Chen" clearly distinguishable.

Heng Chen  
Executive Vice President  
Chief Financial Officer

**CERTIFICATION**

I hereby certify to the accuracy of all statements, representations, and supporting information provided in the attached letter of Cathay General Bancorp dated March 6, 2009, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.

Dated: March 6, 2009



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Heng Chen  
Executive Vice President  
Chief Financial Officer  
Cathay General Bancorp