

CATHAY GENERAL BANCORP

Form S-4/A

June 03, 2015

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As filed with the Securities and Exchange Commission on June 3, 2015

Registration No. 333-203091

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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Amendment No. 2  
to

**FORM S-4**  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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**CATHAY GENERAL BANCORP**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**6022**  
(Primary Standard Industrial  
Classification Code Number)  
**777 North Broadway**  
**Los Angeles, California 90012**  
**(213) 625-4700**

**95-4274680**  
(I.R.S. Employer  
Identification Number)

(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

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**Lisa L. Kim**  
**SVP, General Counsel and Secretary**  
**Cathay General Bancorp**  
**777 North Broadway**  
**Los Angeles, California 90012**  
**(213) 625-4700**

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(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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David E. Shapiro, Esq.  
Brandon C. Price, Esq.  
Wachtell, Lipton, Rosen & Katz  
51 West 52nd Street  
New York, New York 10019  
(212) 403-1000

Jentai Tsai  
Asia Bancshares, Inc.  
135-34 Roosevelt Avenue  
Flushing New York 11354  
(718) 961-9898

P. L. Lamb, Esq.  
Steven Godsberg, Esq.  
Lamb & Barnosky, LLP  
534 Broadhollow Road, Suite 210  
Melville, New York 11747  
(631) 694-2309

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**Approximate date of commencement of the proposed sale of the securities to the public:**

**As soon as practicable after this Registration Statement becomes effective and upon completion of the Merger described in the enclosed proxy statement/prospectus.**

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if a smaller reporting company)

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

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**Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.**

**PRELIMINARY SUBJECT TO COMPLETION DATED JUNE 3, 2015**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

JUNE [     ], 2015

Dear Asia Bancshares Shareholders:

The board of directors of Asia Bancshares, Inc. (which we refer to as Asia Bancshares), has agreed to a merger of Asia Bancshares with and into Cathay General Bancorp (which we refer to as Cathay). The details of the merger are set forth in the Agreement and Plan of Merger, dated as of January 20, 2015, as amended on March 9, 2015, and as it may be further amended from time to time, between Cathay and Asia Bancshares, Inc. (which we refer to as the merger agreement). Simultaneously with the merger, Asia Bancshares' bank subsidiary, Asia Bank will merge with and into Cathay's bank subsidiary, Cathay Bank.

If the merger is completed, shareholders of Asia Bancshares will receive aggregate merger consideration equal to \$126 million less (x) the tax-effected amount of certain expenses of Asia Bancshares related to the transaction, which we refer to as the tax-effected transaction expenses, plus (y) the amount, if any, by which the closing net book value of Asia Bancshares exceeds target net book value of \$78.75 million, which we refer to as excess net book value, in each case as calculated pursuant to the merger agreement. The merger consideration to be received per share of Asia Bancshares common stock, which we refer to as the per share merger consideration, will be calculated by dividing the aggregate merger consideration by the number of shares of Asia Bancshares common stock outstanding immediately prior to the effective time of the merger.

As of March 31, 2015, Asia Bancshares' closing net book value was estimated to be \$78,791,732, tax-effected transaction expenses were estimated to be \$1.2 million and there were 1,460,044.38 shares of common stock outstanding. Assuming that these amounts remained the same at closing, the aggregate merger consideration would be \$124,841,732 and the per share merger consideration would be \$85.51. However, the exact amount of the aggregate merger consideration and the resulting per share merger consideration will not be known until after shareholders of Asia Bancshares have voted on the merger and the board of directors of Asia Bancshares does not intend to resolicit shareholders at any point. In the worst case scenario, there will be no excess net book value at closing, and the aggregate merger consideration will be \$126 million less tax-effected transaction expenses (which based on estimated transaction expenses as of March 31, 2015 would have resulted in aggregate merger consideration of \$124,800,000 and per share merger consideration of \$85.48). In the best case scenario, there is excess net book value at closing and the aggregate merger consideration and per share merger consideration exceed these amounts, but the Board of Directors of Asia Bancshares does not currently expect the aggregate merger consideration or per share merger consideration to materially exceed \$126 million and \$86.30, respectively. A table setting forth illustrative ranges of aggregate merger consideration and per share merger consideration can be found on page [     ] of this proxy statement/prospectus in the section entitled "The Merger Merger Consideration" which begins on page [     ] of this proxy statement/prospectus.

Shareholders of Asia Bancshares will be entitled to elect to receive, subject to proration, for each share of Asia Bancshares common stock that they own (other than shares owned by Cathay or Asia Bancshares, or by shareholders that have asserted and not withdrawn dissenter's rights in accordance with the New York Business Corporation Law), the per share merger consideration in cash or shares of Cathay common stock. Based on these elections, between 45% to 55% of the outstanding shares of Asia Bancshares common stock will receive Cathay common stock as merger consideration and the remainder will receive cash; however if the average closing price of Cathay common stock (as defined below) is lower than \$20, then 41% of the value of the aggregate merger consideration as measured at closing will be payable in Cathay common stock. The number of shares of Cathay common stock that will be received in respect of the per share merger consideration will be equal to the exchange ratio. The exchange ratio is calculated by dividing the per share merger consideration by the volume weighted average price per share

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of Cathay common stock on the Nasdaq Global Select Market, on each of the ten consecutive trading days ending on the fifth trading day prior to the date of the merger, which we refer to as the Cathay average closing price. However, if the Cathay average closing price is less than \$20, the exchange ratio is the per share merger consideration divided by \$20 and if the Cathay average closing price is greater than \$27, the exchange ratio is the per share merger consideration divided by \$27. Cathay's common stock is traded on The NASDAQ Global Select Market under the symbol "CATY." On January 20, 2015, the last trading day prior to the approval of the merger agreement by the board of directors, the last reported sale price of Cathay common stock on The NASDAQ Global Select Market was \$23.38. Assuming aggregate merger consideration of \$126 million and that the Cathay average closing price was equal to \$23.38, each Asia Bancshares shareholder would be entitled to receive either \$86.30 per share in cash or 3.6912 shares of Cathay common stock per share of Asia Bancshares common stock (which would have an implied value of \$86.30 based on that stock price). On June [ ], 2015, the last practicable date prior to the mailing of this proxy statement/prospectus, the last reported sale price of Cathay common stock on The NASDAQ Global Select Market was \$[ ]. Assuming aggregate merger consideration of \$126 million and that the Cathay average closing price was equal to \$[ ], each Asia Bancshares shareholder would be entitled to receive either \$86.30 per share in cash or [ ] shares of Cathay common stock per share of Asia Bancshares common stock (which would have an implied value of \$[ ] based on that stock price). We urge you to obtain current stock price quotations for Cathay common stock. A table setting forth an illustrative range of the respective cash consideration per share and the exchange ratio at various Cathay average closing prices assuming aggregate merger consideration of \$126 million can be found on page [ ] of this proxy statement/prospectus in the section entitled "The Merger Merger Consideration".

The merger cannot be completed unless shareholders holding not less than two-thirds of the shares of Asia Bancshares common stock outstanding as of the close of business on June 12, 2015, the record date for the special meeting, vote in favor of

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the adoption of the merger agreement at the special meeting. The special shareholders' meeting will be held on July 17, 2015 at 5:00 p.m., local time, at 135-11 Roosevelt Avenue, Flushing, New York 11354. Failure to vote will have the same effect as voting against the adoption of the merger agreement. If you sign and return your proxy card without specifying your vote, your shares will be voted in favor of the approval of the merger.

The Asia Bancshares board of directors has carefully considered the merger and the terms of the merger agreement and believes that the terms of the merger are fair, advisable and in the best interest of Asia Bancshares and its shareholders. **Accordingly the Asia Bancshares board of directors unanimously recommends that Asia Bancshares shareholders vote "FOR" adoption of the merger agreement.** In considering the recommendation of the board of directors of Asia Bancshares, you should be aware that certain directors and executive officers of Asia Bancshares and Asia Bank will have interests in the merger that may be different from, or in addition to, the interests of Asia Bancshares shareholders generally. See the section entitled "Interests of Certain Persons in the Merger" beginning on page [ ] of the accompanying proxy statement/prospectus.

The proxy statement/prospectus describes the merger agreement, the merger and the documents related to the merger. In addition to being a proxy statement of Asia Bancshares, this proxy statement/prospectus is also the prospectus of Cathay for the Cathay common stock that will be issued in connection with the merger. **Please read carefully the entire proxy statement/prospectus, including the section entitled "Risk Factors" beginning on page [ ], for a discussion of the risks relating to the proposed merger, and the Appendices and documents incorporated by reference.**

On behalf of the board of directors,  
Jentai Tsai  
*Chairman of the Board and Chief Executive Officer*

**Neither the Securities and Exchange Commission nor any state securities commission, has approved or disapproved the merger, the securities to be issued in the merger or the other transactions described in this document or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

**The securities to be issued in the merger are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either Cathay General Bancorp or Asia Bancshares, Inc., and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.**

The date of this proxy statement/prospectus is June [ ], 2015 and it is first being mailed or otherwise delivered to Asia Bancshares shareholders on or about June [ ], 2015.

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**ASIA BANCSHARES, INC.**

135-34 Roosevelt Avenue  
Flushing, New York 11354

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

TO THE SHAREHOLDERS OF ASIA BANCSHARES:

A special meeting of shareholders of Asia Bancshares will be held on July 17, 2015 at 5:00 p.m., local time, at 135-11 Roosevelt Avenue, Flushing, New York 11354. The special meeting is being held to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of January 20, 2015, as amended by amendment no. 1 on March 9, 2015, and as it may be further amended from time to time, between Cathay General Bancorp, a Delaware corporation, and Asia Bancshares, Inc., a New York corporation.

The record date for the special meeting is June 12, 2015. Only holders of record of Asia Bancshares common stock at the close of business on the record date are entitled to notice of, and to vote at, the special meeting. All shareholders of record as of that date are cordially invited to attend the special meeting in person. Adoption of the merger agreement requires the affirmative vote of the holders of not less than two-thirds of the shares outstanding and entitled to vote thereon at the Asia Bancshares special meeting. As of the record date, there were [ ] shares of Asia Bancshares common stock outstanding and entitled to vote at the special meeting.

**Asia Bancshares' board of directors has unanimously approved the merger agreement, has determined the merger agreement and the transactions contemplated thereby, including the merger, are in the best interests of Asia Bancshares and unanimously recommends that Asia Bancshares shareholders vote "FOR" adoption of the merger agreement.** In considering the recommendation of the board of directors of Asia Bancshares, you should be aware that certain directors and executive officers of Asia Bancshares and Asia Bank will have interests in the merger that may be different from, or in addition to, the interests of Asia Bancshares shareholders generally. See the section entitled "Interests of Certain Persons in the Merger" beginning on page [ ] of the accompanying proxy statement/prospectus.

Under the New York Business Corporation Law, (hereinafter "NYBCL"), holders of record of Asia Bancshares who do not vote in favor of the adoption of the merger agreement have the right to seek and obtain payment of the fair value of their shares if the merger is completed, but only if they follow the procedures and satisfy the conditions prescribed by the NYBCL. A copy of the applicable statutes regarding dissenters' rights is attached as Appendix D to the accompanying proxy statement/prospectus. For an explanation of your dissenters' rights and how to exercise them, please see the discussion under the heading "The Merger Dissenters' Rights" beginning on page [ ].

**Your vote is very important, regardless of the number of shares of Asia Bancshares that you own.** If you do not vote your shares, it will have the same effect as voting against the merger.

The enclosed proxy statement/prospectus describes the special meeting, the merger, the documents related to the merger and other related matters. We urge you to read the proxy statement/prospectus, including any documents incorporated in the proxy statement/prospectus by reference, and its appendices carefully and in their entirety.

**Whether or not you plan to attend the special meeting, please complete, sign, date and promptly return the accompanying proxy using the enclosed envelope. If you attend the special meeting and vote in person, your vote by ballot will revoke any proxy previously submitted.**

By Order of the Board of Directors,

Jentai Tsai

*Chairman of the Board and Chief Executive Officer*

Flushing, New York  
June [ ], 2015

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**REFERENCES TO ADDITIONAL INFORMATION**

This proxy statement/prospectus incorporates important business and financial information about Cathay from other documents filed with the U.S. Securities and Exchange Commission, or SEC, that are not included in or delivered with this proxy statement/prospectus. For a listing of documents incorporated by reference into this proxy statement/prospectus, please see the section entitled "Where You Can Find More Information" beginning on page [ ] of this proxy statement/prospectus. You can obtain any of the documents filed with the SEC by Cathay at no cost from the SEC's website at <http://www.sec.gov>. You may also request copies of these documents, including documents incorporated by reference in this proxy statement/prospectus, at no cost by contacting Cathay General Bancorp at the following address:

**Cathay General Bancorp**  
777 North Broadway  
Los Angeles, California 90012  
(213) 625-4700

**You will not be charged for any of these documents that you request. To obtain timely delivery of these documents, you must request them no later than five business days before the date of the special meeting. This means that Asia Bancshares shareholders requesting documents must do so by July 10, 2015, in order to receive them before the special meeting.**

In addition, if you have questions about the merger or the Asia Bancshares special meeting, need additional copies of this proxy statement/prospectus or need to obtain proxy cards or other information related to the proxy solicitation, you may contact Jeffrey Hsu at the following address and telephone number:

Asia Bancshares, Inc.  
135-11 Roosevelt Avenue  
Flushing, New York 11354  
Telephone number (718) 961-9898

Asia Bancshares does not have a class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, is not subject to the reporting requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and accordingly does not file documents or reports with the SEC.

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**QUESTIONS AND ANSWERS ABOUT THIS DOCUMENT AND THE MERGER**

The following questions and answers are intended to briefly address some commonly asked questions that you may have regarding the merger and the Asia Bancshares special meeting. We urge you to read carefully the remainder of this proxy statement/prospectus because the information in this section does not provide all of the information that might be important to you with respect to the merger and the Asia Bancshares special meeting. Additional important information is also contained in the documents incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information" beginning on page [ ] of this proxy statement/prospectus.

References in this proxy statement/prospectus to "Asia Bancshares" refer to Asia Bancshares, Inc., a New York corporation. References in this proxy statement/prospectus to "Cathay" refer to Cathay General Bancorp, a Delaware corporation. Unless the context otherwise requires, references to Asia Bancshares and Cathay will include such entities' respective subsidiaries and affiliates.

**Q: What is the purpose of this proxy statement/prospectus?**

A: This document serves both as a proxy statement of Asia Bancshares and as a prospectus for Cathay common stock. As a proxy statement, it is being provided to you by Asia Bancshares, because the board of directors of Asia Bancshares is soliciting your proxy to vote to approve the proposed merger of Asia Bancshares with and into Cathay. As a prospectus, it is being provided to you by Cathay, because Cathay is offering shares of its common stock in connection with the merger.

This proxy statement/prospectus includes important information about the merger, the merger agreement, a copy of which is attached as Appendix A to this proxy statement/prospectus and the special meeting. Asia Bancshares shareholders should read this information carefully and in its entirety. The enclosed voting materials allow shareholders to vote their shares without attending the special meeting in person.

**Q: When and where will the special meeting take place?**

A: Asia Bancshares will hold a special meeting of its shareholders on July 17, 2015 at 5:00 p.m., local time, at 135-11 Roosevelt Avenue, Flushing, New York 11354.

**Q: What constitutes a quorum for the special meeting?**

A: The presence at the special meeting, in person or by proxy, of holders of a majority of the outstanding shares of Asia Bancshares common stock entitled to vote at the special meeting will constitute a quorum for the transaction of business. Abstentions will be included in determining the number of shares present at the meeting for the purpose of determining the presence of a quorum.

**Q: Does my vote matter?**

A: Yes. The merger cannot be completed unless the merger agreement is adopted by the Asia Bancshares shareholders. For shareholders, if you fail to submit a proxy or vote in person at the special meeting, or vote to abstain, this will have the same effect as a vote "AGAINST" the adoption of the merger agreement.

**Q: What is the vote required to approve the merger agreement at the special meeting?**

A: Adoption of the merger agreement requires the affirmative vote of the holders of two-thirds of the outstanding shares of Asia Bancshares common stock as of the close of business on June 12, 2015, the record date for the special meeting of Asia Bancshares' shareholders entitled to vote thereon.



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**Q: How do I vote?**

A: To vote, please indicate on the enclosed proxy card how you want to vote and then sign, date and mail your proxy card in the enclosed envelope as soon as possible so that your shares will be represented at the special meeting.

**Q: What happens if I return my proxy but do not indicate how to vote my shares?**

A: If you sign and return your proxy card, but do not provide instructions on how to vote your shares, your shares will be voted "FOR" adoption of the merger agreement. If you return an unsigned proxy card, your proxy will be invalid, and your shares will not be voted at the special meeting.

**Q: How does the Asia Bancshares board of directors recommend that I vote at the special meeting?**

A: The board of directors of Asia Bancshares unanimously recommends that Asia Bancshares shareholders vote "FOR" the adoption of the merger agreement. See the section entitled "The Merger Asia Bancshares' Reasons for the Merger; Recommendation of Asia Bancshares' Board of Directors" beginning on page [ ] of this proxy statement/prospectus.

**Q: Can I change my vote after I have mailed my signed proxy card?**

A: Yes. You may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation letter to Asia Bancshares' corporate secretary, or (3) attending the special meeting in person, notifying the corporate secretary and voting by ballot at the special meeting. Attendance at the special meeting will not automatically revoke your proxy. A revocation or later-dated proxy received by Asia Bancshares after the vote will not affect the vote. Asia Bancshares' corporate secretary's mailing address is Asia Bancshares, Inc., 135-34 Roosevelt Avenue, Flushing, New York, Attention: Tom W. H. Yuan, Corporate Secretary.

**Q: What if I abstain from voting?**

A: If you fail to vote or mark "ABSTAIN" on your proxy, it will have the same effect as a vote "AGAINST" the proposal.

**Q: Can I attend the special meeting and vote my shares in person?**

A: Yes. All shareholders of record are invited to attend the special meeting and can vote in person at the special meeting. If you are not a shareholder of record, you must obtain a proxy, executed in your favor, from the record holder of your shares, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership. In addition, you must bring a form of personal photo identification with you in order to be admitted. Asia Bancshares reserves the right to refuse admittance to anyone without proper proof of share ownership or without proper photo identification. The use of cameras, sound recording equipment, communications devices or any similar equipment during the special meeting is prohibited without Asia Bancshares' express written consent.

**Q: Are there any voting agreements in place with Asia Bancshares shareholders?**

A: Yes. Certain directors and executive officers of Asia Bancshares and their family members who beneficially own in the aggregate 622,868.94 shares of Asia Bancshares common stock, which represents approximately [ ]% of the outstanding shares of Asia Bancshares as of the record date, have entered into voting agreements with Cathay in the form attached to this proxy



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statement/prospectus as Appendix C pursuant to which they, solely in their capacity as shareholders of Asia Bancshares, will agree to vote all of their shares of Asia Bancshares common stock in favor of the merger agreement. These voting agreements will terminate if the merger agreement is terminated.

A copy of the form of voting and support agreement is attached as Appendix C to this proxy statement prospectus.

**Q: What will Asia Bancshares shareholders receive in the merger?**

A: If the merger is completed, shareholders of Asia Bancshares will receive aggregate merger consideration equal to \$126 million less (x) the tax-effected amount of certain expenses of Asia Bancshares related to the transaction, which we refer to as the tax-effected transaction expenses, plus (y) the amount, if any, by which the closing net book value of Asia Bancshares exceeds target net book value of \$78.75 million, which we refer to as excess net book value, in each case as calculated pursuant to the merger agreement. See "The Merger Merger Consideration" beginning on page [ ] of this proxy/prospectus. The merger consideration to be received per share of Asia Bancshares common stock, which we refer to as the per share merger consideration, will be calculated by dividing the aggregate merger consideration by the number of shares of Asia Bancshares common stock outstanding immediately prior to the effective time of the merger.

As of March 31, 2015, Asia Bancshares' closing net book value was estimated to be \$78,791,732, tax-effected transaction expenses were estimated to be \$1.2 million and there were 1,460,044.38 shares of common stock outstanding. Assuming that these amounts remained the same at closing, the aggregate merger consideration would be \$124,841,732 and the per share merger consideration would be \$85.51. However, the exact amount of the aggregate merger consideration and the resulting per share merger consideration will not be known until after shareholders of Asia Bancshares have voted on the merger and the board of directors of Asia Bancshares does not intend to resolicit shareholders at any point. In the worst case scenario, there will be no excess net book value at closing, and the aggregate merger consideration will be \$126 million less tax-effected transaction expenses (which based on estimated transaction expenses as of March 31, 2015 would have resulted in aggregate merger consideration of \$124,800,000 and per share merger consideration of \$85.48). In the best case scenario, there is excess net book value at closing and the aggregate merger consideration and per share merger consideration exceed these amounts, but the Board of Directors of Asia Bancshares does not currently expect the aggregate merger consideration or per share merger consideration to materially exceed \$126 million and \$86.30, respectively. A table setting forth illustrative ranges of aggregate merger consideration and per share merger consideration can be found on page [ ] of this proxy statement/prospectus in the section entitled "The Merger Merger Consideration" which begins on page [ ] of this proxy statement/prospectus.

Shareholders of Asia Bancshares (other than shares owned by Cathay or Asia Bancshares, or by shareholders that have asserted and not withdrawn dissenters' rights in accordance with the NYBCL) will be entitled to elect to receive, subject to proration, the per share merger consideration in cash or shares of Cathay common stock for each share of Asia Bancshares common stock that they own. Based on these elections, between 45% to 55% of the outstanding shares of Asia Bancshares common stock will receive Cathay common stock as merger consideration and the remainder will receive cash; however if the average closing price of Cathay common stock (as defined below) is lower than \$20, then 41% of the value of the aggregate merger consideration, as measured at closing, will be payable in Cathay common stock. The number of shares of Cathay common stock that will be received in respect of the per share merger consideration will be equal to the exchange ratio. The exchange ratio is calculated by dividing the per share merger consideration by the volume weighted average price per share of Cathay common



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stock on the Nasdaq Global Select Market, on each of the ten consecutive trading days ending on the fifth trading day prior to the date of the merger, which we refer to as the Cathay average closing price. However, if the Cathay average closing price is less than \$20, the exchange ratio is the per share merger consideration divided by \$20 and if the Cathay average closing price is greater than \$27, the exchange ratio is the per share merger consideration divided by \$27.

On January 20, 2015, the last trading day prior to the approval of the merger agreement by the board of directors, the last reported sale price of Cathay common stock on The NASDAQ Global Select Market was \$23.38. Assuming aggregate merger consideration of \$126 million and that the Cathay average closing price was equal to \$23.38, each Asia Bancshares shareholder would be entitled to receive either \$86.30 per share in cash or 3.6912 shares of Cathay common stock per share of Asia Bancshares common stock (which would have an implied value of \$86.30 based on that stock price). On June [ ], 2015, the last practicable date prior to the mailing of this proxy statement/prospectus, the last reported sale price of Cathay common stock on The NASDAQ Global Select Market was \$[ ]. Assuming aggregate merger consideration of \$126 million and that the Cathay average closing price was equal to \$[ ], each Asia Bancshares shareholder would be entitled to receive either \$86.30 per share in cash or [ ] shares of Cathay common stock per share of Asia Bancshares common stock (which would have an implied value of \$[ ] based on that stock price). We urge you to obtain current stock price quotations for Cathay common stock. A table setting forth an illustrative range of the respective cash consideration per share and the exchange ratio at various Cathay average closing prices assuming aggregate merger consideration of \$126 million can be found on page [ ] of this proxy statement/prospectus in the section entitled "The Merger Merger Consideration."

Only whole shares of Cathay common stock will be issued in connection with the merger. Accordingly, Asia Bancshares shareholders will receive cash, without interest, in lieu of any fractional share of Cathay common stock they otherwise would be entitled to receive.

**Q: Will the shares of Cathay common stock received by Asia Bancshares shareholders in the merger be listed on the Nasdaq upon the completion of the merger?**

**A:** Yes. The shares of Cathay common stock to be issued in connection with the merger have been registered under the Securities Act of 1933, as amended, and will be listed on The NASDAQ Global Select Market under the symbol "CATY."

**Q: How do I elect the form of consideration I prefer to receive?**

**A:** Each Asia Bancshares shareholder will be sent an election form and transmittal materials containing instructions for use in effecting the surrender of shares of Asia Bancshares common stock in exchange for the merger consideration which will be mailed to Asia Bancshares shareholders no less than thirty-five (35) days prior to the anticipated effective time of the merger or on such other date as the Asia Bancshares and Cathay mutually agree (the "mailing date"). The election form allows an Asia Bancshares shareholder to indicate the number of his or her shares of Asia Bancshares such shareholder elects to convert into Cathay common stock and the number of shares such shareholder elects to convert into cash, or to indicate that the shareholder makes no election. Asia Bancshares and Cathay will make available Election Forms as may reasonably be requested to persons who become holders of Asia Bancshares common stock between the record date for mailing election forms and 5:00 p.m., California time, on the date that is the thirtieth day following the mailing date, or such other time as the parties may mutually agree, the "election deadline."

To make a valid election, an Asia Bancshares shareholder must submit a properly completed and signed election form and transmittal materials so that it is actually received by American Stock

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Transfer and Trust Company, Cathay's exchange agent, on or prior to the election deadline in accordance with the instructions on the election form. See "The Merger Election Procedure."

**Q: May I submit an election form if I vote against the merger?**

A: Yes. You may submit an election form even if you vote against the merger agreement.

**Q: May I change my election once it has been submitted?**

A: Yes. You may revoke your election with respect to all or a portion of your shares of Asia Bancshares common stock by delivering written notice of your revocation to the exchange agent by the election deadline.

If an election is properly revoked with respect to shares of Asia Bancshares common stock represented by stock certificates, the certificates representing such shares will be promptly returned upon written request of the holder who submitted them to the exchange agent and the holder will be deemed to have made no election with respect to such shares unless and until a new election form is submitted, which must be received by the exchange agent by the election deadline.

You will not be entitled to revoke or change your election or sell your shares of Asia Bancshares common stock after the election deadline.

**Q: What happens if I do not make an election prior to the deadline?**

A: If you fail to submit a valid election form to the exchange agent prior to the election deadline, then you will be deemed to have made no election and will receive either shares of Cathay common stock, cash or a combination of shares of Cathay common stock and cash for your shares, depending on the elections made by other shareholders.

**Q: Will I receive the form of merger consideration that I elect?**

A: You will receive the form of merger consideration that you elect if the Asia Bancshares shareholders do not elect to receive more of that form of consideration than is available under the merger agreement. If Asia Bancshares shareholders elect to receive more of one form of consideration than is available, we will allocate the available amount ratably among the Asia Bancshares shareholders electing to receive that form of consideration, and those Asia Bancshares shareholders will receive the other form of consideration for the balance of their Asia Bancshares shares. Accordingly, you may receive a form of merger consideration that differs from your election.

Pursuant to the Agreement and Plan of Merger, a minimum of 45% of the outstanding Asia Bancshares shares will be converted into the right to receive Cathay common stock and a maximum of 55% of the outstanding Asia Bancshares shares will be converted into the right to receive Cathay common stock; however, if the Cathay average closing price immediately prior to the effective time of the merger is less than \$20, then the minimum number of Asia Bancshares shares necessary for the stock consideration to represent 41% of the value of the aggregate merger consideration as of the closing will be converted into the right to receive Cathay common stock and the remainder will be converted into the right to receive cash. For a detailed description of these allocation procedures, please see the discussion under the heading "The Merger Allocation Calculation."

**Q: Will I receive any fractional shares of Cathay common stock as part of the merger consideration?**

A: No. Cathay will not issue fractional shares in the merger. As a result, the total number of shares of Cathay common stock that you will receive in the merger will be rounded down to the nearest

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whole number. You will receive a cash payment for the value of any remaining fraction of a share of Cathay common stock that you would otherwise have been entitled to receive.

**Q: Do any of Asia Bancshares' or Asia Bank's directors or executive officers have interests in the merger that may differ from those of Asia Bancshares shareholders?**

A: Asia Bancshares' and Asia Bank's directors and executive officers may have interests in the merger that are different from, or in addition to, their interests as Asia Bancshares' shareholders. The members of Asia Bancshares' board of directors were aware of and considered these interests, among other matters, in evaluating the merger agreement and the merger, and in recommending the Asia Bancshares shareholders adopt the merger agreement. For a description of these interests, refer to the section entitled "Interests of Certain Persons in the Merger" beginning on page [ ] of this proxy statement/prospectus and the section entitled "The Merger Agreement Cathay Covenants Relating to Employee Matters" beginning on page [ ] of this proxy statement/prospectus.

**Q: When will the merger occur?**

A: We currently expect to complete the merger during the third quarter of 2015 once the conditions to the merger are satisfied or waived (to the extent permitted by applicable law), including adoption of the merger by shareholders of Asia Bancshares. Cathay has a one-time option to postpone the closing date for up to thirty (30) days.

**Q: How will I receive the merger consideration to which I am entitled?**

A: After receiving the proper documentation from you, following the effective time, the exchange agent will deliver to you the Cathay common stock and cash to which you are entitled. More information on the documentation you are required to deliver to the exchange agent may be found under the caption "The Merger Election Procedure" beginning on page [ ] of this proxy statement/prospectus.

**Q: Should I send in my stock certificates with my proxy card?**

A: **No, please do not send your stock certificates with your proxy card.** The exchange agent will mail or deliver an election form and transmittal materials. Before the election deadline, you should send your Asia Bancshares stock certificates to the exchange agent, together with a completed and signed election form and transmittal materials. See "The Merger Election Procedure."

**Q: Whom may I contact if I cannot locate my stock certificate(s)?**

A: If you are unable to locate your original Asia Bancshares stock certificate(s), you should contact Asia Bancshares, Inc., 135-11 Roosevelt Avenue, Flushing, New York 11354, Attention: Jeffrey Hsu, Telephone number (718) 961-9898.

**Q: Am I entitled to dissenter's rights in connection with the merger?**

A: Under the NYBCL, holders of record of Asia Bancshares who do not vote in favor of the adoption of the merger agreement have the right to dissent from the merger and obtain payment of the fair value of their shares if the merger is completed, but only if they follow the procedures and satisfy the conditions prescribed by the NYBCL. A copy of the applicable statutes regarding dissenters' rights is attached as Appendix D to the accompanying proxy statement/prospectus. For an explanation of your dissenters' rights and how to exercise them, please see the discussion under the heading "The Merger Dissenters' Rights."

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**Q: What are the U.S. federal income tax consequences of the merger to Asia Bancshares shareholders?**

A: The obligation of Cathay and Asia Bancshares to complete the merger is conditioned upon the receipt of legal opinions from their respective counsel to the effect that the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (hereinafter the "Code").

Provided that the merger qualifies as a reorganization for United States federal income tax purposes, the specific tax consequences of the merger to an Asia Bancshares shareholder will depend upon the form of consideration such Asia Bancshares shareholder receives in the merger.

If you receive solely shares of Cathay common stock (and no cash other than cash in respect of a fractional share of Cathay common stock) in exchange for your Asia Bancshares common stock, then you generally will not recognize any gain or loss (except with respect to the cash received in respect of a fractional share of Cathay common stock).

If you receive solely cash in exchange for your Asia Bancshares common stock, then you generally will recognize gain or loss equal to the difference between the amount of cash you receive and your cost basis in your Asia Bancshares common stock. Generally, any gain recognized upon the exchange will be capital gain, and any such capital gain will be long-term capital gain if you have established a holding period of more than one year for your shares of Asia Bancshares common stock.

If you receive a combination of Cathay common stock and cash (other than cash in respect of a fractional share of Cathay common stock), then you may recognize gain, but you will not recognize loss, upon the exchange of your shares of Asia Bancshares common stock for shares of Cathay common stock and cash. If the sum of the fair market value of the shares of Cathay common stock and the amount of cash you receive in exchange for your shares of Asia Bancshares common stock exceeds the cost basis of your shares of Asia Bancshares common stock, you will recognize taxable gain equal to the lesser of the amount of such excess or the amount of cash you receive in the exchange.

Generally, any gain recognized upon the exchange will be capital gain, and any such capital gain will be long-term capital gain if you have established a holding period of more than one year for your shares of Asia Bancshares common stock. Depending on certain facts specific to you, any gain could instead be characterized as ordinary dividend income.

For a more detailed discussion of the material United States federal income tax consequences of the transaction, see "Material United States Federal Income Tax Consequences of the Merger" beginning on page [        ].

The consequences of the merger to any particular Asia Bancshares shareholder will depend on that shareholder's particular facts and circumstances. Accordingly, you are urged to consult your tax advisor to determine your income tax consequences from the merger.

**Q: What do I need to do now?**

A: We encourage you to read this proxy statement/prospectus in its entirety. Important information is presented in greater detail elsewhere in this document, and documents governing the merger are attached as appendices to this proxy statement/prospectus. In addition, much of the business and financial information about Cathay that may be important to you is incorporated by reference into this document from documents separately filed by Cathay with the Securities and Exchange Commission.

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Following review of this proxy statement/prospectus, **please complete, sign and date the enclosed proxy card and return it in the enclosed envelope** as soon as possible so that your shares can be voted at Asia Bancshares' special meeting of shareholders.

**Q:**  
**What risks should I consider?**

**A:**  
You should review carefully the discussion of "Risk Factors." You should also review the factors considered by the Asia Bancshares board of directors in approving the Agreement and Plan of Merger. See "The Merger Background of the Merger" and "The Merger Asia Bancshares' Reasons for the Merger; Recommendation of Asia Bancshares' Board of Directors."

**Q:**  
**What are the conditions to completion of the merger?**

**A:**  
In addition to the adoption of the merger agreement by Asia Bancshares shareholders as described above, completion of the merger is subject to the satisfaction or waiver (to the extent permitted by law) of a number of other conditions, including the approval of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the California Department of Business Oversight, the accuracy of representations and warranties under the merger agreement (subject to the materiality standards set forth in the merger agreement), Asia Bancshares' and Cathay's performance of their respective obligations under the merger agreement in all material respects, receipt of material third party consents and approvals, provision by Asia Bancshares of evidence of title insurance policies regarding certain properties, the absence of a material adverse effect (as described in the merger agreement) on Asia Bancshares following January 20, 2015, and the Cathay average closing price equaling or exceeding \$17.50. For a more complete summary of the conditions that must be satisfied or waived prior to completion of the merger, see the section entitled "The Merger Agreement Conditions to Completion of the Merger" beginning on page [ ], of this proxy statement/prospectus.

**Q:**  
**What happens if the merger is not completed?**

**A:**  
If the merger agreement is not adopted by Asia Bancshares shareholders or if the merger is not completed for any other reason, shareholders will not receive any consideration for their shares of Asia Bancshares common stock. Instead, Asia Bancshares will remain an independent company. Asia Bancshares is required to pay Cathay a termination fee of \$4 million if the merger agreement is terminated in certain circumstances. See the section entitled "The Merger Agreement Termination Fee" beginning on page [ ] of this proxy statement/prospectus.

**Q:**  
**Who can help answer my questions?**

**A:**  
If you have questions about the merger, the meeting or your proxy, or if you need additional copies of this document or a proxy card, you should contact:

Asia Bancshares, Inc.  
135-11 Roosevelt Avenue  
Flushing, New York 11354  
Attention: Jeffrey Hsu  
Telephone number: (718) 961-9898

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**SUMMARY**

*The following summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you as a shareholder of Asia Bancshares. Accordingly, we urge you to carefully read the entire proxy statement/prospectus, including the appendices, and the other documents to which we refer in order to fully understand the merger. Each item in this summary includes a page reference directing you to a more complete description of that topic. You may obtain the information incorporated by reference into this proxy statement/prospectus without charge by following the instructions under the section entitled, "Where You Can Find More Information" beginning on page [ ] of this proxy statement/prospectus.*

**Parties to the Merger Agreement (Page [ ])**

***Cathay General Bancorp***

Cathay General Bancorp  
777 North Broadway  
Los Angeles, California 90012  
Phone: (213) 625-4700

Cathay, headquartered in Los Angeles, California, is a Delaware corporation and is a bank holding company registered under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). Cathay is the holding company for Cathay Bank, a California state-chartered bank. Founded in 1962, Cathay Bank offers a wide range of financial services. Cathay Bank currently operates 33 branches in California, nine branches in New York State, one in Massachusetts, two in Houston, Texas, three in Washington State, three in the Chicago, Illinois area (and one drive-through location), one in New Jersey, one in Nevada, one in Hong Kong and representative offices in Taipei and Shanghai.

As of March 31, 2015, Cathay had total assets of approximately \$11.9 billion, total loans of approximately \$9.0 billion, total deposits of approximately \$9.1 billion and approximately \$1.6 billion in shareholders' equity.

Cathay common stock trades on The NASDAQ Global Select Market under the symbol "CATY."

***Asia Bancshares, Inc.***

Asia Bancshares, Inc.  
135-34 Roosevelt Avenue  
Flushing New York 11354

Asia Bancshares is a New York corporation, incorporated in 1986, which is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended, and parent of Asia Bank, National Association, a national bank with four branches. As of March 31, 2015, Asia Bancshares and its subsidiaries had consolidated total assets of \$523.1 million, deposits of \$444.4 million and stockholders' equity of \$78.8 million. Asia Bank had 69 full-time and 8 part-time employees as of March 31, 2015.

**The Merger (Page [ ])**

The merger agreement provides for the merger of Asia Bancshares with and into Cathay, with Cathay as the surviving entity after the merger. As a result of the merger, Asia Bancshares will cease to exist as a separate entity.

Simultaneously with the merger, Asia Bancshares' wholly owned bank subsidiary, Asia Bank, will merger with and into Cathay's wholly owned bank subsidiary, Cathay Bank, with Cathay Bank as the

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surviving entity after the bank merger. As a result of the bank merger, Asia Bank will cease to exist as a separate entity.

The merger agreement is attached as Appendix A to this document. We encourage you to read the merger agreement in its entirety.

**The Merger Consideration (Page [ ])**

If the merger is completed, shareholders of Asia Bancshares will receive aggregate merger consideration equal to \$126 million less (x) the tax-effected amount of certain expenses of Asia Bancshares related to the transaction, which we refer to as the tax-effected transaction expenses, plus (y) the amount, if any, by which the closing net book value of Asia Bancshares exceeds target net book value of \$78.75 million, which we refer to as excess net book value, in each case as calculated pursuant to the merger agreement. See "The Merger Merger Consideration" beginning on page [ ] of this proxy/prospectus. The merger consideration to be received per share of Asia Bancshares common stock, which we refer to as the per share merger consideration, will be calculated by dividing the aggregate merger consideration by the number of shares of Asia Bancshares common stock outstanding immediately prior to the effective time of the merger.

As of March 31, 2015, Asia Bancshares' closing net book value was estimated to be \$78,791,732, tax-effected transaction expenses were estimated to be \$1.2 million and there were 1,460,044.38 shares of common stock outstanding. Assuming that these amounts remained the same at closing, the aggregate merger consideration would be \$124,841,732 and the per share merger consideration would be \$85.51. However, the exact amount of the aggregate merger consideration and the resulting per share merger consideration will not be known until after shareholders of Asia Bancshares have voted on the merger and the board of directors of Asia Bancshares does not intend to resolicit shareholders at any point. In the worst case scenario, there will be no excess net book value at closing, and the aggregate merger consideration will be \$126 million less tax-effected transaction expenses (which based on estimated transaction expenses as of March 31, 2015 would have resulted in aggregate merger consideration of \$124,800,000 and per share merger consideration of \$85.48). In the best case scenario, there is excess net book value at closing and the aggregate merger consideration and per share merger consideration exceed these amounts, but the Board of Directors of Asia Bancshares does not currently expect the aggregate merger consideration or per share merger consideration to materially exceed \$126 million and \$86.30, respectively. A table setting forth illustrative ranges of aggregate merger consideration and per share merger consideration can be found on page [ ] of this proxy statement/prospectus in the section entitled "The Merger Merger Consideration" which begins on page [ ] of this proxy statement/prospectus.

Shareholders of Asia Bancshares (other than shares owned by Cathay or Asia Bancshares, or by shareholders that have asserted and not withdrawn dissenters' rights in accordance with the NYBCL) will be entitled to elect to receive, subject to proration, for each share of Asia Bancshares common stock that they own, the per share merger consideration in cash or shares of Cathay common stock. Based on these elections, between 45% to 55% of the outstanding shares of Asia Bancshares common stock will receive Cathay common stock as merger consideration and the remainder will receive cash; however if the average closing price of Cathay common stock (as defined below) is lower than \$20, then 41% of the value of the aggregate merger consideration as measured at closing will be payable in Cathay common stock. The number of shares of Cathay common stock that will be received in respect of the per share merger consideration will be equal to the exchange ratio. The exchange ratio is calculated by dividing the per share merger consideration by the volume weighted average price per share of Cathay common stock on the Nasdaq Global Select Market, on each of the ten consecutive trading days ending on the fifth trading day prior to the date of the merger, which we refer to as the Cathay average closing price. However, if the Cathay average closing price is less than \$20, the

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exchange ratio is the per share merger consideration divided by \$20 and if the Cathay average closing price is greater than \$27, the exchange ratio is the per share merger consideration divided by \$27.

On January 20, 2015, the last trading day prior to the approval of the merger agreement by the board of directors, the last reported sale price of Cathay common stock on The NASDAQ Global Select Market was \$23.38. Assuming aggregate merger consideration of \$126 million and that the Cathay average closing price was equal to \$23.38, each Asia Bancshares shareholder would be entitled to receive either \$86.30 per share in cash or 3.6912 shares of Cathay common stock per share of Asia Bancshares common stock (which would have an implied value of \$86.30 based on that stock price). On June [ ], 2015, the last practicable date prior to the mailing of this proxy statement/prospectus, the last reported sale price of Cathay common stock on The NASDAQ Global Select Market was \$[ ]. Assuming aggregate merger consideration of \$126 million and that the Cathay average closing price was equal to \$[ ], each Asia Bancshares shareholder would be entitled to receive either \$86.30 per share in cash or [ ] shares of Cathay common stock per share of Asia Bancshares common stock (which would have an implied value of \$[ ] based on that stock price). We urge you to obtain current stock price quotations for Cathay common stock. A table setting forth an illustrative range of the respective cash consideration per share and the exchange ratio at various Cathay average closing prices assuming aggregate merger consideration of \$126 million can be found on page [ ] of this proxy statement/prospectus in the section entitled "The Merger Merger Consideration".

Only whole shares of Cathay common stock will be issued in connection with the merger. Accordingly, Asia Bancshares shareholders will receive cash, without interest, in lieu of any fractional share of Cathay common stock they otherwise would be entitled to receive.

**Market Price and Share Information (Page [ ])**

The following table sets forth the closing sale prices per share of Cathay common stock as reported on The NASDAQ Global Select Market on January 20, 2015, the last trading day before we announced the transaction, and on [ ], 2015 the most recent practicable trading day before the date on which this proxy statement/prospectus was mailed to Asia Bancshares's shareholders.

| Date             | Cathay Closing<br>Share Price |
|------------------|-------------------------------|
| January 20, 2015 | \$ 23.38                      |
| June [ ], 2015   | \$ [ ]                        |

The market price of Cathay common stock will fluctuate prior to the effective time of the merger. Therefore, you should obtain current market quotations for Cathay common stock. Cathay common stock is listed on The NASDAQ Global Select Market under the symbol "CATY." See "Market Value of Cathay Common Stock."

**You May Elect to Receive Stock or Cash Consideration, Subject to Proration**

Under the merger agreement, unless you provide a notice of dissent under New York law, you may elect to receive either:

Cathay common stock for all of your shares of Asia Bancshares common stock,

cash for all of your shares of Asia Bancshares common stock, or

Cathay stock for some of your shares of Asia Bancshares common stock and cash for the rest of your shares of Asia Bancshares common stock.

Because a minimum of 45% of the outstanding Asia Bancshares shares will be converted into the right to receive Cathay common stock and a maximum of 55% of the outstanding Asia Bancshares



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shares will be converted into the right to receive Cathay common stock in the merger (or, in the event the Cathay average closing price is below \$20, the minimum number of Asia Bancshares shares necessary for the stock consideration to represent 41% of the value of the aggregate merger consideration as of the closing will be converted into the right to receive Cathay common stock and the remainder will be converted into the right to receive cash), the form of merger consideration that you will receive will depend in part on the elections made by other Asia Bancshares shareholders. If Asia Bancshares shareholders elect to receive more of one form of consideration than is available, we will allocate the available amount ratably among the Asia Bancshares shareholders electing to receive that form of consideration, and those Asia Bancshares shareholders will receive the other form of consideration for the balance of their Asia Bancshares shares. Accordingly, you may receive a form of merger consideration that differs from your election. See "The Merger Allocation Calculation" for a more detailed discussion of allocation procedures under the Agreement and Plan of Merger.

Prior to the effective time of the merger, an exchange agent will mail or deliver an election form with instructions for making your election as to the form of consideration that you prefer to receive in the merger. The available elections, election procedures and deadline for making elections are described under the heading "The Merger Election Procedure." If you fail to submit a valid election form that is received by the exchange agent on or before the election deadline, you will receive either Cathay common stock or cash for each of your shares of Asia Bancshares stock, depending upon what remains available after the considering the elections made by other Asia Bancshares shareholders.

**Interests of Certain Persons in the Merger (Page [ ])**

Certain officers and members of the board of directors of Asia Bancshares and Asia Bank may have interests in the transaction that are different from, or in addition to, the interests of shareholders of Asia Bancshares' common stock generally. The members of the board of directors of Asia Bancshares were made aware of these differing interests and potential conflicts, and considered them, among other matters, in its decision to declare advisable the merger agreement and the merger and in recommending to the shareholders of Asia Bancshares that the merger be approved. These interests include:

Pursuant to the merger agreement, Asia Bancshares and Cathay have agreed to pay certain severance, retention and retirement benefits to certain officers of Asia Bank; and

The directors and officers of Asia Bancshares and its subsidiaries are entitled to continued indemnification and insurance coverage from Cathay under the merger agreement.

For a more detailed discussion of these interests, see "Interests of Certain Persons in the Merger" beginning on page [ ].

**Material United States Federal Income Tax Consequences of the Merger (Page [ ])**

The obligation of Cathay and Asia Bancshares to complete the merger is conditioned, among other things, upon the receipt of legal opinions from their respective counsel to the effect that the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code.

Provided that the merger qualifies as a reorganization for United States federal income tax purposes, the specific tax consequences of the merger to an Asia Bancshares shareholder will depend upon the form of consideration such Asia Bancshares shareholder receives in the merger.

If you receive solely shares of Cathay common stock (and no cash other than cash in respect of a fractional share of Cathay common stock) in exchange for your Asia Bancshares common stock, then you generally will not recognize any gain or loss (except with respect to the cash received in respect of a fractional share of Cathay common stock).

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If you receive solely cash in exchange for your Asia Bancshares common stock, then you generally will recognize gain or loss equal to the difference between the amount of cash you receive and your cost basis in your Asia Bancshares common stock. Generally, any gain recognized upon the exchange will be capital gain, and any such capital gain will be long-term capital gain if you have established a holding period of more than one year for your shares of Asia Bancshares common stock.

If you receive a combination of Cathay common stock and cash (other than cash in respect of a fractional share of Cathay common stock), then you may recognize gain, but you will not recognize loss, upon the exchange of your shares of Asia Bancshares common stock for shares of Cathay common stock and cash. If the sum of the fair market value of the shares of Cathay common stock and the amount of cash you receive in exchange for your shares of Asia Bancshares common stock exceeds the cost basis of your shares of Asia Bancshares common stock, you will recognize taxable gain equal to the lesser of the amount of such excess or the amount of cash you receive in the exchange.

Generally, any gain recognized upon the exchange will be capital gain, and any such capital gain will be long-term capital gain if you have established a holding period of more than one year for your shares of Asia Bancshares common stock. Depending on certain facts specific to you, any gain could instead be characterized as ordinary dividend income.

For a more detailed discussion of the material United States federal income tax consequences of the transaction, see "Material United States Federal Income Tax Consequences of the Merger" beginning on page [ ].

The consequences of the merger to any particular Asia Bancshares shareholder will depend on that shareholder's particular facts and circumstances. Accordingly, you are urged to consult your tax advisor to determine your tax consequences from the merger.

**Recommendation of the Asia Bancshares Board of Directors; Asia Bancshares' Reasons for the Merger (Page [ ])**

Asia Bancshares' board of directors, after careful review and consideration of the terms of the merger agreement, unanimously approved the merger agreement. Asia Bancshares' board of directors believes that the merger and the merger agreement are fair to and in the best interests of Asia Bancshares and its shareholders and unanimously recommends that the shareholders of Asia Bancshares vote "FOR" approval and adoption of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

For more information concerning the background of the merger, the recommendation of Asia Bancshares' board of directors and the reasons for the merger and the recommendation, please see the discussions under "The Merger Background of the Merger" and "The Merger Recommendation of Asia Bancshares' Board of Directors" beginning on page [ ].

**The Asia Bancshares Special Meeting (Page [ ])**

The special meeting of Asia Bancshares shareholders will be held on July 17, 2015 at 5:00 p.m. local time, at 135-11 Roosevelt Avenue, Flushing, New York 11354. At the special meeting, Asia Bancshares shareholders will be asked to approve a proposal to adopt the Agreement and Plan of Merger, dated as of January 20, 2015, as amended by amendment no. 1 on March 9, 2015, and as it may be further amended from time to time, between Cathay General Bancorp, a Delaware corporation, and Asia Bancshares, Inc., a New York corporation.

Only holders of record at the close of business on June 12, 2015 will be entitled to vote at the special meeting. Each share of Asia Bancshares common stock is entitled to one vote on the proposal

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to be considered at the Asia Bancshares special meeting. As of the record date, there were [ ] shares of Asia Bancshares common stock entitled to vote at the special meeting. As of the record date, the directors and executive officers of Asia Bancshares beneficially owned and were entitled to vote approximately [ ] shares of Asia Bancshares common stock representing approximately [ ]% of the shares of Asia Bancshares common stock outstanding on that date. Certain directors and executive officers of Asia Bancshares and their family members who beneficially own in the aggregate 622,868.94 shares of Asia Bancshares common stock, representing approximately [ ]% of the outstanding shares of Asia Bancshares common stock as of the record date, have entered into voting agreements with Cathay in the form attached to this proxy statement/prospectus as Appendix C pursuant to which they, solely in their capacity as shareholders of Asia Bancshares, will agree to vote all of their shares of Asia Bancshares common stock in favor of the merger agreement and against any competing transaction, and be subject to customary restrictions on transfer and no solicitation restrictions prior to the closing of the merger. These voting agreements will terminate if the merger agreement is terminated.

To approve the merger agreement, holders of two-thirds of the outstanding shares of Asia Bancshares common stock entitled to vote at the special meeting must vote in favor of approving the merger agreement. Because approval is based on the affirmative vote of two-thirds of the shares outstanding, your failure to vote or abstention will have the same effect as a vote against adoption of the merger agreement.

**Opinion of Asia Bancshares' Financial Advisor (Page [ ])**

The Kafafian Group, Inc. has served as financial advisor to Asia Bancshares in connection with the merger. It has given an opinion to the Asia Bancshares board of directors that, as of January 20, 2015, the consideration Cathay will pay for the Asia Bancshares common stock is fair to Asia Bancshares shareholders from a financial point of view. The Kafafian Group's opinion is expressly based upon, and subject to, the assumptions made, matters considered and qualifications and limitations stated in the opinion. A copy of the opinion delivered by The Kafafian Group is attached to this document as Appendix B. You should read the opinion carefully and in its entirety.

**Regulatory Approvals (Page [ ])**

Subject to the exception described below, both Asia Bancshares and Cathay have agreed to use their reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement. The key approvals required for the merger and the bank merger are the approval of the Board of Governors of the Federal Reserve Board (which we refer to as the Federal Reserve), the California Department of Business Oversight (which we refer to as the CDBO) and the Federal Deposit Insurance Corporation (which we refer to as the FDIC). Cathay and Asia Bancshares have filed applications and notifications to obtain the required regulatory approvals.

Although neither Asia Bancshares nor Cathay knows of any reason why it cannot obtain these regulatory approvals in a timely manner, Asia Bancshares and Cathay cannot be certain when or if they will be obtained. Further, Cathay will not be required to take any action in connection with obtaining the regulatory approvals that would reasonably be expected, individually or in the aggregate, to materially impair the anticipated benefits to Cathay for the transactions, which we refer to as a "burdensome condition".

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**Conditions to Completion of the Merger (Page [    ])**

Completion of the merger is subject to the satisfaction or waiver (to the extent permitted by applicable law) of certain conditions, including, among others:

adoption of the merger agreement by Asia Bancshares shareholders holding not less than two-thirds of the shares of Asia Bancshares common stock that are outstanding and entitled to vote at the special meeting;

the authorization for listing on The NASDAQ Global Select Market of the Cathay common stock to be issued in the transaction;

the receipt of approval of the Federal Reserve, CDBO and the FDIC and expiration of all statutory waiting periods;

the absence of any order, injunction, decree, law or other legal restraint or prohibition preventing the consummation of the merger, the bank merger or any other transaction contemplated by the merger agreement;

the Cathay Closing Price on The NASDAQ Global Select Market being equal to or exceeding \$17.50;

In addition, Cathay's obligation to effect the merger is subject to satisfaction or waiver (to the extent permitted by applicable law) of the following additional conditions:

the accuracy of Asia Bancshares's representations and warranties in the merger agreement subject to the materiality standards set forth in the merger agreement;

compliance by Asia Bancshares in all material respects with the obligations to be performed by it pursuant to the merger agreement;

absence of changes or events since January 20, 2015 that have had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on Asia Bancshares (as described in the merger agreement);

the absence of a burdensome condition in connection with obtaining the required regulatory approvals;

receipt by Cathay of a tax opinion from Wachtell, Lipton, Rosen & Katz to the effect that the merger will constitute a "reorganization" within the meaning of Section 368(a) of the Code;

receipt of all material consents and approvals (other than the regulatory approvals described above) required for consummation of the merger, the bank merger and the other transactions contemplated by the merger agreement;

provision by Asia Bancshares to Cathay of copies of title insurance policies for certain of Asia Bancshares' properties.

In addition, Asia Bancshares's obligation to effect the merger is subject to satisfaction or waiver (to the extent permitted by applicable law) of the following additional conditions:

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the accuracy of Cathay's representations and warranties in the merger agreement subject to the materiality standards set forth in the merger agreement;

compliance by Cathay in all material respects with the obligations to be performed by it under the merger agreement;

absence of changes or events since January 20, 2015 that have had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on Cathay;

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receipt by Asia Bancshares of a tax opinion from Lamb & Barnosky, LLP, to the effect that the merger will constitute a "reorganization" within the meaning of Section 368(a) of the Code.

**Non-Solicitation (Page [ ])**

As more fully described in this proxy statement and in the merger agreement, and subject to the exceptions summarized below, Asia Bancshares has agreed not to (1) solicit, initiate, encourage or knowingly facilitate any inquiries or proposals regarding a company takeover proposal (as defined in the merger agreement), (2) engage in, continue or participate in any discussions or negotiations regarding, or furnish to any other person any information in connection with or for the purpose of encouraging or facilitating, a company takeover proposal or (3) approve, recommend or enter into any agreement with respect to a company takeover proposal.

However, before the adoption of the merger agreement by the Asia Bancshares shareholders, if Asia Bancshares' board of directors determines in good faith (after consultation with its outside legal and financial advisors) that a bona fide, unsolicited, written competing takeover proposal is or is reasonably expected to result in a Company Superior Proposal (as defined under "The Merger Agreement Non-Solicitation"), Asia Bancshares is permitted to:

furnish nonpublic information to the third party making such proposal, provided that:

Asia Bancshares executes an acceptable confidentiality agreement with such third party; and

Asia Bancshares concurrently provides Cathay with any such nonpublic information unless such information has been previously provided to Cathay;

engage in discussions or negotiations with the third party with respect to its proposal.

Asia Bancshares is required to notify Cathay within 24 hours if it provides any nonpublic information and/or enters into discussions with a third party, or if it receives any competing takeover proposal or request for information relating to a possible competing takeover proposal.

**Change in Recommendation (Page [ ])**

The merger agreement generally provides that, subject to certain exceptions described below, the Asia Bancshares board of directors will not make a Company Adverse Recommendation Change (as defined under "The Merger Agreement Non-Solicitation").

However, at any time before the Asia Bancshares shareholder approval is obtained, but not after it is obtained, if (i) the Asia Bancshares board of directors determines in good faith, after consultation with its financial advisor and outside legal counsel, that a bona fide, unsolicited company takeover proposal that, did not result from a knowing or intentional breach of the no solicitation provisions in the merger agreement, constitutes a Company Superior Proposal (as defined in "The Merger Agreement Non-Solicitation"), and (ii) the failure to make a Company Adverse Recommendation Change would constitute a violation of its fiduciary duties under applicable law, and (iii) the Asia Bancshares board of directors has complied with its obligations to provide Cathay at least five business days' prior written notice and to negotiate with Cathay in good faith during such notice period, to the extent that Cathay wishes to negotiate, to enable Cathay to propose revisions to the merger agreement, the Asia Bancshares board of directors may make a Company Adverse Recommendation Change.

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**Termination (Page [ ])**

The Agreement and Plan of Merger may be terminated either before or after it is approved by the Asia Bancshares shareholders:

by mutual consent of the board of directors of Cathay and the board of directors of Asia Bancshares;

by either party, if the merger has not been consummated on or prior to December 31, 2015 (which we refer to as the "End Date"); provided, however, that the right to terminate at the End Date will not be available to any party, if the failure of the closing to occur by such date shall be due to a material breach of the merger agreement by such party;

by either party, if any governmental entity issues an order permanently restraining, enjoining or otherwise prohibiting the merger;

by either party, if the Asia Bancshares special meeting of shareholders is held and the requisite shareholder approval is not obtained;

by either party, if the other party has breached the merger agreement in a manner that would result in the failure of the conditions to closing relating to compliance with covenants or accuracy of representations and fails to cure such breach within the time periods provided;

by Cathay, if prior to the receipt of Asia Bancshares shareholder approval, the board of directors of Asia Bancshares makes a Company Adverse Recommendation Change or if Asia Bancshares materially breaches any of its obligations relating to holding its special meeting of shareholders and not soliciting any company takeover proposals; or

by either party, if following the fifth trading day preceding the expected closing date, the Cathay average closing price is less than \$17.50 (subject to the obligation of the parties to negotiate in good faith over a period of not less than six months (the "Negotiation Period") to restructure the transactions and deal terms prior to exercising such termination right), provided that if at any time during the Negotiation Period the Cathay average closing price equals or exceeds \$17.50, the closing shall occur as provided under the merger agreement.

**Termination Fee (Page [ ])**

If the merger agreement is terminated under certain circumstances, including circumstances involving competing transaction proposals, including a Company Adverse Recommendation Change by Asia Bancshares' board of directors, Asia Bancshares may be required to pay Cathay a termination fee of \$4 million. The termination fee could discourage other companies from seeking to acquire or merge with Asia Bancshares.

**Comparison of Shareholders' Rights (Page [ ])**

The rights of Asia Bancshares shareholders are governed by New York law, as well as Asia Bancshares' amended certificate of incorporation and amended and restated bylaws. After completion of the merger, the rights of the former shareholders of Asia Bancshares receiving Cathay common stock upon the completion of the merger will be governed by Delaware law, as well as Cathay's certificate of incorporation and bylaws. For more detailed information regarding a comparison of your rights as a shareholder of Asia Bancshares and Cathay, see "Comparison of Cathay Common Stock with Asia Bancshares Common Stock."





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**Dissenters' Rights (Page [ ])**

Asia Bancshares shareholders have dissenters' rights under the NYBCL in connection with the merger. Asia Bancshares shareholders who do not vote in favor of the adoption of the merger agreement and who otherwise comply with the applicable provisions of the NYBCL will be entitled to dissent from the merger and obtain payment of the fair value of their shares if the merger is completed. Any shares of Asia Bancshares common stock held by a shareholder who has not voted in favor of the adoption of the merger agreement and who has exercised dissenters' rights for such shares in accordance with the NYBCL, will not be converted into a right to receive the merger consideration, unless such shareholder fails to perfect, withdraws or otherwise loses such shareholder's right to dissent under the NYBCL. If, after the consummation of the merger, such holder of Asia Bancshares common stock fails to perfect, withdraws or otherwise loses his or her or its rights to dissent, each such share will be treated as if it had been converted as of the consummation of the merger into a right to receive the merger consideration as shares that made no election.

You are encouraged to read these provisions carefully and in their entirety. Due to the complexity of the procedures for exercising dissenters' rights, Asia Bancshares shareholders who are considering exercising such rights are encouraged to seek the advice of legal counsel. Failure to strictly comply with these provisions will result in the loss of dissenters' rights. See the section entitled "The Merger Dissenters' Rights" beginning on page [ ] of this proxy statement/prospectus for additional information and the text of Sections 623 and 910 of the NYBCL reproduced in their entirety as Appendix D to this proxy statement/prospectus.

**Accounting Treatment of the Merger (Page [ ])**

Cathay prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which we refer to as GAAP. The merger will be accounted for using the acquisition method of accounting. Cathay will be treated as the acquirer for accounting purposes.

**Risk Factors (Page [ ])**

You should consider all the information contained in or incorporated by reference into this proxy statement/prospectus in deciding how to vote for the proposal presented in the proxy statement/prospectus. In particular, you should consider the factors described under "Risk Factors."

Table of Contents**SELECTED HISTORICAL FINANCIAL DATA OF CATHAY**

The following table presents selected financial information for Cathay as of and for the periods indicated. The annual historical information for Cathay set forth below is derived from its audited consolidated financial statements as of and for fiscal years 2010 through 2014. The quarterly historical information for Cathay set forth below is derived from its unaudited consolidated historical financial statements as of and for the quarters ended March 31, 2015 and 2014.

You should read the information regarding Cathay that is set forth below together with Cathay's historical consolidated financial statements and related notes, which are contained in its Annual Report on Form 10-K for the year ended December 31, 2014, and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, which are incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information" beginning on page [ ] of this proxy statement/prospectus. Financial amounts as of and for the three months ended March 31, 2015 and 2014 are unaudited and are not necessarily indicative of the results of operations for the full year or any other interim period, and management of Cathay believes that such amounts reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of its results of operations and financial position as of the dates and for the periods indicated.

**Cathay General Bancorp**  
**Selected Consolidated Financial Information**

|   | As of and for the<br>Three Months Ended |            | As of and for the Year Ended |            |            |            |            |
|---|---|------------|------------------------------|------------|------------|------------|------------|
|   | 2015                                    | 2014       | 2014                         | 2013       | 2012       | 2011       |            |
| (Dollars in thousands, except ratios, share and per share data) |   |            |                              |            |            |            |            |
| <b>Income Statement</b>   |   |            |                              |            |            |            |            |
| Interest income   | \$ 104,934                              | \$ 101,207 | \$ 418,647                   | \$ 406,996 | \$ 429,744 | \$ 453,571 | \$ 489,594 |
| Interest expense  | 17,008                                  | 18,549     | 75,866                       | 82,300     | 108,491    | 139,881    | 191,688    |
| Net interest income before provision for credit losses          | 87,926                                  | 82,658     | 342,781                      | 324,696    | 321,253    | 313,690    | 297,906    |
| (Reversal)/Provision for credit losses                          | (5,000)                                 |            | (10,800)                     | (3,000)    | (9,000)    | 27,000     | 156,900    |
| Net interest income after provision for credit losses           | 92,926                                  | 82,658     | 353,581                      | 327,696    | 330,253    | 286,690    | 141,006    |
| Securities gains  | (21)                                    | 5,960      | 6,748                        | 27,362     | 18,026     | 21,131     | 18,695     |
| Other non-interest income                                       | 8,570                                   | 8,599      | 33,779                       | 32,945     | 28,481     | 29,761     | 13,556     |
| Non-interest expense  | 44,131                                  | 48,068     | 174,313                      | 193,833    | 192,589    | 185,566    | 175,711    |
| Income/(loss) before income tax expense                         | 57,344                                  | 49,149     | 219,795                      | 194,170    | 184,171    | 152,016    | (2,454)    |
| Income tax expense/(benefit)                                    | 21,364                                  | 17,890     | 81,965                       | 70,435     | 66,128     | 51,261     | (14,629)   |
| Net income/(loss)   | 35,980                                  | 31,259     | 137,830                      | 123,735    | 118,043    | 100,755    | 12,175     |
| Less: net income attributable to noncontrolling interest        |   |            |                              | 592        | 605        | 605        | 610        |
| Net income attributable to Cathay General Bancorp               | 35,980                                  | 31,259     | 137,830                      | 123,143    | 117,438    | 100,150    | 11,565     |
| Dividends on preferred stock                                    |   |            |                              | (9,685)    | (16,488)   | (16,437)   | (16,388)   |
| Net income/(loss) attributable to common stockholders           | \$ 35,980                               | \$ 31,259  | \$ 137,830                   | \$ 113,458 | \$ 100,950 | \$ 83,713  | \$ (4,823) |

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|  |    |            |    |            |    |            |    |            |    |            |    |            |    |            |
|--|----|------------|----|------------|----|------------|----|------------|----|------------|----|------------|----|------------|
| Net income/(loss) attributable to common stockholders per common share     |    |            |    |            |    |            |    |            |    |            |    |            |    |            |
| Basic  | \$ | 0.45       | \$ | 0.39       | \$ | 1.73       | \$ | 1.44       | \$ | 1.28       | \$ | 1.06       | \$ | (0.06)     |
| Diluted  | \$ | 0.45       | \$ | 0.39       | \$ | 1.72       | \$ | 1.43       | \$ | 1.28       | \$ | 1.06       | \$ | (0.06)     |
| Cash dividends paid per common share                                       | \$ | 0.10       | \$ | 0.05       | \$ | 0.29       | \$ | 0.08       | \$ | 0.04       | \$ | 0.04       | \$ | 0.04       |
| Weighted-average common shares   |    |            |    |            |    |            |    |            |    |            |    |            |    |            |
| Basic  |    | 79,835,628 |    | 79,595,757 |    | 79,661,571 |    | 78,954,898 |    | 78,719,133 |    | 78,633,317 |    | 77,073,954 |
| Diluted  |    | 80,309,383 |    | 80,039,382 |    | 80,106,895 |    | 79,137,983 |    | 78,723,297 |    | 78,640,652 |    | 77,073,954 |
| <b>Statement of Condition</b>  |    |            |    |            |    |            |    |            |    |            |    |            |    |            |
| Investment securities  | \$ | 1,203,682  | \$ | 1,578,897  | \$ | 1,318,935  | \$ | 1,586,668  | \$ | 2,065,248  | \$ | 2,447,982  | \$ | 2,843,669  |
| Net loans(1)   |    | 9,057,592  |    | 8,120,208  |    | 8,740,268  |    | 7,897,187  |    | 7,235,587  |    | 6,844,483  |    | 6,615,769  |
| Loans held for sale  |    |            |    |            |    | 973        |    |            |    |            |    | 760        |    | 2,873      |
| Total assets   |    | 11,910,089 |    | 11,291,188 |    | 11,516,846 |    | 10,989,286 |    | 10,694,089 |    | 10,644,864 |    | 10,801,986 |
| Deposits   |    | 9,113,250  |    | 8,232,625  |    | 8,783,460  |    | 7,981,305  |    | 7,383,225  |    | 7,229,131  |    | 6,991,846  |
| Federal funds purchased and securities sold under agreements to repurchase |    | 400,000    |    | 700,000    |    | 450,000    |    | 800,000    |    | 1,250,000  |    | 1,400,000  |    | 1,561,000  |
| Advances from the Federal Home Loan Bank                                   |    | 485,000    |    | 646,200    |    | 425,000    |    | 521,200    |    | 146,200    |    | 225,000    |    | 550,000    |
| Long-term debt   |    | 119,136    |    | 119,136    |    | 119,136    |    | 121,136    |    | 171,136    |    | 171,136    |    | 171,136    |
| Total equity   |    | 1,634,246  |    | 1,494,401  |    | 1,602,888  |    | 1,458,971  |    | 1,629,504  |    | 1,515,633  |    | 1,436,105  |
| <b>Common Stock Data</b>   |    |            |    |            |    |            |    |            |    |            |    |            |    |            |
| Shares of common stock outstanding   |    | 79,901,042 |    | 79,619,558 |    | 79,814,553 |    | 79,589,869 |    | 78,778,288 |    | 78,652,557 |    | 78,531,783 |
| Book value per common share  | \$ | 20.37      | \$ | 18.70      | \$ | 20.00      | \$ | 18.24      | \$ | 17.12      | \$ | 15.75      | \$ | 14.80      |
| <b>Profitability Ratios</b>  |    |            |    |            |    |            |    |            |    |            |    |            |    |            |
| Return on average assets   |    | 1.30%      |    | 1.19%      |    | 1.26%      |    | 1.17%      |    | 1.11%      |    | 0.94%      |    | 0.10%      |
| Return on average stockholders' equity                                     |    | 8.97       |    | 8.53       |    | 8.95       |    | 8.00       |    | 7.48       |    | 6.78       |    | 0.81       |
| Dividend payout ratio  |    | 22.18      |    | 12.73      |    | 16.76      |    | 5.15       |    | 2.68       |    | 3.14       |    | 27.16      |
| Average equity to average assets ratio                                     |    | 14.53      |    | 14.04      |    | 14.04      |    | 14.73      |    | 14.87      |    | 13.98      |    | 12.45      |
| Efficiency ratio   |    | 45.74      |    | 49.44      |    | 45.48      |    | 50.35      |    | 52.37      |    | 50.90      |    | 53.22      |

Table of Contents**SELECTED HISTORICAL FINANCIAL DATA OF ASIA BANCSHARES**

The following table presents selected financial information for Asia Bancshares as of and for the periods indicated. The annual historical information for Asia Bancshares set forth below is derived from its audited consolidated financial statements as of and for fiscal years 2010 through 2014. The quarterly historical information for Asia Bancshares set forth below is derived from its unaudited consolidated historical financial statements as of and for the quarters ended March 31, 2015 and 2014.

|   | As of and for the<br>Three Months Ended |          | As of and for the Year Ended |           |           |           |           |
|---|---|----------|------------------------------|-----------|-----------|-----------|-----------|
|   | 2015                                    | 2014     | 2014                         | 2013      | 2012      | 2011      | 2010      |
| (Dollars in thousands, except ratios, share and per share data) |   |          |                              |           |           |           |           |
| <b>Income Statement</b>   |   |          |                              |           |           |           |           |
| Interest income   | \$ 5,641                                | \$ 5,512 | \$ 22,453                    | \$ 21,933 | \$ 21,711 | \$ 22,327 | \$ 23,125 |
| Interest expense  | 501                                     | 462      | 1,897                        | 1,821     | 2,462     | 2,852     | 4,316     |
| Net interest income before provision for credit losses          | 5,140                                   | 5,050    | 20,556                       | 20,112    | 19,249    | 19,475    | 18,809    |
| (Reversal)/Provision for credit losses                          |   | 254      | 278                          | 789       | 286       | 374       | 1,586     |
| Net interest income after provision for credit losses           | 5,140                                   | 4,796    | 20,278                       | 19,323    | 18,963    | 19,101    | 17,223    |
| Securities gains (losses)                                       | 0                                       | 0        | 0                            | 0         | 0         | 0         | 77        |
| Other non-interest income                                       | 277                                     | 265      | 1,083                        | 1,268     | 1,437     | 1,045     | 1,142     |
| Non-interest expense  | 3,427                                   | 2,849    | 11,283                       | 10,853    | 10,701    | 10,233    | 10,187    |
| Income before income tax expense                                | 1,990                                   | 2,212    | 10,078                       | 9,738     | 9,699     | 9,913     | 8,255     |
| Income tax expense  | 894                                     | 1,000    | 4,709                        | 4,371     | 4,346     | 4,452     | 3,704     |
| Net income  | 1,096                                   | 1,212    | 5,369                        | 5,367     | 5,353     | 5,461     | 4,551     |
| Net income per common share, basic                              | \$ 0.75                                 | \$ 0.83  | \$ 3.68                      | \$ 3.68   | \$ 3.67   | \$ 3.74   | \$ 3.12   |
| Cash dividends paid per common share                            | \$                                      | \$       | \$                           | \$        | \$ 2.50   | \$ 2.50   | \$        |
| Weighted-average common shares, basic                           | 1,460                                   | 1,460    | 1,460                        | 1,460     | 1,460     | 1,460     | 1,338     |
| <b>Statement of Condition</b>                                   |   |          |                              |           |           |           |           |
| Investment securities   | \$ 2,182                                | \$ 2,249 | \$ 2,196                     | \$ 2,262  | \$ 2,545  | \$ 3,150  | \$ 3,284  |
| Net loans(1)  | 416,972                                 | 407,225  | 423,266                      | 408,271   | 383,541   | 356,576   | 366,844   |
| Total assets  | 523,148                                 | 491,938  | 533,230                      | 474,731   | 464,905   | 436,767   | 424,201   |
| Deposits  | 442,456                                 | 416,197  | 453,022                      | 399,868   | 395,123   | 367,858   | 357,327   |
| Total equity  | 78,792                                  | 73,539   | 77,696                       | 72,327    | 66,960    | 65,258    | 63,447    |
| <b>Common Stock Data</b>  |   |          |                              |           |           |           |           |
| Shares of common stock outstanding                              | 1,460                                   | 1,460    | 1,460                        | 1,460     | 1,460     | 1,460     | 1,460     |
| Book value per common share                                     | \$ 53.97                                | \$ 49.32 | \$ 53.21                     | \$ 49.54  | \$ 45.86  | \$ 44.70  | \$ 43.46  |
| <b>Profitability Ratios</b>                                     |   |          |                              |           |           |           |           |
| Return on average assets  | 0.84%                                   | 0.99%    | 1.07%                        | 1.14%     | 1.15%     | 1.22%     | 1.03%     |
| Return on average stockholders' equity                          | 5.63                                    | 6.69     | 7.65                         | 7.73      | 7.94      | 8.24      | 7.45      |
| Dividend payout ratio   |   |          |                              |           | 68.12     | 66.84     |           |
| Average equity to average assets ratio                          | 14.88                                   | 14.85    | 13.99                        | 14.83     | 14.50     | 14.89     | 13.81     |
| Efficiency ratio  | 57.91                                   | 49.32    | 47.94                        | 46.78     | 47.93     | 43.78     | 41.84     |

(1) Net loans represent gross loans net of loan participations sold, allowance for loan losses, and unamortized deferred loan fees.



Table of Contents**MARKET VALUE OF CATHAY COMMON STOCK**

Cathay common stock is quoted on The NASDAQ Global Select Market under the symbol "CATY." The following table sets forth, for the periods indicated, the high and low sale prices for Cathay common stock as reported on The NASDAQ Global Select Market, and dividends per share on Cathay common stock.

|   | High     | Low      | Cash<br>Dividend<br>Declared |
|---|----------|----------|------------------------------|
| <b>2012</b>                             |          |          |                              |
| First quarter                           | \$ 18.19 | \$ 14.93 | \$ 0.01                      |
| Second quarter                          | 18.16    | 15.18    | 0.01                         |
| Third quarter                           | 18.14    | 15.71    | 0.01                         |
| Fourth quarter                          | 19.82    | 16.61    | 0.01                         |
| <b>2013</b>                             |          |          |                              |
| First quarter                           | \$ 20.66 | \$ 19.06 | \$ 0.01                      |
| Second quarter                          | 20.99    | 18.37    | 0.01                         |
| Third quarter                           | 24.68    | 21.05    | 0.01                         |
| Fourth quarter                          | 27.63    | 22.95    | 0.05                         |
| <b>2014</b>                             |          |          |                              |
| First quarter                           | \$ 26.37 | \$ 22.76 | \$ 0.05                      |
| Second quarter                          | 26.47    | 23.10    | 0.07                         |
| Third quarter                           | 26.81    | 24.81    | 0.07                         |
| Fourth quarter                          | 27.02    | 24.04    | 0.10                         |
| <b>2015</b>                             |          |          |                              |
| First quarter                           | \$ 28.50 | \$ 22.90 | \$ 0.10                      |
| Second quarter (through June [ ], 2015) | [ ]      | [ ]      | N/A                          |

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**MARKET VALUE OF ASIA BANCSHARES COMMON STOCK**

Asia Bancshares common stock is privately held and not quoted on a stock exchange or market, and no broker makes a market in the stock. Stock transfer records maintained by Asia Bancshares indicate that there have been relatively infrequent transactions in Asia Bancshares stock. Sales and purchases of shares of Asia Bancshares common stock are privately negotiated, and Asia Bancshares may not be aware of the price for those transactions. As a result, trading price data is very limited and may not accurately reflect the actual market value of the shares.

At the record date, the [ ] outstanding shares of Asia Bancshares common stock were held by approximately [ ] holders of record.

The board of directors of Asia Bancshares has the authority to declare and pay a dividend to its shareholders. The last dividend paid to Asia Bancshares' shareholders was on December 20, 2012. The total dividend amount was \$3,650,111.69.

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**FORWARD-LOOKING STATEMENTS**

This proxy statement/prospectus contains certain forward-looking information about Cathay, Asia Bancshares, and the combined company after the closing of the merger that is intended to be covered by the safe harbor for "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements. In some cases, you can identify forward-looking statements by words such as "may," "hope," "will," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential," "continue," "could," "future" or the negative of those terms or other words of similar meaning. You should carefully read forward-looking statements, including statements that contain these words, because they discuss the future expectations or state other "forward-looking" information about Cathay, Asia Bancshares and the combined company. Such statements involve inherent risks and uncertainties, many of which are difficult to predict and are generally beyond the control of Cathay, Asia Bancshares and the combined company. Forward-looking statements speak only as of the date this proxy statement/prospectus is made and we assume no duty to update such statements.

In addition to factors previously disclosed in reports filed by Cathay with the SEC, risks and uncertainties for each institution and the combined institution include, but are not limited to: the possibility that any of the anticipated benefits of the proposed merger will not be realized or will not be realized within the expected time period; the risk that integration of Asia Bancshares' operations with those of Cathay will be materially delayed or will be more costly or difficult than expected; the inability to close the merger in a timely manner; the inability to complete the merger due to the failure of Asia Bancshares shareholders to adopt the merger agreement; diversion of management's attention from ongoing business operations and opportunities; the failure to satisfy conditions to completion of the merger in a timely manner or at all, including receipt of required regulatory and other approvals; the failure of the proposed merger to close for any other reason; the challenges of integrating and retaining key employees; the effect of the announcement of the merger on Cathay's, Asia Bancshares' or the combined company's respective customer relationships and operating results; the possibility that the merger may be more expensive to complete than anticipated, including as a result of unexpected factors or events; changes in accounting and regulatory guidance applicable to banks; and general competitive, economic, political and market conditions and fluctuations.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this proxy statement/prospectus or the date of any document incorporated by reference in this proxy statement/prospectus. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement/prospectus and attributable to Cathay or Asia Bancshares or any person acting on their behalf, are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, Cathay and Asia Bancshares undertake no obligation to update these forward-looking statements to reflect events, developments or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of future events.



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**RISK FACTORS**

*In addition to general investment risks and the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the section "Cautionary Statement Regarding Forward-Looking Statements," you should carefully consider the following risk factors in deciding how to vote for the proposal presented in this proxy statement/prospectus. In addition, you should read and consider the risks associated with each of the businesses of Asia Bancshares and Cathay because these risks will relate to the combined company. Descriptions of some of these risks can be found in the Annual Report on Form 10-K filed by Cathay for the year ended December 31, 2014, as updated by other reports filed with the SEC, which are filed with the SEC and incorporated by reference into this proxy statement/prospectus. You should also consider the other information in this proxy statement/prospectus and the other documents incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information."*

***The value of the merger consideration is subject to change based on various factors.***

If the merger is completed, shareholders of Asia Bancshares will receive aggregate merger consideration equal to \$126 million less (x) the tax-effected amount of certain expenses of Asia Bancshares related to the transaction, which we refer to as the tax-effected transaction expenses, plus (y) the amount, if any, by which the closing net book value of Asia Bancshares exceeds target net book value of \$78.75 million, which we refer to as excess net book value, in each case as calculated pursuant to the merger agreement. See "The Merger Merger Consideration" beginning on page [ ] of this proxy/prospectus. These adjustments could result in the aggregate merger consideration being greater than, less than, or equal to \$126 million at closing. The final amount of the aggregate merger consideration and the resulting per share merger consideration will not be known until after shareholders of Asia Bancshares have voted on the merger. The amount of the per share merger consideration will also depend on the number of shares of Asia Bancshares common stock outstanding immediately prior to the closing.

In addition, the value of the stock portion of the merger consideration is subject to changes based on fluctuations in the value of Cathay common stock. The number of shares of Cathay common stock that will be received in respect of the per share merger consideration will be equal to the exchange ratio. The exchange ratio is calculated by dividing the per share merger consideration by the volume weighted average price per share of Cathay common stock on the NASDAQ Global Select Market, on each of the ten consecutive trading days ending on the fifth trading day prior to the date of the merger, which we refer to as the Cathay average closing price. However, if the Cathay average closing price is less than \$20, the exchange ratio is the per share merger consideration divided by \$20 and if the Cathay average closing price is greater than \$27, the exchange ratio is the per share merger consideration divided by \$27. Accordingly, the actual number of shares and the value of Cathay common stock delivered to Asia Bancshares shareholders will depend on the Cathay average closing price, and the value of the shares of Cathay common stock delivered for each share of Asia Bancshares common stock, may be greater than, less than, or equal to the nominal value of the per share merger consideration.

The market value of Cathay common stock will fluctuate during the period before the date of the special meeting of Asia Bancshares shareholders to vote on the adoption of the merger agreement, during the ten trading day period that the exchange ratio will be based upon, and during the time between the last day of the ten trading day period and the time Asia Bancshares shareholders receive merger consideration in the form of Cathay common stock, as well as thereafter. It is impossible to accurately predict the market price of Cathay common stock at the effective time or during the period over which the Cathay average closing stock price is calculated and, therefore, impossible to accurately predict the number or value of the shares of Cathay common stock that an Asia Bancshares shareholder will be delivered in the merger. Stock price changes may result from a variety of factors,

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including general market and economic conditions, changes in Cathay's businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond Cathay's control.

Accordingly, at the time of the special meeting, Asia Bancshares shareholders will not know or be able to calculate with certainty the market value of the merger consideration they would receive upon completion of the merger. You should obtain current market quotations for shares of Cathay common stock before you vote.

***The market price of Cathay common stock after the merger will continue to fluctuate.***

Upon completion of the merger, some holders of Asia Bancshares common stock will receive Cathay common stock. Unlike Asia Bancshares, which is a private company, Cathay is a public company and shares of Cathay common stock are listed on the NASDAQ. The market price of Cathay common stock may fluctuate significantly following consummation of the merger and former holders of Asia Bancshares common stock could lose the value of their investment in Cathay common stock. The stock market has experienced significant price and volume fluctuations in recent times, which could have a material adverse effect on the market for, or liquidity of, the Cathay common stock, regardless of Cathay's actual operating performance. In addition, Cathay's business differs in important respects from that of Asia Bancshares, and accordingly, the results of operation of the combined company may be affected by factors different from those currently affecting the independent results of operation of Asia Bancshares or of Cathay as independent companies.

***Asia Bancshares shareholders may not receive the form of merger consideration that they elect.***

The form of merger consideration that you will receive will depend in part on the elections made by other Asia Bancshares shareholders. If Asia Bancshares shareholders elect to receive more of one form of consideration than is available, the available amount will be allocated ratably among the Asia Bancshares shareholders electing to receive that form of consideration, and those Asia Bancshares shareholders will receive the other form of consideration for the balance of their Asia Bancshares shares. Accordingly, you may receive a form of merger consideration that differs from your election. A minimum of 45% of the outstanding Asia Bancshares shares will be converted into the right to receive Cathay common stock and a maximum of 55% of the outstanding Asia Bancshares shares will be converted into the right to receive Cathay common stock in the merger; however in the event the Cathay weighted average closing price is below \$20 per share, 41% of the value of the merger consideration as measured at closing will be payable in Cathay common stock, and accordingly, the form of merger consideration that you will receive will depend in part on the market price of Cathay common stock. See "The Merger Allocation Calculation" for a more detailed discussion of allocation procedures under the merger agreement.

***Because of the closing conditions in the merger agreement and the ability of either Asia Bancshares or Cathay to terminate the merger agreement in specific instances, there can be no assurance when or if the merger will be completed.***

The completion of the merger is subject to the satisfaction or waiver of a number of closing conditions, including the adoption of the merger agreement by Asia Bancshares shareholders, the approval of the Federal Reserve, the FDIC and the CDBO, the accuracy of representations and warranties under the merger agreement (subject to the materiality standards set forth in the merger agreement), Asia Bancshares' and Cathay's performance of their respective obligations under the merger agreement in all material respects, receipt of material third party consents and approvals, provision by Asia Bancshares of evidence of title insurance policies regarding certain properties, the absence of a material adverse effect (as described in the merger agreement) on Asia Bancshares following January 20, 2015, and the Cathay average closing price being equal to or above \$17.50. The parties also have the right to terminate the merger agreement under certain circumstances. There can

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be no assurance that the parties will be able to meet the closing conditions of the merger agreement or that closing conditions that are beyond their control will be satisfied or waived. If Cathay and Asia Bancshares are unable to meet all the conditions or such conditions are otherwise not satisfied or waived, the parties will not be required, or able, to complete the merger. See "The Merger Agreement Termination."

***Necessary regulatory approvals may not be obtained or may be obtained with conditions, which may jeopardize completion of the merger or reduce the anticipated benefits of the merger.***

Before the merger may be completed, Cathay and Asia Bancshares must obtain various regulatory approvals or consents, including approvals from the Federal Reserve, the CDBO and the FDIC. These regulators may not grant approval or consent, or may impose conditions on the completion of the merger or require changes to the terms of the merger. Such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on or limiting the revenues of Cathay following the merger. There can be no assurance as to whether the regulatory approvals will be received, the timing of those approvals, or whether any conditions will be imposed. Further, Cathay will not be required to take any action in connection with obtaining the regulatory approvals that would reasonably be expected, individually or in the aggregate, to materially impair the anticipated benefits to Cathay for the transactions, which could result in the merger not being completed. See "The Merger Regulatory Approvals Required for the Merger."

***Combining the two companies may be more difficult, costly or time consuming than expected and the anticipated benefits and cost savings of the merger may not be realized.***

Cathay and Asia Bancshares have operated and, until the completion of the merger, will continue to operate, independently. The success of the merger, including anticipated benefits and cost savings, will depend, in part, on Cathay's ability to successfully combine and integrate the businesses of Cathay and Asia Bancshares. It is possible that the pendency of the merger and/or the integration process could result in the loss of key employees, loss of customers, higher than expected costs, diversion of management attention of both Cathay and Asia Bancshares, increased competition, the disruption of either company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the combined company's ability to maintain relationships with customers, vendors and employees or to achieve the anticipated benefits and cost savings of the merger. If Cathay experiences difficulties with the integration process, the anticipated benefits of the merger may not be realized fully or at all, or may take longer to realize than expected, which may adversely affect the value of Cathay common stock, including those shares that Asia Bancshares shareholders receive as consideration for the merger. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of Cathay and Asia Bancshares during this transition period and for an undetermined period after completion of the merger on the combined company. In addition, the actual cost savings of the merger could be less than anticipated.

***The merger agreement limits Asia Bancshares' ability to pursue other transactions and may discourage other companies from trying to acquire Asia Bancshares for greater consideration than what Cathay has agreed to pay.***

The merger agreement contains provisions that make it more difficult for Asia Bancshares to sell its business to a person other than Cathay. These provisions include a general prohibition on Asia Bancshares soliciting any acquisition proposal or offer for a competing transaction. In some circumstances upon termination of the merger agreement, Asia Bancshares may be required to pay to Cathay a termination fee of \$4 million. Further, there are only limited exceptions to Asia Bancshares' agreement that Asia Bancshares' board of directors will not withdraw or modify in a manner adverse to

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Cathay, the recommendation of Asia Bancshares' board of directors in favor of the adoption of the merger agreement.

These provisions might discourage a potential third party that has an interest in acquiring all or a significant part of Asia Bancshares from considering or proposing that acquisition, even if that party were prepared to pay consideration with a higher per share cash or market value than that market value proposed to be received or realized in the merger, or might result in a potential competing acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable in certain circumstances.

***The loan portfolios may not perform as expected.***

Cathay's performance and prospects after the merger will depend to a significant extent on the performance of the combined loan portfolios of Cathay Bank and Asia Bank, and ultimately on the financial condition of their respective borrowers and other customers. The existing loan portfolios of the two banks differ to some extent in the types of borrowers, industries and credits represented. In addition, there are differences in the documentation, classifications, credit ratings and management of the portfolios. As a result, Cathay Bank's overall loan portfolio after the merger will have a different risk profile than the loan portfolio of either Asia Bank or Cathay Bank before the merger. The performance of the two loan portfolios will be adversely affected if any of such factors is worse than currently anticipated. In addition, to the extent that Cathay does not retain present customers or incurs additional expenses in retaining them, there could be adverse effects on future consolidated results of operations of Cathay following the merger.

***Certain of the directors and officers of Asia Bancshares and Asia Bank may have interests in the merger that are different from those of Asia Bancshares' shareholders generally that may have influenced their decisions to support or recommend that you approve the merger.***

When considering the recommendation of Asia Bancshares' board of directors that Asia Bancshares shareholders adopt the merger agreement, Asia Bancshares shareholders should be aware that directors and executive officers of Asia Bancshares and Asia Bank have interests in the merger that may be different from or in addition to those of Asia Bancshares' shareholders. The interests include among others, payments to certain officers of Asia Bancshares and Asia Bank in respect of certain severance, retention and retirement benefits and rights of directors and officers of Asia Bancshares and its subsidiaries to ongoing indemnification and insurance coverage by the surviving company for acts or omissions occurring prior to the merger. See the section entitled "Interests of Certain Persons in the Merger." As a result of these interests, these directors and officers of Asia Bancshares and Asia Bank might be more likely to support and to vote in favor of the proposal described in this proxy statement/prospectus than if they did not have these interests. Asia Bancshares' shareholders should consider whether these interests might have influenced these directors and executive officers to support or recommend adoption of the merger agreement.

***Asia Bancshares shareholders will have less influence as shareholders of Cathay than as shareholders of Asia Bancshares.***

Asia Bancshares shareholders currently have the right to vote in the election of the board of directors of Asia Bancshares and on other matters affecting Asia Bancshares. Upon completion of the merger, shareholders of Asia Bancshares who receive Cathay common stock in the merger and become a shareholder of Cathay will have a percentage ownership of Cathay that is significantly smaller than their percentage ownership of Asia Bancshares. Because of this, shareholders of Asia Bancshares will have less influence on the management and policies of Cathay than they have now on the management and policies of Asia Bancshares.

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***Termination of the merger agreement could negatively impact Asia Bancshares.***

If the merger agreement is terminated, there may be various consequences. For example, Asia Bancshares' businesses may have been impacted adversely by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger. If the merger agreement is terminated and Asia Bancshares' board of directors seeks another merger or business combination, Asia Bancshares shareholders cannot be certain that Asia Bancshares will be able to find a party willing to pay the equivalent or greater consideration than that which Cathay has agreed to pay in the merger. In addition, if the merger agreement is terminated under certain circumstances relating to competing transaction proposals, Asia Bancshares will have to pay Cathay a termination fee of \$4 million.

***The fairness opinion obtained by Asia Bancshares from its financial advisor will not reflect changes in circumstances between signing the merger agreement and the completion of the merger.***

Asia Bancshares' financial advisor, The Kafafian Group, rendered an opinion as to the fairness of the merger dated January 20, 2015, to the Asia Bancshares' board of directors. Asia Bancshares has not obtained an updated fairness opinion as of the date of this proxy statement/prospectus from The Kafafian Group. Changes in the operations and prospects of Asia Bancshares or Cathay, general market and economic conditions and other factors that may be beyond the control of Asia Bancshares and Cathay, and on which the fairness opinion was based, may significantly alter the value of Asia Bancshares or Cathay or the prices of shares of Asia Bancshares common stock or Cathay common stock by the time the merger is completed. The opinion does not speak as of the time the merger will be completed or as of any date other than the date of such opinion. Because Asia Bancshares does not anticipate asking its financial advisor to update its opinion, the opinion will not address the fairness of the merger consideration, from a financial point of view, at the time the merger is completed. The opinion is attached as Appendix B to this proxy statement/prospectus. For a description of the opinion that Asia Bancshares received from its financial advisor, see "The Merger Opinion of Asia Bancshares' Financial Advisor." For a description of the other factors considered by Asia Bancshares' board of directors in determining to approve the merger, see "The Merger Asia Bancshares' Reasons for the Merger; Recommendation of Asia Bancshares' Board of Directors."

***The shares of Cathay common stock to be received by Asia Bancshares shareholders as a result of the merger will have different rights from the shares of Asia Bancshares common stock.***

Upon completion of the merger, Asia Bancshares shareholders will become Cathay shareholders and their rights as shareholders will be governed by the certificate of incorporation and bylaws of Cathay. The rights associated with Asia Bancshares common stock are different from the rights associated with Cathay common stock. Please see "Comparison of Stockholder Rights" for a discussion of the different rights associated with Cathay common stock.

***The unaudited prospective financial information included in this proxy statement/prospectus may not be predictive of actual future results.***

The unaudited prospective financial information in this proxy statement/prospectus is presented for the purpose of providing certain information provided by Asia Bancshares' management to Cathay and to The Kafafian Group in connection with part of the analysis performed by The Kafafian Group in order to render its fairness opinion of the merger to the board of directors of Asia Bancshares. The unaudited prospective financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information, or GAAP. This information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this proxy statement/prospectus are cautioned not to place undue reliance on the

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unaudited prospective financial information. Neither Asia Bancshares' independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to the unaudited prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or the achievability of the results predicted. The inclusion of such unaudited prospective financial information in this proxy statement/prospectus should not be regarded as an indication that such information will be predictive of actual future events or actual future results. Changes in the future operations and prospects of Asia Bancshares may be effected by general business, economic, financial and market conditions, many of which are beyond Asia Bancshares' control, are not reflected in the unaudited prospective financial information. In addition, the unaudited prospective financial information included in this proxy statement/prospectus does not give effect to the impact of the merger. For more information, see "Certain Unaudited Asia Bancshares Prospective Financial Information" beginning on page [    ].

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**ASIA BANCSHARES SPECIAL MEETING OF SHAREHOLDERS**

This section contains information for Asia Bancshares shareholders about the special meeting that Asia Bancshares has called to allow its shareholders to consider and approve the merger agreement. Asia Bancshares is mailing this proxy statement/prospectus to you, as an Asia Bancshares shareholder, on or about June [ ], 2015. Together with this proxy statement/prospectus, Asia Bancshares is also sending to you a notice of the special meeting of Asia Bancshares shareholders and a proxy card that Asia Bancshares' board of directors is soliciting for use at the special meeting and at any adjournments or postponements of the special meeting.

**Date, Time, Place**

The special meeting of Asia Bancshares shareholders will be held on July 17, 2015 at 5:00 p.m., local time, at 135-11 Roosevelt Avenue, Flushing, New York 11354.

**Matters to Be Considered**

At the special meeting of shareholders, you will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of January 20, 2015, as amended by amendment no. 1 on March 9, 2015, and as it may be further amended from time to time, between Cathay General Bancorp, a Delaware corporation, and Asia Bancshares, Inc., a New York corporation.

**Recommendation of Asia Bancshares' Board of Directors**

Asia Bancshares' board of directors has determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable, fair to Asia Bancshares shareholders and in the best interests of Asia Bancshares and its shareholders and has unanimously approved the merger and the merger agreement. **Asia Bancshares' board of directors unanimously recommends that Asia Bancshares shareholders vote "FOR" adoption of the merger agreement.** See "The Merger Asia Bancshares' Reasons for the Merger; Recommendation of Asia Bancshares' Board of Directors" for a more detailed discussion of Asia Bancshares' board of directors' recommendation.

**Record Date; Shares Outstanding and Entitled to Vote**

Asia Bancshares' board of directors has fixed the close of business on June 12, 2015 as the record date for determining the holders of shares of Asia Bancshares common stock entitled to receive notice of and to vote at the special meeting. At the close of business on the record date, there were [ ] shares of common stock issued and outstanding held by [ ] holders of record.

Holders of record of Asia Bancshares common stock as of the record date are entitled to one vote per share.

**Quorum**

The presence at the special meeting, in person or by properly executed proxy, of the holders of record of a majority of the issued and outstanding shares of Asia Bancshares common stock entitled to vote at the special meeting will constitute a quorum for the transaction of business. All shares of Asia Bancshares common stock, whether present in person or represented by proxy, including abstentions, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the Asia Bancshares special meeting.

**Vote Required**

The affirmative vote of not less than two-thirds of all shares of Asia Bancshares common stock outstanding and entitled to vote thereon at the special meeting is required to approve the merger

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agreement. Because approval is based on the affirmative vote of two-thirds of shares outstanding, failure to vote with respect to the proposal to approve the merger agreement or an abstention will have the same effect as a vote against adoption of the merger agreement.

As of the record date, Asia Bancshares' directors and executive officers beneficially owned and were entitled to vote approximately [ ] shares of Asia Bancshares common stock, representing approximately [ ]% of the total outstanding shares of Asia Bancshares common stock. Certain directors and executive officers of Asia Bancshares and their family members who beneficially own and have the right to vote 622,868.94 shares, or approximately [ ]% of the shares of Asia Bancshares common stock outstanding as of the record date, have agreed to vote their shares in favor of adoption of the merger agreement.

**Voting of Proxies; Incomplete Proxies**

Each copy of this proxy statement/prospectus mailed to holders of Asia Bancshares common stock is accompanied by a proxy card with instructions for voting. You should complete and return the proxy card accompanying this proxy statement/prospectus, regardless of whether you plan to attend the special meeting.

Asia Bancshares shareholders should not send Asia Bancshares stock certificates with their proxy cards.

All shares represented by valid proxies that Asia Bancshares receives through this solicitation, and that are not revoked, will be voted in accordance with your instructions on the proxy card. If you sign your proxy card, but make no specification on your proxy card as to how you want your shares voted, your proxy will be voted "FOR" adoption of the merger agreement. No matters other than the matters described in this proxy statement/prospectus are anticipated to be presented for action at the special meeting or at any adjournment or postponement of the special meeting.

**Revocability of Proxies and Changes to an Asia Bancshares Shareholder's Vote**

You may revoke your proxy at any time before the vote is taken at the special meeting by: (1) signing and returning a proxy card with a later date before the special meeting; (2) delivering a written revocation letter to Asia Bancshares' corporate secretary before the special meeting; or (3) attending the special meeting in person, notifying the corporate secretary of your revocation and voting by ballot at the special meeting.

Any shareholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously given. However, the mere presence of a shareholder at the special meeting without voting will not constitute revocation of a previously given proxy.

Written notices of revocation and other communications about revoking your proxy should be addressed to:

Asia Bancshares, Inc.  
135-34 Roosevelt Avenue  
Flushing, New York 11354  
Attention: Tom W.H. Yuan, Corporate Secretary

**Solicitation of Proxies**

If necessary, Asia Bank may use several of its regular employees, who will not be specially compensated, to solicit proxies from the Asia Bancshares shareholders, either personally or by telephone, facsimile, letter or other electronic means.



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**Attending the Meeting**

All shareholders of record are invited to attend the special meeting and can vote in person at the special meeting. If you are not a shareholder of record, but you are the beneficial owner of shares of Asia Bancshares common stock, you must obtain a proxy, executed in your favor, from the record holder of your shares, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership. In addition, you must bring a form of personal photo identification with you in order to be admitted. Asia Bancshares reserves the right to refuse admittance to anyone without proper proof of share ownership or without proper photo identification. The use of cameras, sound recording equipment, communications devices or any similar equipment during the special meeting is prohibited without Asia Bancshares' express written consent.

**Assistance**

If you have any questions concerning the merger or this proxy statement/prospectus, would like additional copies of this proxy statement/prospectus or need help voting your shares of Asia Bancshares common stock, please contact:

Asia Bancshares, Inc.  
135-11 Roosevelt Avenue  
Flushing, New York 11354  
Attention: Jeffrey Hsu  
Telephone number (718) 961-9898

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**THE MERGER**

*The following is a brief description of the material aspects of the merger. There are other aspects of the merger that are not discussed below, but that are contained in the merger agreement. You are being asked to approve the merger agreement, and you are urged to read the merger agreement carefully. The merger agreement is attached to this proxy statement/prospectus as Appendix A and is incorporated by reference into this document.*

**Background of the Merger**

As part of its ongoing consideration and evaluation of its long-term prospects and strategies, Asia Bancshares' board of directors and senior management have regularly reviewed and assessed its business strategies and objectives, including potential strategic opportunities. Over the past year, in light of the age of several key members of the senior management team and of the board of directors and the likely impending retirement of such members in the relative near-term, the board of directors of Asia Bancshares has considered its strategic alternatives, including a potential strategic combination with another financial institution. In contemplating such a transaction, the board of directors was focused on enhancing value for the shareholders of Asia Bancshares, in a manner that would provide greater liquidity to the shareholders of Asia Bancshares, and provide the opportunity to continue to own shares in a resulting financial institution that would maintain and grow the company's current franchise and continue to service the communities and customer base with which Asia Bancshares created and developed relationships since it first began its operations.

Bearing that in mind, the board of directors began to explore the opportunities for a merger and the financial institutions that could potentially meet Asia Bancshares' criteria for a merger partner. During 2014, the board received several indications of interest from financial institutions to merge with Asia Bancshares or to acquire all of the common stock of Asia Bancshares. The board of directors reviewed and discussed each of the indications of interest and discussed them with their legal counsel, Lamb and Barnosky, LLP ("Lamb and Barnosky"). In each instance, the board determined that a merger with, or acquisition by, the potential merger partner or acquirer was not in the best interest of the shareholders of Asia Bancshares common stock. The reasons the board of directors reached this conclusion and did not pursue negotiations with those potential partners varied, but included: the determination by the board of directors that the purchase price or merger consideration offered in the transaction was insufficient and was not likely to be increased to a satisfactory level through negotiation; the board of directors' skepticism of the potential partner's having sufficient capital or the ability to raise sufficient capital to complete the proposed transaction; the risk that the proposed transaction would not receive the required regulatory approvals, and the risk that the transaction would not be completed within a timely manner.

In November 2014, the board of directors retained the services of Nai-Ching Sun, a commercial business broker, to identify and introduce to Asia Bancshares, prospective purchasers meeting Asia Bancshares' criteria, who were interested in a merger transaction. Shortly thereafter, Mr. Sun introduced Asia Bancshares' chairman of the board of directors, Jentai Tsai to Dunson K. Cheng, the Chairman of the board of directors of Cathay. Mr. Tsai and Mr. Cheng knew each other and were familiar with each other's company because, over the years, they had general discussions regarding the similarities of their companies and the potential to join forces in the future. On November 20, 2014, following several preliminary conversations between Mr. Tsai and Mr. Cheng regarding the potential for a strategic business combination between Cathay and Asia Bancshares, Cathay delivered a non-binding letter of intent which made a proposal for the merger of Cathay and Asia Bancshares with total consideration of \$126 million payable to the holders of Asia Bancshares common stock based on a target total book value for Asia Bancshares of \$78.75 million, with the total consideration being increased on a dollar for dollar basis to the extent that Asia Bancshares' book value at the closing of the transaction exceeded \$78.75 million. The letter of intent also provided for the merger consideration

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to be paid in cash and in common stock of Cathay at the election of the shareholders of Asia Bancshares common stock, subject to a minimum of 45% and a maximum of 55% of the outstanding shares of Asia Bancshares being converted into the right to receive Cathay common stock, and contemplated that the transaction that would be structured to qualify as a "reorganization" within the meaning of Section 368(a) of the Code. It also emphasized the importance of retention for integration purposes and the success of the combined franchise, and provided for the establishment, by Cathay, of a pool to be used for retention, severance and/or retirement commitments to Asia Bank's key management and employees. Based on the indications of interest that the board of directors previously received and the bank merger climate in recent years, the board of directors concluded that a superior proposal was not likely to be forthcoming from additional introductions to or identifications of potential merger partners. Later that day, Asia Bancshares and Cathay entered into a Non-Disclosure Agreement to permit each other to conduct preliminary due diligence in connection with the potential transaction.

Following receipt of the letter of intent from Cathay, Mr. Tsai advised the board and consulted with Lamb and Barnosky. The consensus of the members of the board was to direct Mr. Tsai to continue to negotiate the terms of the letter of intent. Between November 20 and December 1, 2014, Mr. Tsai had written and telephone communications with Mr. Cheng regarding certain aspects of the letter of intent and during this time period Asia Bancshares and Cathay exchanged financial information about their respective companies as part of their preliminary due diligence review. Following these discussions, Cathay submitted a revised letter of intent on December 1, 2014, which amended the original proposal from Cathay to provide, among other things, for the willingness of Cathay to register with the Securities and Exchange Commission, the common shares to be issued to the shareholders of Asia Bancshares who elect to receive the merger consideration in the form of common shares of Cathay so that such shares would be freely tradable upon receipt, an agreement not to close the transaction prior to May 15, 2015 and confirmation that Asia Bancshares would have the opportunity to conduct customary reverse due diligence on Cathay. Mr. Tsai discussed the proposal with the members of the board of directors and Lamb & Barnosky. With the approval of the members of the board of directors, Mr. Tsai executed the non-binding letter of intent from Cathay dated December 1, 2014 as an indication of Asia Bancshares willingness to proceed with further discussions regarding a potential transaction. The letter of intent did not create an obligation on the part of either company with respect to a potential transaction.

On December 5, 2014, Cathay sent an initial proposed draft merger agreement to Asia Bancshares. On December 6 and 7, 2014 representatives of Cathay conducted an on-site due diligence examination of Asia Bank's loan portfolio at the Asia Bank's Loan Center in Flushing, New York. On December 17, 2015, Asia Bancshares' board of directors met to review the status of the proposed merger with Cathay. Mr. Tsai, along with Lamb and Barnosky provided an overview of the proposed transaction and an update on the status of the negotiations of a merger agreement. The members of the board of directors discussed the need for a professional evaluation by a third party as to whether the terms of the final, negotiated terms of the merger were fair to the holders of Asia Bancshares common stock, and the estimates for the cost and the time of completion that had been obtained for those services. The board of directors authorized Mr. Tsai to engage The Kafarian Group for that purpose, which it determined to engage on the basis of its qualifications, industry experience, reputation and past assistance with providing financial advisory services to financial institutions. The board of directors also authorized Mr. Tsai and Lamb and Barnosky to continue negotiations with Cathay and to finalize a merger agreement that is in substantial accordance with the terms set forth in the letter of intent dated December 1, 2014, that the board will review and determine whether or not to approve.

On December 23, 2014, Lamb and Barnosky sent a revised draft of the merger agreement to Cathay's outside counsel, Wachtell, Lipton, Rosen & Katz ("Wachtell Lipton"). Over the next few weeks, Cathay and Asia Bancshares continued their negotiation of the merger agreement as well as the

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form of voting agreement to be signed by certain stockholders of Asia Bancshares. During this time, the parties resolved the remaining open items in the merger agreement.

On January 20, 2015, the board of directors of Asia Bancshares met to consider the terms of the proposed merger with Cathay. At the meeting, members of Asia Bancshares management reported on the status of the due diligence of Cathay and the status of the negotiations with Cathay. Representatives of Lamb and Barnosky reviewed with the board its fiduciary duties and the proposed financial terms of the transaction with Cathay and additional information, including the terms of the voting and support agreements that were proposed to be executed at the same time as the merger agreement by members of the board of directors. Representatives of The Kafafian Group reviewed its financial analysis of the proposed transaction with the board and rendered their oral opinion (subsequently delivered in writing at the conclusion of the meeting), as described in "Opinion of Asia Bancshares' Financial Advisor", that as of January 20, 2015, and based upon and subject to the assumptions, considerations, qualifications and limitations set forth in the written opinion, the consideration to be received by the shareholders of Asia Bancshares common stock, pursuant to the agreement, was fair to such shareholders, from a financial point of view. Asia Bancshares' management, Lamb and Barnosky and The Kafafian Group took questions from the board of directors regarding the merger and the agreement.

Following those discussions and presentations by management and Asia Bancshares' advisors, the members of Asia Bancshares board of directors reviewed and discussed the proposed merger and related matters, including the factors described under "Asia Bancshares' Reasons for the Merger; Recommendation of Asia Bancshares' Board of Directors." After these deliberations, Asia Bancshares' board of directors determined that the merger, the agreement and the transactions contemplated by the agreement were advisable and in the best interests of Asia Bancshares and its shareholders, and the directors voted unanimously to approve the merger, to approve and adopt the agreement and to recommend that Asia Bancshares' shareholders approve and adopt the merger agreement.

Subsequently, the merger agreement and related agreements were executed and delivered on January 20, 2015, and the following day, the transaction was announced in a press release issued jointly by Cathay and Asia Bancshares.

On March 9, 2015, the parties amended the merger agreement to increase the employee pool from \$3.4 million to up to \$3.8 million due to certain staffing considerations following the announcement of the merger agreement. The amendment was approved by the Asia Bancshares board of directors on March 6, 2015 by unanimous written consent.

**Asia Bancshares's Reasons for the Merger; Recommendation of Asia Bancshares's Board of Directors**

After careful consideration, Asia Bancshares' board of directors, at a meeting held on January 20, 2015 and again by written consent on March 6, 2015, unanimously determined that the merger agreement and the transactions contemplated by the merger agreement were advisable and in the best interests of Asia Bancshares and its stockholders and approved the merger agreement and the transactions contemplated by the merger agreement, including the merger. Accordingly, Asia Bancshares' board of directors recommends that Asia Bancshares shareholders vote "FOR" approval and adoption of the merger agreement at the Asia Bancshares special meeting.

In reaching its decision, the board of directors, with advice from its financial and legal advisors, considered a number of factors, including the following:

The Board's knowledge of Asia Bancshares' business, results of operations, financial condition, competitive position, future prospects, results of operations, financial condition, competitive position and future prospects of Cathay, taking into account the results of Asia Bancshares' due diligence review of Cathay and information provided by Asia Bancshares' financial advisor;

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The Board's knowledge of the current environment in the financial services industry, including national, regional and local economic conditions and the interest rate environment, the uncertainties in the regulatory climate for financial institutions, increased operating costs resulting from regulatory initiatives and compliance mandates, increasing competition, current financial market conditions and the likely effects of these factors on the two companies' potential growth, development, productivity and strategic options;

The potential strategic alternatives available to Asia Bancshares, including based on preliminary indications of interest received from other financial institutions, the possibility of remaining a stand-alone entity, the risks relating to the expected retirement of a number of key members of its senior management and board, and the assessment of the Board, in consultation with its legal and financial advisors and senior management, that no other alternatives reasonably available to Asia Bancshares at this time were likely to create greater value for the shareholders of Asia Bancshares than the merger;

Asia Bancshares' and Cathay's respective sizes, businesses, operations, financial condition, asset quality, earnings and prospects, including the strong regulatory capital ratios of Cathay Bank;

The complementary aspects of Cathay's and Asia Bancshares' businesses, including customer focus, geographic coverage, business orientation and compatibility of the companies' cultures, management and operating styles;

The Board's view, based on consultation with its financial advisor and senior management, that the merger consideration represents a substantial premium to the implied value of the Asia Bancshares common stock;

The fact that Cathay was willing to permit, and the merger agreement allows, all holders of Asia Bancshares common stock to elect between the cash consideration and the stock consideration (subject to proration);

The opportunity for Asia Bancshares shareholders to have liquidity upon receipt of cash in exchange for their Asia Bancshares common stock, if elected by the Asia Bancshares shareholders, as well as certainty of value of the cash consideration upon closing of the merger;

The opportunity for Asia Bancshares shareholders to have increased liquidity upon receipt of Cathay common stock in exchange for their Asia Bancshares common stock, if elected by the Asia Bancshares shareholders, because Asia Bancshares is a private company with no public trading market for its shares whereas Cathay common stock is listed for trading on NASDAQ Global Select Market under the symbol "CATY";

The fact that the stock consideration would allow Asia Bancshares stockholders who receive Cathay stock to participate in a portion of the future performance of the combined Asia Bancshares and Cathay businesses and potential synergies resulting from the merger, and the potential future value to Asia Bancshares stockholders represented by that consideration;

The Board's belief that the merger would have a positive effect on Asia Bancshares' depositors, customers and the communities served by Asia Bancshares, as a result of the combined company's ability to provide additional products to these customers, and that this would have a positive impact on the future operating results of the combined company;

The Board's belief that the management teams and employees of Cathay and Asia Bancshares possess complementary skills and expertise, the potential advantages of a larger institution when pursuing, or seeking to retain talent, the retention of certain of Asia Bank's employees and the Board's belief that this retention would reduce the integration risk in the combination and have a positive impact on the future operating results of the combined company;



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The likelihood of the merger closing in a timely manner, along with the Board's belief, based on discussions with senior management, that Asia Bancshares' and Cathay's regulators would view the transaction favorably;

The fact that the merger is subject to the approval of the shareholders of Asia Bancshares, who will be free to approve or reject the merger, while the merger is not subject to the conditionality and execution risk of any required approval by Cathay's stockholders;

The right of the Asia Bancshares shareholders to exercise dissenters rights (as more fully described in "The Merger Dissenters' Rights" section beginning on page [ ] of this proxy statement/prospectus.

The financial and other terms of the merger agreement, which were the product of arms-length negotiations between the parties;

The fact that the Board is permitted to change its recommendation that Asia Bancshares shareholders approve the merger agreement in certain circumstances;

The financial analyses presented by The Kafafian Group to the Board and the written opinion of The Kafafian Group that, as of January 20, 2015 and based upon and subject to the assumptions, considerations, qualifications and limitations set forth in the written opinion, the consideration to be received by the holders of Asia Bancshares' common stock pursuant to the merger agreement, was fair, from a financial point of view, to such holders. For more information, see "Opinion of Asia Bancshares' Financial Advisor" beginning on page [ ] of this proxy statement/prospectus;

The risks associated with the operation of the combined company including the challenges both of integrating Asia Bancshares' business, operations and employees with those of Cathay, and of achieving the anticipated cost savings associated with the merger;

The potential risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the merger, including the restrictions on the conduct of Asia Bancshares' business prior to completion of the merger; and

The fact that the directors and certain officers of Asia Bancshares have interests in the merger that are different from or in addition to those of Asia Bancshares shareholders generally.

The reasons set forth above are not intended to be exhaustive, but a summary of the material factors considered by Asia Bancshares' board of directors in approving the merger agreement. Although each member of Asia Bancshares' board of directors individually considered these and other factors, the board did not collectively assign any specific or relative weights to the factors considered and did not make any determination with respect to any individual factor. The board collectively made its determination with respect to the merger based on the conclusion reached by its members, in light of the factors that each of them considered appropriate, that the merger is in the best interests of Asia Bancshares and its shareholders. Asia Bancshares' board of directors realized that there can be no assurance about future results, including results expected or considered in the factors listed above. The board concluded, however, including based on discussions with senior management and its financial and legal advisors, that the potential positive factors outweighed the potential risks of entering into the merger agreement.

The foregoing discussion of the information and factors considered by the Asia Bancshares Board is forward-looking in nature and this information should be read in light of the factors described under the section entitled "Forward-Looking Statements" beginning on page [ ] of this proxy statement/prospectus.

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**Opinion of Asia Bancshares' Financial Advisor**

By letter dated December 15, 2014, Asia Bancshares engaged The Kafafian Group to render an opinion as to the fairness, from a financial point of view, to the holders of Asia Bancshares common shares ("Common Shares"), of the consideration to be paid pursuant to the merger agreement.

The board of directors of Asia Bancshares engaged The Kafafian Group based on The Kafafian Group's qualifications, industry experience, reputation and past assistance with providing financial advisory services to financial institutions. The Kafafian Group, as part of its financial advisory business, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, and valuations for corporate and other purposes. In the ordinary course of business, The Kafafian Group provides consulting services to financial institutions, including performance measurement; profitability outsourcing; strategic, capital, and business planning; regulatory assistance; profit improvement; and various other financial advisory services. The Kafafian Group has not provided any services to either Asia Bancshares or Cathay within the past two years.

At the request of Asia Bancshares board of directors, representatives of The Kafafian Group participated in a special board meeting held on January 20, 2015, at which the Asia Bancshares board of directors considered the proposed merger with Cathay. At that meeting, representatives of The Kafafian Group made a presentation to the board of directors of The Kafafian Group's analyses relating to the proposed transaction and, in particular, of The Kafafian Group's determination regarding the fairness, from a financial point of view, of the proposed merger consideration to be paid to Asia Bancshares' shareholders. At that meeting, The Kafafian Group issued its written opinion that the merger consideration to be paid to Asia Bancshares' shareholders by Cathay pursuant to the merger agreement was fair from a financial point of view. Except as discussed herein, no limitations were imposed by Asia Bancshares board of directors upon The Kafafian Group with respect to investigations made or procedures followed in rendering The Kafafian Group's fairness opinion.

The full text of The Kafafian Group's written fairness opinion is attached to this proxy statement/prospectus as Appendix B and is incorporated herein by reference. Asia Bancshares' shareholders are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered, and qualifications and limitations of The Kafafian Group's analyses. The Kafafian Group's opinion addressed to the board of directors of Asia Bancshares is directed only to the merger consideration to be paid to Asia Bancshares' shareholders and does not constitute a recommendation as to how any shareholder of Asia Bancshares should vote with respect to the merger or any other matter. The Kafafian Group's opinion speaks only as of the date of the opinion.

In rendering its opinion, The Kafafian Group, among other things:

Reviewed the Agreement;

Analyzed regulatory filings and other financial information concerning Asia Bancshares;

Analyzed regulatory filings and other financial information concerning Cathay;

Discussed past, present, and future financial performance and operating philosophies with Asia Bancshares and Cathay senior managements;

Reviewed certain internal financial data and projections of Asia Bancshares and Cathay;

Compared the financial condition and financial performance of Asia Bancshares and Cathay to similar financial institutions;

Compared the merger consideration to be paid to Asia Bancshares' shareholders pursuant to the Agreement with the consideration paid in comparable merger transactions of other financial institutions;





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Reviewed the pro forma impact of the merger on the earnings and book value of Asia Bancshares and Cathay and compared the contributions of each institution to the proposed combined company in a number of key financial categories; and,

Considered other financial studies, analyses, and investigations and reviewed other information it deemed appropriate to render its opinion.

The Kafafian Group spoke with certain members of senior management and other representatives of Asia Bancshares and Cathay to discuss the foregoing, as well as matters The Kafafian Group deemed relevant. As part of its analyses, The Kafafian Group took into account its assessment of general economic, market and financial conditions, its experience in similar transactions, as well as its experience in and knowledge of the banking industry. The Kafafian Group's opinion is based upon conditions as they existed and could be evaluated on the respective dates thereof and the information made available to The Kafafian Group through the respective dates thereof.

The Kafafian Group assumed and relied upon the accuracy and completeness of all of the financial and other information reviewed and/or discussed for the purposes of its opinion, without independent investigation. The Kafafian Group assumed that the financial forecasts relied upon by The Kafafian Group were prepared on a basis that reflected the best currently available estimates and judgments of senior management of each of Asia Bancshares and Cathay and were based on reasonable assumptions, estimates and judgments. Any estimates contained in the analyses performed by The Kafafian Group are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the values of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold.

The Kafafian Group did not make any independent evaluation or appraisals of either Asia Bancshares or Cathay or their respective assets or liabilities, nor was it furnished with any such appraisals. The Kafafian Group has not made a review of the loans or loan loss reserves or reviewed any individual loan files of Asia Bancshares or Cathay. The Kafafian Group did not conduct a physical inspection of any properties or facilities of Asia Bancshares or Cathay. The Kafafian Group also assumed, without independent verification, that the aggregate allowances for loan losses for Asia Bancshares and Cathay were adequate.

On January 20, 2015, The Kafafian Group rendered its written fairness opinion to the Asia Bancshares board of directors. The summary set forth below does not purport to be a complete description of the analyses performed by The Kafafian Group in connection with the merger. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances. Therefore, the fairness opinion is not readily translated to a summary description and as such, The Kafafian Group believes that its analyses must be considered as a whole. Only selecting portions of The Kafafian Group's analyses and of the factors considered by The Kafafian Group could create for a reader of the materials an incomplete view of the evaluation process underlying the opinion. No one component of the analyses performed by The Kafafian Group was assigned a greater significance than another component. Taken as a whole, The Kafafian Group believes these analyses support the conclusion that the merger consideration to be paid by Cathay to Asia Bancshares' shareholders is fair, from a financial point of view, to Asia Bancshares' shareholders.

*Proposal Summary* As a result of the merger, each outstanding share of common stock of Asia Bancshares shall cease to be outstanding and shall be converted into the right to receive consideration for each share of common stock that the shareholder owns (the "Per Share Consideration"). The shareholders of Asia Bancshares' common stock will be permitted to elect to receive the Per Share Consideration in cash or shares of Cathay common stock subject to (i) a maximum of 55% of the outstanding shares of Asia Bancshares' common stock being converted into common stock of Cathay,

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subject to clause (iii) (the "Maximum Stock Conversion Number"), (ii) a minimum of 45% of the outstanding shares of Asia Bancshares' common stock being converted into common stock of Cathay, subject to clause (iii) (the "Minimum Stock Conversion Number"), given (iii) that if the Cathay volume weighted average price on each of the ten consecutive trading days ending on the fifth trading day prior to the date of the merger is less than \$20.00 per share, the minimum number of shares necessary for the value of the stock consideration to represent 41% of the value of the merger consideration at closing will be converted into Cathay common stock (the "Designated Stock Conversion Number"). The value of the shares of Cathay common stock received in respect of the Per Share Consideration may be greater than, equal to or less than the value of the cash received in respect of the Per Share Consideration, depending upon the mix of merger consideration elected by shareholders of Asia Bancshares' common stock, the Cathay closing price and the applicable Exchange Ratio. The merger consideration was determined by negotiation between Cathay and Asia Bancshares and was not determined by The Kafafian Group. The exact terms of the merger consideration, Exchange Ratio, Maximum Stock Conversion Number, Minimum Stock Conversion Number and Designated Stock Conversion Number are more fully set forth in the merger agreement.

*Contribution Analysis* The Kafafian Group reviewed the contribution made by each of Asia Bancshares and Cathay to various balance sheet and income statement categories of the combined company based on financial data at or for the quarter ended September 30, 2014. The Kafafian Group analyzed the contributions of each of Asia Bancshares and Cathay to the combined company under a wide range of merger consideration scenarios. Assuming the merger consideration was comprised of 55% stock and 45% cash to the shareholders of Asia Bancshares common stock, the analysis showed that Asia Bancshares would contribute the following percentages to the combined company:

Asia Bancshares would contribute 4.5% of net loans of the combined company;

Asia Bancshares would contribute 4.1% of total assets of the combined company;

Asia Bancshares would contribute 4.6% of total deposits of the combined company;

Asia Bancshares would contribute 4.6% of total shareholders' equity of the combined company;

Asia Bancshares would contribute 5.7% of net interest income of the combined entity;

Asia Bancshares would contribute 2.5% of non-interest income of the combined entity;

Asia Bancshares would contribute 3.9% of net income of the combined entity; and

Asia Bancshares shareholders would own 3.5% of the combined company.

*Going-Concern Range of Value Analysis* The Kafafian Group evaluated commonly used income approaches that could be used to estimate the going-concern value of Asia Bancshares as an independent company. The Kafafian Group ultimately decided to use a capitalized earnings method to evaluate the range of value for Asia Bancshares' common stock. The primary assumption made by The Kafafian Group was that Asia Bancshares would continue to operate as an independent company. The capitalized earnings model for Asia Bancshares uses a projected net income stream, applies a terminal earnings multiple to last period's net income and then discounts the net income stream and terminal value to arrive at a present value for a share of Asia Bancshares' common stock. The range of value produced by the capitalized earnings model analysis was then compared to the Per Share Consideration value per share of \$86.30 (assuming that the aggregate merger consideration is \$126 million and based on the number of shares of Asia Bancshares' outstanding at January 20, 2015) that was offered to shareholders of Asia Bancshares common stock by Cathay.

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The following additional assumptions were made by The Kafafian Group in preparing a range of value for Asia Bancshares on a going-concern basis:

- I. The financial projections and net income estimates as prepared by Asia Bancshares were reasonable;
- II. Price-to-earnings multiples of 12 to 16 times earnings were used and were based on publicly traded institutions that were comparable to Asia Bancshares;
- III. Using various methodologies, The Kafafian Group developed discount rates that ranged between 9.00% and 13.00%; and,
- IV. The Kafafian Group did not apply any discounts for lack of marketability or apply premiums for control.

The following table summarizes the results of the capitalized earnings model:

| Discount Rate | Trading Price / Earnings<br>Multiple (x) |          |          |
|---------------|--|----------|----------|
|               | 12.0                                     | 14.0     | 16.0     |
| 9.00%         | \$ 38.04                                 | \$ 44.38 | \$ 50.72 |
| 11.00%        | \$ 34.76                                 | \$ 40.55 | \$ 46.35 |
| 13.00%        | \$ 31.82                                 | \$ 37.12 | \$ 42.42 |

The Kafafian Group noted that the Per Share Consideration was 113% greater than the midpoint value per common share of \$40.55.

Although the capitalized earnings method is a widely used valuation methodology, it relies on numerous assumptions, including balance sheet and earnings growth rates, discount rates, and market trading multiples that may ultimately be materially different than those actually realizable or available in the capital markets. Therefore, the range of value developed by The Kafafian Group does not purport to be indicative of the actual values or expected values of Asia Bancshares common stock.

*Peer Group Analysis:*

An integral part of the evaluation of Asia Bancshares is to compare the financial condition and financial performance of Asia Bancshares to commercial banking organizations that possess characteristics similar to that of Asia Bancshares. For the purpose of the peer analysis, financial information for Asia Bancshares, to the extent available, and Asia Bank was used for comparative purposes. The Kafafian Group undertook a series of "Peer Group" comparisons as part of its analyses of the potential range of value of Asia Bancshares on a going-concern basis. For the purposes of The Kafafian Group's analysis, three peer groups were prepared (the "Asia Bank Peers").

*Asia Bank* The Kafafian Group compared certain of Asia Bank's financial condition and financial performance measures to three groups of financial institutions. The financial condition and financial performance data for Asia Bank's and all companies in the peer groups was as of or for the latest twelve months ended September 30, 2014. For those peer group members that were publicly traded companies, market data were as of January 16, 2015.

The first peer group was termed by The Kafafian Group as "Relational Peers," Companies in this peer group were included based on four screening criteria (i) publicly-traded commercial banks or holding companies with total assets between \$250 million and \$750 million, (ii) were headquartered in any state in the U.S., (iii) had a non-performing assets to total assets ratio as of September 30, 2014 of less than 1.00% and, (iv) had commercial real estate loans to total loans comprised of greater than 60% of the total loan portfolio as of September 30, 2014. The Kafafian Group has listed the nine (9)

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companies that comprise the Relational Peers are shown in the table below labeled "Asia Bank Peer Group Members."

The second peer group was termed by The Kafafian Group as "MSA Peers," Companies in this peer group were included based on three screening criteria (i) publicly-traded commercial banks or holding companies with total assets between \$250 million and \$750 million, (ii) located in the Northeast and, (iii) were headquartered in metropolitan areas as classified by SNL Financial, L.C. The ten (10) companies that comprise the MSA Peers are shown in the table below labeled "Asia Bank Peer Group Members."

The third peer group was termed by The Kafafian Group as "National Peers," Companies in this peer group were included based on two screening criteria (i) publicly-traded commercial banks or holding companies with total assets between \$250 million and \$750 million, (ii) were headquartered in any state in the U.S. There are 286 companies that comprise the National Peers and are not shown in the table below labeled "Asia Bank Peer Group Members."

**Asia Bank Peer Group Members**

| <b>Relational Peers</b>         | <b>MSA Peers</b>                    |
|---------------------------------|-------------------------------------|
| Bank of Santa Clarita           | Allegheny Valley Bancorp, Inc.      |
| Capital Bank of New Jersey      | Bancorp of New Jersey, Inc.         |
| CommerceWest Bank               | Country Bank                        |
| Farmers and Merchants Bank      | Enterprise Bank                     |
| First Miami Bancorp, Inc.       | First American International Corp.  |
| Focus Business Bank             | IBW Financial Corporation           |
| Open Bank                       | National Capital Bank of Washington |
| Plaza Bank                      | Patriot National Bancorp, Inc.      |
| Seacoast Commerce Banc Holdings | SBT Bancorp, Inc.                   |
|                                 | VSB Bancorp, Inc.                   |

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**Note:** National Peers not listed due to length of list.

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The following table provides a summary comparison of Asia Bank's financial condition and financial performance to that of the median for each of the Asia Bank Peers:

| (financial data at or for the latest twelve months ended<br>September 30, 2014) | Asia<br>Bank | Relational<br>Peers<br>(Median) | MSA<br>Peers<br>(Median) | National<br>Peers<br>(Median) |
|---|--------------|---------------------------------|--------------------------|-------------------------------|
| Total Assets (\$000s)   | \$ 492,002   | \$ 386,223                      | \$ 422,193               | \$ 435,117                    |
| Equity/ Assets (%)  | 14.53        | 10.06                           | 9.19                     | 9.87                          |
| Tang. Equity/ Tang. Assets (%)  | 14.53        | 10.06                           | 9.19                     | 9.64                          |
| Loans/ Deposits (%)   | 98.99        | 81.81                           | 83.31                    | 80.79                         |
| NPAs/ Total Assets (%)  | 0.61         | 0.31                            | 1.43                     | 1.49                          |
| Reserves/ NPAs (%)  | 192.39       | 259.60                          | 61.73                    | 60.06                         |
| Net Interest Margin (%)   | 4.26         | 4.13                            | 3.41                     | 3.59                          |
| Non-Int. Income/ Average Assets (%)   | 0.23         | 0.60                            | 0.74                     | 0.71                          |
| Non-Int. Expense/ Average Assets (%)  | 2.24         | 2.82                            | 3.08                     | 3.06                          |
| Efficiency Ratio (FTE basis) (%)  | 50.36        | 70.05                           | 78.47                    | 72.97                         |
| Non-Int. Income/ Operating Rev. (%)   | 5.09         | 16.89                           | 19.82                    | 17.30                         |
| Return on Average Assets (%)  | 1.10         | 0.90                            | 0.47                     | 0.74                          |
| Return on Average Common Equity (%)   | 7.73         | 7.89                            | 5.47                     | 7.46                          |
| Market Capitalization (\$millions)  |              | \$ 40.8                         | \$ 34.9                  | \$ 39.8                       |
| Price/ Book (%)   |              | 98.08                           | 96.01                    | 96.20                         |
| Price/ Tangible Book (%)  |              | 101.03                          | 97.38                    | 99.98                         |
| Price/ LTM Earnings (x)   |              | 15.4                            | 14.3                     | 12.6                          |
| Dividend Yield (%)  |              | 0.95                            | 2.04                     | 2.34                          |

The following table compares Asia Bancshares' September 30, 2014 book value per share to (i) the low, midpoint and high values from the capitalized earnings model and (ii) the imputed value of Asia Bancshares based on the median price/book for each of the three peer groups that comprise the Asia Bancshares' Peers.

| Asia Bancshares Book Value per Share 09/30/2014 | Values from Capitalized<br>Earnings Model |          |          | Valuations Imputed from Asia<br>Bancshares' Peers (Price/Book) |          |          |
|---|---|----------|----------|--|----------|----------|
|   | Min                                       | Mid      | Max      | Relational   | MSA      | National |
| <b>\$52.39</b>                                  | \$ 31.82                                  | \$ 40.55 | \$ 50.72 | \$ 51.38   | \$ 50.30 | \$ 50.40 |

The Kafafian Group noted that the Per Share Consideration of \$86.30 was above imputed values per share for Asia Bancshares.

*Cathay General Bancorp* The Kafafian Group compared certain of Cathay's financial condition and financial performance measures to three groups of financial institutions that are believed to possess characteristics similar to that of Cathay (the "Cathay Peers"). The financial condition and financial performance data for Cathay and all companies in the peer groups was as of or for the latest twelve months ended September 30, 2014. For those peer group members that were publicly traded companies, market data was as of January 16, 2014.

The first peer group was termed by The Kafafian Group as "Proxy Peers," Companies in this peer group were included based on the institutions represented in Cathay's 2013 Proxy Statement (any member involved in a merger/acquisition was eliminated). The 14 companies that comprise the Proxy Peers are shown in the table below labeled "Cathay Peer Group Members."

The second peer group was termed by The Kafafian Group as "Relational Peers," Companies in this peer group were included based on four screening criteria (i) publicly-traded commercial banks or holding companies with total assets between \$5 billion and \$15 billion, (ii) were headquartered in any

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state in the U.S., (iii) had a non-performing assets to total assets ratio as of September 30, 2014 of less than 2.50% and, (iv) had an efficiency ratio for the last twelve months ended September 30, 2014 of less than 60%. The 18 companies that comprise the Relational Peers are shown in the table below labeled "Cathay Peer Group Members."

The third peer group was termed by The Kafafian Group as "National Peers." Companies in this peer group were included based on two screening criteria (i) publicly-traded commercial banks or holding companies with total assets between \$5 billion and \$15 billion, (ii) were headquartered in any state in the U.S. The 47 companies that comprise the National Peers are not shown in the table below labeled "Cathay Peer Group Members."

| <b>Proxy Peers</b>              | <b>Relational Peers</b>                      |
|---------------------------------|--|
| Bank of Hawaii Corporation      | Bank of Hawaii Corporation                   |
| BBCN Bancorp, Inc.              | BBCN Bancorp, Inc.                           |
| City National Corporation       | Community Bank Systems, Inc.                 |
| CVB Financial Corp.             | CVB Financial Corp.                          |
| East West Bancorp, Inc.         | Farmers & Merchants Bank of Long Beach First |
|                                 | Financial Bankshares, Inc.                   |
| MB Financial, Inc.              | Glacier Bancorp, Inc.                        |
| National Penn Bancshares, Inc.  | Great Western Bancorp, Inc.                  |
| PacWest Bancorp                 | Home BancShares, Inc.                        |
| PrivateBancorp, Inc.            | International Bancshares Corporation         |
| Prosperity Bancshares, Inc.     | National Penn Bancshares, Inc.               |
| SVB Financial Group             | Pinnacle Financial Partners, Inc.            |
| Umpqua Holdings Corporation     | Sterling Bancorp                             |
| Valley National Bancorp         | Texas Capital Bancshares, Inc.               |
| Western Alliance Bancorporation | United Bankshares, Inc.                      |
|                                 | United Community Banks, Inc.                 |
|                                 | WesBanco, Inc.                               |
|                                 | Western Alliance Bancorporation              |

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**Cathay Peer Group Members**

**Note:** National Peers not listed due to length of list.

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The following table provides a summary comparison of Cathay financial condition and financial performance to that of the median for each of the Cathay Peers:

| (financial data at or for the latest twelve months ended<br>September 30, 2014) | Cathay<br>General<br>Bancorp | Proxy<br>Peers<br>(Median) | Relational<br>Peers<br>(Median) | National<br>Peers<br>(Median) |
|---|------------------------------|----------------------------|---------------------------------|-------------------------------|
| Total Assets (\$billions)   | \$ 11.6                      | \$ 15.6                    | \$ 7.5                          | \$ 7.5                        |
| Equity/ Assets (%)  | 13.54                        | 11.19                      | 12.79                           | 12.15                         |
| Tang. Equity/ Tang. Assets (%)  | 11.11                        | 9.15                       | 9.52                            | 8.87                          |
| Loans/ Deposits (%)   | 101.73                       | 87.53                      | 82.98                           | 86.93                         |
| NPAs/ Total Assets (%)  | 1.87                         | 0.77                       | 0.99                            | 1.02                          |
| Reserves/ NPAs (%)  | 77.84                        | 97.95                      | 76.54                           | 76.44                         |
| Net Interest Margin (%)   | 3.34                         | 3.62                       | 3.70                            | 3.65                          |
| Non-Int. Income/ Avg. Assets (%)  | 0.31                         | 0.73                       | 0.69                            | 1.07                          |
| Non-Int. Expense/ Avg. Assets (%)   | 1.60                         | 2.31                       | 2.31                            | 2.82                          |
| Efficiency Ratio (FTE basis) (%)  | 47.00                        | 54.14                      | 54.30                           | 61.95                         |
| Non-Int. Income/ Operating Rev. (%)   | 9.13                         | 17.01                      | 18.03                           | 24.00                         |
| Return on Avg. Assets (%)   | 1.24                         | 1.13                       | 1.14                            | 1.07                          |
| Return on Avg. Common Equity (%)  | 8.91                         | 9.86                       | 9.59                            | 8.65                          |
| Market Capitalization (\$millions)  | \$ 1,883.4                   | \$ 2,449.8                 | \$ 1,524.8                      | \$ 1,156.7                    |
| Price/ Book (%)   | 119.92                       | 141.46                     | 148.18                          | 123.76                        |
| Price/ Tangible Book (%)  | 150.22                       | 201.91                     | 205.89                          | 167.41                        |
| Price/ LTM Earnings (x)   | 14.1                         | 16.0                       | 16.2                            | 15.7                          |
| Dividend Yield (%)  | 1.69                         | 2.66                       | 2.66                            | 2.54                          |

The Kafafian Group noted that the Cathay's valuation metrics were lesser than those of the median for each of the Cathay Peers. The Kafafian Group also noted that the median estimate made by security analysts that follow Cathay for a one year target stock price for Cathay as of January 16, 2015 was \$27.86 per share.

*Comparable Transaction Analysis* The Kafafian Group reviewed various financial condition, financial performance and acquisition multiples for four groups of institutions that The Kafafian Group believed to have characteristics similar to that of Asia Bancshares (the "Asia Bancshares Comp. Deal Groups"). The Kafafian Group then compared the acquisition multiples for the Cathay and Asia Bancshares transaction relative to the median acquisition multiples derived from the transactions that comprised the Asia Bancshares Comp. Deal Groups.

The first set of transactions included commercial bank transactions announced after January 1, 2012 where the target bank was (i) located in either the Mid-Atlantic or Northeast region of the U.S., (ii) had a transaction value between \$75 million to \$150 million and, (iii) excluded any transactions involving private equity investors. The criteria resulted in a list of eight (8) merger and acquisition transactions that possessed characteristics similar to that of the merger ("Deal Value Comp. Deals"). The median transaction pricing metrics for this group are shown in the table below.

The second set of transactions included commercial bank transactions announced after January 1, 2012 where the transaction (i) had a transaction value between \$75 million to \$150 million, (ii) the target bank had a non-performing assets to total assets ratio at announcement of less than 1.00%, (iii) the target bank was located in any state in the U.S. and, (iv) excluded any transaction involving private equity investors. The criteria resulted in a list of eight (8) merger and acquisition transactions that possessed characteristics similar to that of the merger ("High Credit Quality Comp. Deals"). The median transaction pricing metrics for this group are shown in the table below.

The third set of transactions included commercial bank transactions announced after January 1, 2012, where the target bank was (i) located in either the Mid-Atlantic or Northeast region of the U.S.,



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(ii) had commercial real estate loans to total loans greater than 60% of the total loan portfolio at announcement and, (iii) excluded any transactions involving private equity investors. The criteria resulted in a list of five (5) merger and acquisition transactions that possessed characteristics similar to that of the merger ("High CRE Comp. Deals"). The median transaction pricing metrics for this group are shown in the table below.

The fourth and final set of transactions included commercial bank transactions announced after January 1, 2012, where the target bank was (i) located in either New York or New Jersey, (ii) had a return on average equity for the twelve months previous to the announcement date that was greater than or equal to 5.00% and, (iii) excluded any transactions involving private equity investors. The criteria resulted in a list of eleven (11) merger and acquisition transactions that possessed characteristics similar to that of the merger ("NJ / NY Comp. Deals"). The median transaction pricing metrics for this group are shown in the table below.

The following table compares certain valuation metrics of the transaction between Cathay and Asia Bancshares to certain valuation metrics of the Asia Bancshares Comp. Deal Groups:

| Transaction Valuation Metric         | Cathay/    | Deal Value  | High Credit | High CRE    | NJ / NY     |
|--------------------------------------|------------|-------------|-------------|-------------|-------------|
|                                      | Asia       |             | Quality     |             |             |
|                                      | Bancshares | Comp. Deals | Comp. Deals | Comp. Deals | Comp. Deals |
| Deal Value (\$M)                     | \$ 126.0   | \$ 97.5     | \$ 113.9    | \$ 26.9     | \$ 135.0    |
| Price/ Book (%)                      | 164.73     | 154.39      | 157.71      | 110.61      | 132.07      |
| Price/ Tangible Book (%)             | 164.73     | 164.79      | 162.26      | 110.61      | 151.10      |
| Price/ LTM EPS (x)                   | 22.7       | 26.3        | 17.9        | 14.2        | 18.8        |
| Price/ Deposits (%)                  | 30.14      | 17.17       | 17.17       | 17.88       | 17.24       |
| Franchise Premium/ Core Deposits (%) | 16.7       | 8.47        | 8.24        | 0.73        | 7.84        |

The Kafafian Group then compared the Per Share Consideration for the merger with the imputed value per common share for Asia Bancshares based on select median transaction metrics for three (3) of the Asia Bancshares Comp. Deal Groups. The High CRE Comp. Deals were not included as they resulted in the lowest imputed values. The following table summarizes the imputed value for Asia Bancshares on a change-of-control basis using certain transaction value metrics from the Deal Value Comp. Deals, High Credit Quality Comp. Deals and the NJ/NY Comp. Deals:

| Asia Bancshares Book Value per Share | Deal Value Comp. Deals |          |          | High Credit Quality |          |          | NJ / NY Comp. Deals |          |          |
|--------------------------------------|------------------------|----------|----------|---------------------|----------|----------|---------------------|----------|----------|
|                                      | Price/                 | Price/   | Price/   | Price/              | Price/   | Price/   | Price/              | Price/   | Price/   |
|                                      |                        |          |          |                     |          |          |                     |          |          |
| 09/30/2014                           | Book                   | Book     | EPS      | Book                | Book     | EPS      | Book                | Book     | EPS      |
| <b>\$52.39</b>                       | \$ 80.88               | \$ 86.33 | \$ 96.86 | \$ 82.62            | \$ 85.00 | \$ 65.91 | \$ 69.19            | \$ 79.16 | \$ 69.19 |

The Kafafian Group noted that the Per Share Consideration of \$86.30 compared favorably to the imputed values. The Kafafian Group also noted that Asia Bancshares had a substantially higher level of capital than the median capital levels for the Asia Bancshares Comp. Deal Groups.

In evaluating the various financial condition, financial performance, trading multiples and acquisition multiples for the proposed Cathay / Asia Bancshares transaction, it is important to note that no company or transaction in the preceding analyses is identical to Asia Bancshares, Cathay, or the merger. Accordingly, an analysis of the results of the foregoing is not mathematically precise; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading value of the companies to which they are being compared. The range of value resulting from the foregoing analyses should not be taken to represent The Kafafian Group's view of the actual value of Asia Bancshares, Cathay or the combined company.

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*Compensation of The Kafafian Group and Other Relationships* Asia Bancshares paid The Kafafian Group a fee of \$60,000 upon the rendering of its fairness opinion. The Kafafian Group will be reimbursed for reasonable out-of-pocket expenses incurred in connection with its engagement and Asia Bancshares has agreed to indemnify The Kafafian Group against certain liabilities. The Kafafian Group will not receive any other compensation from Asia Bancshares as a result of its engagement.

**Certain Asia Bancshares Unaudited Prospective Financial Information**

Asia Bancshares does not as a matter of course make public long-term projections as to future revenues, earnings or other results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, Asia Bancshares has included in this proxy statement/prospectus certain unaudited prospective financial information regarding its anticipated future operations that were made available to its board of directors and to The Kafafian Group in connection with the analysis and fairness opinion it was engaged to prepare in connection with the potential merger with Cathay. None of Asia Bancshares or The Kafafian Group or any other person makes any representation as to the accuracy of such information or the future performance of Asia Bancshares. The inclusion of such unaudited prospective financial information in this proxy statement/prospectus should not be regarded as an indication that such information will be predictive of actual future events nor construed as financial guidance. It should not be relied on and should not be regarded as an indication that Asia Bancshares, or The Kafafian Group or any other person considered, or now considers, this information to be necessarily predictive of actual future results.

The prospective financial information constitutes forward-looking information and is subject to risks and uncertainties that could cause actual results to differ materially from the results forecasted in such prospective information. Such unaudited prospective financial information reflects numerous estimates and assumptions with respect to Asia Bancshares' performance, industry performance, general business and economic conditions, competition and other matters specific to Asia Bancshares business, all of which are difficult to predict and many of which are beyond the control of Asia Bancshares. There can be no assurance that such unaudited prospective financial information will be predictive or that actual results will not be significantly higher or lower than estimated. For other facts that could cause actual results to differ, please see the sections entitled "Risk Factors" and "Forward-Looking Statements" beginning on pages [ ] and [ ], respectively, of this proxy statement/prospectus.

The unaudited prospective financial information does not give effect to the merger, including the impact of negotiating or executing the merger agreement, the expenses that may be incurred in connection with consummating the merger, the effect of any business or strategic decision or action that has been or will be taken as a result of the merger agreement having been executed, or the effect of any business or strategic decisions or actions which would likely have been taken if the merger agreement had not been executed, but which were instead altered, accelerated, postponed or not taken in anticipation of the merger.

The unaudited prospective financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information, or GAAP. This information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this proxy statement/prospectus are cautioned not to place undue reliance on the unaudited prospective financial information. Neither Asia Bancshares' independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to the unaudited prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or the achievability of the results predicted.

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Asia Bancshares does not intend to update or otherwise revise any of such unaudited prospective financial information to reflect circumstances existing after the date made or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying such prospective financial information are no longer appropriate, except as may be required by applicable law.

The following table presents unaudited prospective financial information based upon information of Asia Bank initially prepared in January 2014 and updated in January 2015 that was provided to The Kafafian Group by Asia Bancshares' management. This prospective financial information was reviewed and discussed by Asia Bancshares' management with The Kafafian Group and used and relied on by The Kafafian Group in connection with the issuance of its fairness opinion to the board of directors of Asia Bancshares. At the time the financial forecasts and projections were prepared in January 2014 and updated in January 2015, they represented the best estimates and judgments of Asia Bancshares' management, which prepared the forecasts and projections in good faith.

**Summary Financial Forecasts and Projections of Asia Bancshares  
for the Years Ending December 31,  
(all amounts are approximate)**

(Dollars in thousands,  
except

| per share data)               | 2014       | 2015       | 2016       | 2017       | 2018       | 2019       |
|-------------------------------|------------|------------|------------|------------|------------|------------|
| Net Income                    | \$ 5,551   | \$ 5,802   | \$ 6,051   | \$ 6,389   | \$ 6,734   | \$ 7,096   |
| Shares outstanding            | 1,460,044  | 1,460,044  | 1,460,044  | 1,460,044  | 1,460,044  | 1,460,044  |
| Average diluted shares        | 1,460,044  | 1,460,044  | 1,460,044  | 1,460,044  | 1,460,044  | 1,460,044  |
| Earnings per Share            | \$ 3.80    | \$ 3.97    | \$ 4.14    | \$ 4.38    | \$ 4.61    | \$ 4.86    |
| Total Assets                  | \$ 496,836 | \$ 532,593 | \$ 560,389 | \$ 590,380 | \$ 621,896 | \$ 655,013 |
| Total Intangible Assets       | 0          | 0          | 0          | 0          | 0          | 0          |
| Total Equity                  | 76,491     | 82,293     | 88,343     | 94,732     | 101,466    | 108,562    |
| Tangible Book Value Per Share | \$ 52.39   | \$ 56.36   | \$ 60.51   | \$ 64.88   | \$ 69.49   | \$ 74.36   |
| Return on Average Assets      | 1.14%      | 1.13%      | 1.11%      | 1.11%      | 1.11%      | 1.11%      |
| Return on Average Equity      | 7.46%      | 7.31%      | 7.09%      | 6.98%      | 6.86%      | 6.76%      |
| Tangible Equity/Assets        | 15.40%     | 15.45%     | 15.76%     | 16.05%     | 16.32%     | 16.57%     |

**Structure of the Merger**

The merger agreement provides for the merger of Asia Bancshares with and into Cathay, with Cathay as the surviving entity after the merger. As a result of the merger, Asia Bancshares will cease to exist as a separate entity.

Simultaneously with the merger, Asia Bancshares' wholly owned bank subsidiary, Asia Bank, will merger with and into Cathay's wholly owned bank subsidiary, Cathay Bank, with Cathay Bank as the surviving entity after the bank merger. As a result of the bank merger, Asia Bank will cease to exist as a separate entity.

The merger agreement is attached as Appendix A to this document. We encourage you to read the merger agreement in its entirety.

**Merger Consideration**

If the merger is completed, shareholders of Asia Bancshares will receive aggregate merger consideration equal to \$126 million less (x) the tax-effected amount of certain expenses of Asia Bancshares related to the transaction, which we refer to as the tax-effected transaction expenses, plus

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(y) the amount, if any, by which the closing net book value of Asia Bancshares exceeds target net book value of \$78.75 million, which we refer to as excess net book value, in each case as calculated pursuant to the merger agreement.

The tax-effected transaction expenses represent an estimate of the after-tax cost to Asia Bancshares of certain expenses related to the transaction. This amount is calculated by reducing the gross amount of such expenses by the amount of the estimated tax deduction associated with these expenses, which differs based on the type of expense. The tax-effected transaction expenses are calculated under the merger agreement as the sum of (a) 30% of the fee payable pursuant to the Finder's Fee Agreement between Asia Bancshares and Nai-Ching Sun relating to the merger (the "Finder's Fee") plus (b) 0.552 multiplied by the aggregate amount of other costs, expenses, fees or other payments to financial advisors, attorneys, or other third party advisors or representatives in connection with merger plus (c) 0.552 multiplied by 70% of the Finder's Fee plus (d) 0.552 multiplied by the cost of the directors' and officers' liability insurance policy purchased by Asia Bancshares prior to the closing for the benefit of its existing directors and officers plus (e) 0.552 multiplied by the amount of any special bonus Asia Bancshares pays to its current employees prior to the closing, if any. Pursuant to the merger agreement, Asia Bancshares may pay additional compensation to current employees of Asia Bank immediately prior to the closing date of the merger (which we refer to as the special bonus) if and only if (i) after giving effect to such payment, aggregate merger consideration continues to equal or exceed \$126 million and (ii) no such payment is an "excess parachute payment" within the meaning of section 280G of the Internal Revenue Code.

Closing net book value represents an estimate of the consolidated assets of Asia Bancshares at closing minus the consolidated liabilities of Asia Bancshares at closing. The closing net book value of Asia Bancshares is calculated as the sum of (a) net book value as of the most recent month-end balance sheet prior to closing plus (b) the number of days between the most recent month-end balance sheet and the closing date multiplied by the average daily increase in net book value since December 31, 2014 (which approximates the increase in net book value that will occur between the date of the balance sheet and the closing) plus (c) the tax-effected amount of transaction expenses already accrued on the most recent-month end balance sheet or paid prior to the date of such balance sheet (which prevents double-counting since these amounts are separately deducted in calculating aggregate merger consideration) plus (d) the tax-effected amount of the employee pool payments (which are described in more detail in the section entitled "Interests of Certain Persons in the Merger" on page [        ]) that are already accrued on or paid prior to the most recent-month end balance sheet (which prevents a reduction to closing net book value relating to these amounts for which Cathay has agreed to be responsible).

The merger consideration to be received per share of Asia Bancshares common stock, which we refer to as the per share merger consideration, will be calculated by dividing the aggregate merger consideration by the number of shares of Asia Bancshares common stock outstanding immediately prior to the effective time of the merger.

As of March 31, 2015, Asia Bancshares' closing net book value was estimated to be \$78,791,732, tax-effected transaction expenses were estimated to be \$1.2 million and there were 1,460,044.38 shares of common stock outstanding. Assuming that these amounts remained the same at closing, the aggregate merger consideration would be \$124,841,732 and the per share merger consideration would be \$85.51. However, the exact amount of the aggregate merger consideration and the resulting per share merger consideration will not be known until after shareholders of Asia Bancshares have voted on the merger and the board of directors of Asia Bancshares does not intend to resolicit shareholders at any point. In the worst case scenario, there will be no excess net book value at closing, and the aggregate merger consideration will be \$126 million less tax-effected transaction expenses (which based on estimated transaction expenses as of March 31, 2015 would have resulted in aggregate merger consideration of \$124,800,000 and per share merger consideration of \$85.48). In the best case scenario,

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there is excess net book value at closing and the aggregate merger consideration and per share merger consideration exceed these amounts, but the Board of Directors of Asia Bancshares does not currently expect the aggregate merger consideration or per share merger consideration to materially exceed \$126 million and \$86.30, respectively.

The following table sets forth an illustrative range of potential values for the aggregate merger consideration and per share merger consideration at varying closing net book values and various levels of tax-effected transaction expenses (with the per share merger consideration based on 1,460,044.38 shares outstanding).

**Illustrative Ranges of Aggregate Consideration (and Per Share Consideration) at Different Levels of Closing Net Book Value and Tax-Effected Transaction Expenses**

| Tax-Effected Transaction Expenses | Closing Net Book Value |                 |                |                |
|-----------------------------------|------------------------|-----------------|----------------|----------------|
|                                   | \$ 77,696,050*         | \$ 78,791,732** | \$ 80,000,000  | \$ 81,000,000  |
| \$1,200,000***                    | \$ 124,800,000         | \$ 124,841,732  | \$ 126,050,000 | \$ 127,050,000 |
|                                   | \$ (85.48)             | \$ (85.51)      | \$ (86.33)     | \$ (87.02)     |
| \$1,500,000                       | \$ 124,500,000         | \$ 124,541,732  | \$ 125,750,000 | \$ 126,750,000 |
|                                   | \$ (85.27)             | \$ (85.30)      | \$ (86.13)     | \$ (86.81)     |
| \$2,000,000                       | \$ 124,000,000         | \$ 124,041,732  | \$ 125,250,000 | \$ 126,250,000 |
|                                   | \$ (84.93)             | \$ (84.96)      | \$ (85.79)     | \$ (86.47)     |

\* Represents estimated closing net book value as of December 31, 2014. The aggregate and per share consideration amounts shown in this column would be the same for any closing net book value below target net book value of \$78,750,000.

\*\* Represents estimated closing net book value as of March 31, 2015.

\*\*\* Represents estimated tax-effected transaction expenses as of March 31, 2015.

Shareholders of Asia Bancshares (other than shares owned by Cathay or Asia Bancshares, or by shareholders that have asserted and not withdrawn dissenters' rights in accordance with the NYBCL) will be entitled to elect to receive, subject to proration, for each share of Asia Bancshares common stock that they own, the per share merger consideration in cash or shares of Cathay common stock. Based on these elections, between 45% to 55% of the outstanding shares of Asia Bancshares common stock will receive Cathay common stock as merger consideration and the remainder will receive cash, however, if the average closing price of Cathay common stock (as defined below) is lower than \$20, then 41% of the value of the aggregate merger consideration as measured at closing will be payable in Cathay common stock. The number of shares of Cathay common stock that will be received in respect of the per share merger consideration will be equal to the exchange ratio. The exchange ratio is calculated by dividing the per share merger consideration by the volume weighted average price per share of Cathay common stock on the NASDAQ Global Select Market, on each of the 10 consecutive trading days ending on the fifth trading day prior to the date of the merger, which we refer to as the Cathay average closing price. However, if the Cathay average closing price is less than \$20, the exchange ratio is the per share merger consideration divided by \$20 and if the Cathay average closing price is greater than \$27, the exchange ratio is the per share merger consideration divided by \$27.

On January 20, 2015, the last trading day prior to the approval of the merger agreement by the board of directors, the last reported sale price of Cathay common stock on The NASDAQ Global Select Market was \$23.38. Assuming aggregate merger consideration of \$126 million and that the Cathay average closing price was equal to \$23.38, each Asia Bancshares shareholder would be entitled to receive either \$86.30 per share in cash or 3.6912 shares of Cathay common stock per share of Asia

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Bancshares common stock (which would have an implied value of \$86.30 based on that stock price). On June [ ], 2015, the last practicable date prior to the mailing of this proxy statement/prospectus, the last reported sale price of Cathay common stock on The NASDAQ Global Select Market was \$[ ]. Assuming aggregate merger consideration of \$126 million and that the Cathay average closing price was equal to \$[ ], each Asia Bancshares shareholder would be entitled to receive either \$86.30 per share in cash or [ ] shares of Cathay common stock per share of Asia Bancshares common stock (which would have an implied value of \$[ ] based on that stock price). We urge you to obtain current stock price quotations for Cathay common stock.

The following table sets forth an illustrative range of the cash and stock consideration in respect of the per share merger consideration at various Cathay average closing prices assuming that the aggregate merger consideration is \$126 million and the resulting per share merger consideration is \$86.30 per share (based on 1,460,044.38 shares outstanding).

| Average Closing Price of Cathay Common Stock | Per Share Cash Consideration | Exchange Ratio (number of Cathay Shares received) | Implied Value of Cathay Shares* |
|--|------------------------------|---|---------------------------------|
| \$30   | \$ 86.30                     | 3.1963  | \$ 95.89                        |
| \$28   | \$ 86.30                     | 3.1963  | \$ 89.50                        |
| \$26   | \$ 86.30                     | 3.3192  | \$ 86.30                        |
| \$24   | \$ 86.30                     | 3.5958  | \$ 86.30                        |
| \$22   | \$ 86.30                     | 3.9227  | \$ 86.30                        |
| \$20   | \$ 86.30                     | 4.3150  | \$ 86.30                        |
| \$18   | \$ 86.30                     | 4.3150  | \$ 77.67                        |

\*

The implied value of a share is calculated by multiplying the average closing price of Cathay common stock by the applicable exchange ratio.

Only whole shares of Cathay common stock will be issued in connection with the merger. Accordingly, Asia Bancshares shareholders will receive cash, without interest, in lieu of any fractional share of Cathay common stock they otherwise would be entitled to receive.

**Election Procedure**

**Election Right.** Subject to the allocation mechanism described in the next section, each Asia Bancshares shareholder will have the right to elect to receive with respect to such shareholder's shares of Asia Bancshares common stock:

Cathay common stock for all of such shareholder's shares;

Cash for all of such shareholder's shares; or

Cathay common stock for some shares and cash for the others.

Shares of Asia Bancshares common stock with respect to which the shareholder fails to make an effective election prior to the election deadline, or with respect to which the holder properly revokes an effective election but fails to make a subsequent effective election prior to the election deadline, will be deemed to be "undesigned shares," as explained below.

An Asia Bancshares shareholder who perfects his or her dissenters' rights under the NYBCL will receive the fair value for his or her shares in cash, as determined pursuant to the procedures under the NYBCL and will not receive any merger consideration. See "Dissenters' Rights" below. Any dissenting shares as to which dissenters' rights are not properly exercised will be treated as undesigned shares.

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As described above in "Merger Consideration," because there are limitations on the minimum and maximum amounts of shares of Asia Bancshares common stock, which may be converted into the right to receive Cathay common stock as merger consideration, there is no assurance that a holder of Asia Bancshares common stock will receive the form of consideration that he or she elects with respect to all shares subject to the election.

*Election Form.* An election form and customary transmittal materials containing instructions for use in effecting the surrender of Asia Bancshares stock certificates, in exchange for the merger consideration will be mailed to Asia Bancshares shareholders separately following the mailing of this proxy statement/prospectus and no less than thirty-five (35) days prior to the anticipated effective time of the merger or on such other date as the Asia Bancshares and Cathay mutually agree (the "Mailing Date"). The election form allows an Asia Bancshares shareholder to indicate the number of his or her shares of Asia Bancshares such shareholder elects to convert into Cathay common stock and the number of shares such shareholder elects to convert into cash, or to indicate that the shareholder makes no election. Asia Bancshares and Cathay will make available election forms to persons who become holders of Asia Bancshares common stock between the record date for mailing election forms and the election deadline (as defined below).

Shareholders of Asia Bancshares common stock who wish to elect the type of merger consideration they will receive in the merger should carefully review and follow the instructions set forth in the election form. Shares of Asia Bancshares common stock as to which the shareholder has not made a valid election prior to the election deadline or as to which the shareholder has revoked an election but has not made a subsequent valid election prior to 5:00 p.m., California time, on the date that is the thirtieth day following the Mailing Date, or such other time as the parties may mutually agree, the "election deadline", will be deemed to be undesignated shares.

To make a valid election, an Asia Bancshares shareholder must submit a properly completed and signed election form and transmittal materials so that it is actually received by American Stock Transfer and Trust Company, Cathay's exchange agent, on or prior to the election deadline in accordance with the instructions on the election form. An election form will be deemed properly completed only if an election is indicated for each share of Asia Bancshares common stock covered by such election form. Any shareholder who fails to deliver a properly completed election form to the exchange agent on or before the election deadline, or who fails to redeliver a properly completed election form after an election has been revoked on or before the election deadline, will not have made a valid election, and the shares of Asia Bancshares common stock owned by such shareholder will be deemed to be undesignated shares.

An election may be revoked or changed by the shareholder submitting the election form at or prior to the election deadline. The exchange agent will have reasonable discretion to determine whether any election, revocation, withdrawal or change has been properly or timely made and to disregard immaterial defects in the election forms, and any decisions of Cathay and Asia Bancshares required by the exchange agent and made in good faith in determining such matters will be binding and conclusive. Neither Cathay nor the exchange agent will be under any obligation to notify any shareholder of any defect in any election form. If an election is revoked and any certificates have been transmitted to the exchange agent, Cathay will cause such certificates to be promptly returned without charge to the person submitting the revoked election form upon written request to that effect from the shareholder who submitted such election form.

All shares of Cathay common stock issued to shareholders of Asia Bancshares in the merger will be deemed issued as of the effective time of the merger, but until Asia Bancshares stock certificates are surrendered for exchange, a shareholder will not receive any dividends or other distributions that may be declared after the effective time with respect to the shares of Cathay common stock into which the Asia Bancshares shares may have been converted. Such dividends or other distributions will accrue,

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however, and when the Asia Bancshares certificates are surrendered, Cathay will pay any such unpaid dividends or other distributions, as well as any cash into which any of the shares may have been converted, without interest.

As of the effective time, there will be no transfers on the stock transfer books of Asia Bancshares of any shares of Asia Bancshares common stock. If certificates representing shares of Asia Bancshares common stock are presented to Cathay for any reason after the completion of the merger, they will be cancelled and exchanged for the merger consideration into which the shares of Asia Bancshares common stock represented by those certificates shall have been converted.

At any time following the first anniversary of the effective time (or such earlier date immediately prior to such time when the amounts would otherwise escheat to or become property of any governmental entity), Cathay will be entitled to require the exchange agent to deliver to it any portion of the merger consideration not disbursed to shareholders of Asia Bancshares common stock, and thereafter such holders shall be entitled to look only to Cathay (subject to abandoned property, escheat or other similar laws) as general creditors with respect to the merger consideration payable upon due surrender of their Asia Bancshares common stock, without interest. Notwithstanding the foregoing, neither Cathay nor the exchange agent will be liable to any Asia Bancshares shareholder for merger consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

If any certificate for Asia Bancshares common stock has been lost, stolen or destroyed, the exchange agent or Cathay, as applicable, will issue the merger consideration to the holder of such certificate upon the making of an affidavit of such fact by such holder, provided that the exchange agent, in its reasonable discretion and as a condition to such payment, may require the owner of such lost, stolen or destroyed certificate to deliver a customary indemnity agreement or provide a bond in a customary amount.

**Allocation Calculation**

As described above in "Merger Consideration," pursuant to the merger agreement, a minimum of 45% of the outstanding Asia Bancshares shares will be converted into the right to receive Cathay common stock and a maximum of 55% of the outstanding Asia Bancshares shares will be converted into the right to receive Cathay common stock; provided, however, if the Cathay average closing price is less than \$20, then the minimum number of Asia Bancshares shares necessary for the stock consideration to represent 41% of the value of the aggregate merger consideration as of the closing will be converted into the right to receive Cathay common stock and the remainder will be converted into the right to receive cash (with this number of shares representing both the maximum and minimum number of shares of Asia Bancshares common stock that can be converted into shares of Cathay common stock in this situation).

In the following discussion, "stock election shares" means shares of Asia Bancshares common stock with respect to which the shareholder has elected to receive shares of Cathay common stock and "cash election shares" means shares of Asia Bancshares common stock with respect to which the shareholder has elected to receive cash. The "maximum stock conversion number" is the maximum number of shares of Asia Bancshares common stock that can be converted into shares of Cathay common stock under the terms of the merger agreement and the "minimum stock conversion number" is the minimum number of shares of Asia Bancshares common stock that can be converted into shares of Cathay common stock under the terms of the merger agreement.



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*Oversubscription of the Stock Consideration.* If the aggregate number of stock election shares is greater than the maximum stock conversion number, then:

All cash election shares and all undesignated shares will be converted into the right to receive cash.

The exchange agent will allocate from among the holders of stock election shares, pro rata in accordance with their respective numbers of stock election shares, a sufficient number of stock election shares to be converted into cash consideration until the number of remaining stock election shares equals as closely as practicable the maximum stock conversion number. Each share so allocated will be converted into the right to receive cash, and each remaining stock election share will be converted into Cathay common stock.

*Oversubscription of the Cash Consideration.* If the aggregate number of stock election shares is less than the minimum stock conversion number, then

All stock election shares will be converted into shares of Cathay common stock.

The exchange agent will allocate from among the holders of undesignated shares, pro rata in accordance with their respective numbers of undesignated shares, a sufficient number of undesignated shares (which may be all undesignated shares) to be converted into Cathay stock until the sum of such number and the number of stock election shares equals as closely as practicable the minimum stock conversion number, and each share so chosen will be converted into Cathay common stock. All undesignated shares not allocated, if any, will be converted into the right to receive cash.

If the aggregate number of stock election shares and undesignated shares is less than the minimum stock conversion number, then the exchange agent will allocate from among the holders of cash election shares, pro rata in accordance with their respective numbers of cash election shares, a sufficient number of cash election shares to be converted into Cathay stock so that the sum of such number, the number of all stock election shares and the number of all undesignated shares equals as closely as practicable the minimum stock conversion number. Each share so allocated will be converted into Cathay common stock, and each remaining stock election share will be converted into the right to receive cash.

*Number of Stock Elections is Greater than or Equal to the Minimum Stock Conversion Number and Less than or Equal to the Maximum Stock Conversion Number.*

If the aggregate number of stock election shares is greater than or equal to the minimum stock conversion number and less than or equal to the maximum stock conversion number, then

Each stock election share will be converted into Cathay common stock.

Each cash election share and each undesignated share will be converted into the right to receive cash.

The allocation calculations described above will be prepared by Cathay prior to the effective time and furnished to Asia Bancshares at least two (2) business days prior to the effective time showing the manner of calculation in reasonable detail or to the extent final calculations cannot be prepared prior to the effective time, a preliminary calculation shall be furnished to Asia Bancshares at least two (2) business days prior to the effective time showing the manner of calculation in reasonable detail. Any calculation of a portion of a share of Cathay common stock shall be rounded to the nearest ten-thousandth of a share, and any cash payment shall be rounded to the nearest cent

Because the stock consideration can fluctuate in value and the exchange ratio is fixed, if the Cathay average price is below \$20 or above \$27, the economic value of the per share merger consideration received by Asia Bancshares shareholders who receive the Cathay common stock may, as



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of the date of receipt by them, be more or less than the amount of the per share merger consideration received by Asia Bancshares shareholders who receive cash.

**Regulatory Approvals Required for the Merger**

Cathay and Asia Bancshares have agreed to use their reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement. These approvals include approval from the Federal Reserve, the CDBO and the FDIC. Cathay and Asia Bancshares have filed the applications and notifications to obtain the required regulatory approvals.

*Federal Reserve.*

The transactions contemplated by the merger agreement are subject to approval by the Federal Reserve pursuant to the Bank Holding Company Act of 1956, as amended (which we refer to as the "BHC Act"). Cathay has submitted an application pursuant to the BHC Act and Regulation Y seeking the prior approval of the Federal Reserve Board for Asia Bancshares to merge with and into Cathay. The Federal Reserve Board takes into consideration a number of factors when acting on such applications. These factors include the financial and managerial resources (including consideration of the competence, experience, and integrity of the officers, directors, and principal shareholders, as well as the pro forma capital ratios) and future prospects of the combined organization. The Federal Reserve Board also considers the effectiveness of the applicant in combatting money laundering, the convenience and needs of the communities to be served, as well as the extent to which the proposal would result in greater or more concentrated risks to the stability of the U.S. banking or financial system. The Federal Reserve Board may not approve a proposal that would have significant adverse effects on competition or on the concentration of resources in any banking market.

*FDIC Approval.*

The merger of Asia Bank with and into Cathay Bank is subject to approval by the FDIC pursuant to the Bank Merger Act. Cathay Bank has submitted an application pursuant to the Bank Merger Act seeking the prior approval of the FDIC for Asia Bank to merge with and into Cathay Bank.

The FDIC takes into consideration a number of factors when acting on applications under the Bank Merger Act. These factors include the financial and managerial resources (including consideration of the competence, experience, and integrity of the officers, directors, and principal shareholders) and future prospects of the combined organization. The FDIC also considers the effectiveness of the applicant in combatting money laundering, the convenience and needs of the communities to be served, as well as the extent to which the proposal would result in greater or more concentrated risks to the stability of the U.S. banking or financial system. The FDIC may not approve a proposal that would have significant adverse effects on competition or on the concentration of resources in any banking market.

In reviewing the convenience and needs of the communities to be serviced, the Federal Reserve and the FDIC will consider the records of performance of the relevant insured depository institutions under the Community Reinvestment Act of 1977 (which we refer to as the "CRA"). Furthermore, the Bank Merger Act, the BHC Act and applicable regulations require published notice of, and the opportunity for public comment on, these applications. The Federal Reserve and the FDIC take into account the views of third party commenters, particularly on the subject of the merging parties' service to their respective communities, and any comments provided by third parties could prolong the period during which the applications are under review by the Federal Reserve and the FDIC.

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Transactions approved under section 3 of the BHC Act or the Bank Merger Act generally may not be completed until 30 days after the approval of the applicable federal agency is received, during which time the Department of Justice (which we refer to as the "DOJ") may challenge the transaction on antitrust grounds. With the approval of the applicable federal agency and the concurrence of the DOJ, the waiting period may be reduced to no less than 15 days. The commencement of an antitrust action would stay the effectiveness of such an approval unless a court specifically ordered otherwise. In reviewing the merger, the DOJ could analyze the merger's effect on competition differently than the Federal Reserve or FDIC, and thus it is possible that the DOJ could reach a different conclusion than the Federal Reserve or FDIC regarding the merger's effects on competition. A determination by the DOJ not to object to the merger may not prevent the filing of antitrust actions by private persons or state attorneys general.

*CDBO.*

The prior approval of the CDBO will be required under the California Financial Code to merge Asia Bank with and into Cathay Bank. In reviewing the merger of Asia Bank with Cathay Bank, the CDBO will take competitive considerations into account, as well as capital adequacy, quality of management and earnings prospects, in terms of both quality and quantity. The CDBO will also take into account the record of performance of the companies and depository institutions concerned in meeting the credit needs of the entire community, including low- and moderate-income neighborhoods, served by such companies and depository institutions. The CDBO will take into account CRA ratings when considering approval of the proposed transaction. In considering the merger, the California Financial Code also requires the CDBO to consider whether the proposed transaction is unfair, unjust or inequitable to the bank being acquired or to its depositors, creditors or shareholders.

We cannot assure you that all of the regulatory approvals described above will be obtained and, if obtained, we cannot assure you as to the timing of such approvals, our ability to obtain the approvals on satisfactory terms or the absence of litigation challenging such approvals. We also cannot assure you that the DOJ will not attempt to challenge the transactions on antitrust grounds or for other reasons and, if such a challenge is made, we cannot assure you as to its result. The parties' obligation to complete the merger is conditioned upon the receipt of all required regulatory approvals.

**Board of Directors, Management and Operations After the Merger**

At the effective time of the merger, Asia Bancshares will merge with and into Cathay. As a result, Asia Bancshares will cease to exist as a separate entity, and all of its assets, liabilities and operations will be held and managed by Cathay as the surviving entity in the merger.

Asia Bancshares' directors will cease to hold board positions at the effective time of the merger. Cathay's boards of directors and principal executive officers will not change as result of the merger.

**NASDAQ Listing**

Cathay common stock is listed for trading on The NASDAQ Global Select Market under the symbol "CATY."

**Material United States Federal Income Tax Consequences of the Merger**

This section describes the anticipated material United States federal income tax consequences of the merger to U.S. holders of Asia Bancshares common stock who exchange shares of Asia Bancshares common stock for shares of Cathay common stock, cash, or a combination of shares of Cathay common stock and cash pursuant to the merger.

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For purposes of this discussion, a "U.S. holder" is a beneficial owner of Asia Bancshares common stock who for United States federal income tax purposes is:

a citizen or resident of the United States;

a corporation, or an entity treated as a corporation, created or organized in or under the laws of the United States or any state or political subdivision thereof;

a trust that (1) is subject to (A) the primary supervision of a court within the United States and (B) the authority of one or more United States persons to control all substantial decisions of the trust or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person; or

an estate that is subject to United States federal income tax on its income regardless of its source.

If a partnership (including for this purpose any entity treated as a partnership for United States federal income tax purposes) holds Asia Bancshares common stock, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding Asia Bancshares common stock, you should consult your tax advisor.

This discussion addresses only those Asia Bancshares shareholders that hold their Asia Bancshares common stock as a capital asset within the meaning of Section 1221 of the Code, and does not address all the United States federal income tax consequences that may be relevant to particular Asia Bancshares shareholders in light of their individual circumstances or to Asia Bancshares shareholders that are subject to special rules, such as:

financial institutions;

pass-through entities or investors in pass-through entities;

insurance companies;

tax-exempt organizations;

dealers in securities;

traders in securities that elect to use a mark to market method of accounting;

persons who exercise dissenters' rights;

persons that hold Asia Bancshares common stock as part of a straddle, hedge, constructive sale or conversion transaction;

certain expatriates or persons that have a functional currency other than the U.S. dollar;

persons who are not U.S. holders; and

shareholders who acquired their shares of Asia Bancshares common stock through the exercise of an employee stock option or otherwise as compensation or through a tax-qualified retirement plan.

In addition, the discussion does not address any alternative minimum tax or any state, local or foreign tax consequences of the merger, nor does it address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010.

The following discussion is based on the Code, its legislative history, existing and proposed regulations, thereunder, and published rulings and decisions, all as currently in effect as of the date

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hereof, and all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of this discussion.

Cathay and Asia Bancshares have structured the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code. The obligation of Cathay to complete the merger is conditioned upon the receipt of an opinion from Wachtell, Lipton, Rosen & Katz, counsel to Cathay, to the effect that, on the basis of facts, representations and assumptions set forth or referred to in such opinion, the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code. The obligation of Asia Bancshares to complete the merger is conditioned upon the receipt of an opinion from Lamb & Barnosky, counsel to Asia Bancshares, to the effect that, on the basis of facts, representations and assumptions set forth or referred to in such opinion, the merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Code. Neither of these opinions is binding on the Internal Revenue Service or the courts. Cathay and Asia Bancshares have not requested and do not intend to request any ruling from the Internal Revenue Service as to the United States federal income tax consequences of the merger. Accordingly, each Asia Bancshares shareholder should consult its tax advisor with respect to the particular tax consequences of the merger to such holder.

In addition, because an Asia Bancshares shareholder may not necessarily receive cash and shares of Cathay common stock in the proportion that such shareholder has elected, it will not be possible for holders of Asia Bancshares common stock to determine the specific tax consequences of the merger to them at the time of making the election.

*Tax Consequences of the Merger Generally to Holders of Shares of Asia Bancshares Common Stock.* If the merger is treated as a reorganization within the meaning of Section 368(a) of the Code, the tax consequences are as follows:

gain or loss will be recognized by those holders receiving solely cash for shares of Asia Bancshares common stock pursuant to the merger equal to the difference between the amount of cash received by a holder of Asia Bancshares common stock and such holder's cost basis in such holder's shares of Asia Bancshares common stock;

no gain or loss will be recognized by those holders receiving solely shares of Cathay common stock in exchange for shares of Asia Bancshares common stock pursuant to the merger (except with respect to any cash received instead of fractional share interests in Cathay common stock, as discussed in the section entitled "Cash Received Instead of a Fractional Share of Cathay Common Stock");

gain (but not loss) will be recognized by those holders who receive a combination of shares of Cathay common stock and cash in exchange for shares of Asia Bancshares common stock pursuant to the merger, in an amount equal to the lesser of (1) the amount by which the sum of the fair market value of the Cathay common stock and cash received by a holder of Asia Bancshares common stock exceeds such holder's cost basis in its Asia Bancshares common stock, and (2) the amount of cash received by such holder of Asia Bancshares common stock (except with respect to any cash received instead of fractional share interests in Cathay common stock, as discussed in the section entitled "Cash Received Instead of a Fractional Share of Cathay Common Stock");

the aggregate basis of the Cathay common stock received in the merger will be the same as the aggregate basis of the Asia Bancshares common stock for which it is exchanged, decreased by the amount of cash received in the merger (except with respect to any cash received instead of fractional share interests in Cathay common stock), and further decreased by any basis attributable to fractional share interests in Cathay common stock for which cash is received, and increased by the amount of gain recognized on the exchange (regardless of whether such gain is classified as capital gain or as ordinary dividend income, as discussed below, but excluding any

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gain or loss recognized with respect to fractional share interests in Cathay common stock for which cash is received); and

the holding period of Cathay common stock received in exchange for shares of Asia Bancshares common stock will include the holding period of the Asia Bancshares common stock for which it is exchanged.

If holders of Asia Bancshares common stock acquired different blocks of Asia Bancshares common stock at different times or at different prices, any gain or loss will be determined separately with respect to each block of Asia Bancshares common stock and such holders' cost basis and holding period in their shares of Cathay common stock may be determined with reference to each block of Asia Bancshares common stock. Any such holders should consult their tax advisors regarding the manner in which cash and Cathay common stock received in the exchange should be allocated among different blocks of Asia Bancshares common stock and with respect to identifying the basis or holding periods of the particular shares of Cathay common stock received in the merger.

Gain that holders of Asia Bancshares common stock recognize in connection with the merger generally will constitute capital gain and will constitute long-term capital gain if such holders have held (or are treated as having held) their Asia Bancshares common stock for more than one year as of the date of the merger. Long-term capital gain of non-corporate holders of Asia Bancshares common stock is generally taxed at preferential rates. In some cases, if a holder actually or constructively owns Cathay stock other than Cathay stock received pursuant to the merger, the recognized gain could be treated as having the effect of a distribution of a dividend, in which case such gain would be treated as dividend income. Because the possibility of dividend treatment depends primarily upon each holder's particular circumstances, including the application of the constructive ownership rules, holders of Asia Bancshares common stock should consult their tax advisors regarding the application of the foregoing rules to their particular circumstances.

*Cash Received Instead of a Fractional Share of Cathay Common Stock.* A holder of Asia Bancshares common stock who receives cash instead of a fractional share of Cathay common stock will generally be treated as having received the fractional share pursuant to the merger and then as having sold that fractional share of Cathay common stock for cash. As a result, a holder of Asia Bancshares common stock will generally recognize gain or loss equal to the difference between the amount of cash received and the cost basis in his or her fractional share interest as set forth above. Except as described above, this gain or loss will generally be capital gain or loss, and will be long-term capital gain or loss if, as of the effective date of the merger, the holding period for such shares is greater than one year. The deductibility of capital losses is subject to limitations.

*Backup Withholding and Information Reporting.* Payments of cash to a holder of Asia Bancshares common stock may, under certain circumstances, be subject to information reporting and backup withholding, unless the holder provides proof of an applicable exemption satisfactory to Cathay and the exchange agent or furnishes its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a holder under the backup withholding rules are not additional tax and will be allowed as a refund or credit against the holder's United States federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

**The preceding discussion is intended only as a summary of material United States federal income tax consequences of the merger. It is not a complete analysis or discussion of all potential tax effects that may be important to you. Thus, you are strongly encouraged to consult your tax advisor as to the specific tax consequences resulting from the merger, including tax return reporting requirements, the applicability and effect of federal, state, local, and other tax laws and the effect of any proposed changes in the tax laws.**



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**Accounting Treatment**

Cathay prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which we refer to as GAAP. The merger will be accounted for using the acquisition method of accounting. Cathay will be treated as the acquirer for accounting purposes.

**Dissenters' Rights**

Holders of Asia Bancshares common stock entitled to vote on the adoption of the agreement are entitled to dissent from the merger and obtain the fair value of their Asia Bancshares common stock in cash in accordance with the procedures established by New York law.

Sections 623 and 910 of the NYBCL provide that, if the merger is consummated, holders of Asia Bancshares common stock entitled to vote at the special meeting on the adoption of the agreement who object to the merger in writing prior to the vote by the holders of Asia Bancshares common stock on the adoption of the agreement and who follow the procedures specified in Section 623 (summarized below), will have the right to receive cash payment of the fair value of their Asia Bancshares common stock. A copy of Section 623 and Section 910 of the NYBCL is attached as Appendix D to this proxy statement/prospectus. The express procedures of Section 623 must be followed precisely; if they are not, a holder of Asia Bancshares common stock will lose his or her right to dissent. As described more fully below, such "fair value" would potentially be determined in judicial proceedings, the result of which cannot be predicted. We cannot assure you that holders of Asia Bancshares common stock exercising dissenters' rights will receive consideration equal to or greater than the value of the Cathay common stock to be owned by them and/or cash paid to them following completion of the merger.

The statutory procedures outlined below are complex. What follows is a summary, which is qualified in its entirety by reference to the full text of Section 623 and Section 910 of the NYBCL. Holders of Asia Bancshares common stock wishing to exercise their dissenters' rights should consult with their own legal advisors to ensure that they fully and properly comply with the requirements of New York law.

Any holder of Asia Bancshares common stock who is entitled to vote on the adoption of the agreement will have the right to receive a cash payment of the fair value of his or her Asia Bancshares common stock and the other rights and benefits provided in Section 623, if such shareholder:

does not vote in favor of the adoption of the agreement; and

files with Asia Bancshares a written objection to the merger prior to the vote by the holders of Asia Bancshares common stock on the adoption of the agreement. The written objection must include:

notice of the holder of Asia Bancshares common stock's election to dissent;

the name and residence address of the dissenting holder of Asia Bancshares common stock;

the number of shares of Asia Bancshares common stock as to which the holder of such common stock dissents;  
and

a demand for payment of the fair value of such Asia Bancshares common stock if the agreement is consummated.

A vote against adoption of the agreement will not satisfy the requirement of filing a written objection. Failure to vote against adoption of the agreement will not waive an Asia Bancshares shareholder's right to receive payment if the shareholder has filed a written objection in accordance with Section 623 and has not voted in favor of adoption of the agreement. If a shareholder abstains from voting on adoption of the agreement, this will not waive his or her dissenter's rights so long as the

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appropriate written objection to the merger is properly and timely filed. Since a signed proxy left blank will be voted for adoption of the agreement, any Asia Bancshares shareholder who wishes to exercise his or her dissenter's rights must either vote against adoption of the agreement or abstain. Written objection at this time may not be required from any shareholder to whom Asia Bancshares did not give proper notice of the special meeting of Asia Bancshares shareholders contemplated by this proxy statement/prospectus.

A holder of Asia Bancshares common stock may not dissent as to less than all Asia Bancshares common stock held of record that he or she owns beneficially. A nominee or fiduciary may not dissent on behalf of any beneficial owner of Asia Bancshares common stock as to less than all Asia Bancshares common stock of such owner held of record by the nominee or fiduciary.

All written objections to the merger and notices of election to dissent should be addressed to:

Asia Bancshares, Inc.  
135-34 Roosevelt Avenue  
Flushing, New York 11354  
Attention: Jeffrey Hsu

If the agreement is adopted by holders of Asia Bancshares common stock, within ten days after such approval, Asia Bancshares will give written notice of the approval by registered mail to each holder of Asia Bancshares common stock who filed a timely written objection or from whom objection was not required, except for any shareholder who voted in favor of adoption of the agreement. Any holder of Asia Bancshares common stock from whom objection was not required and who elects to dissent must file with Asia Bancshares, within 20 days after the giving of notice to him or her, a written notice of election to dissent, stating his or her name and residence address, the amount of Asia Bancshares common stock as to which he or she dissents and a demand for payment of the fair value for his or her Asia Bancshares common stock.

Either at the time of filing of the notice of election to dissent or within one month thereafter, a dissenting Asia Bancshares shareholder must submit the certificates representing his or her dissenting Asia Bancshares shares to Asia Bancshares. Asia Bancshares shall note conspicuously on the certificates that a notice of election has been filed and will then return the certificates to the shareholder. Any Asia Bancshares shareholder who fails to submit his or her certificates for notation within the required time shall, at the option of Asia Bancshares upon written notice to such Asia Bancshares shareholder within 45 days from the date of filing such notice of election to dissent, lose his or her dissenter's rights unless a court, for good cause shown, otherwise directs.

Within 15 days after the expiration of the period within which Asia Bancshares shareholders may file their notices of election to dissent, or within 15 days after the completion of the merger, whichever is later (but in no case later than 90 days after Asia Bancshares shareholders adopt the agreement), Asia Bancshares will make a written offer by registered mail to each Asia Bancshares shareholder, who has filed a notice of election, to pay for his or her dissenting shares at a specified price, which Asia Bancshares considers to be their fair value. If the merger has occurred, Asia Bancshares must accompany the offer by an advance payment to each shareholder who has submitted his or her stock certificates of an amount equal to 80% of the amount of the offer. Acceptance of such payment does not constitute a waiver of any dissenters' rights. The offer must be made at the same price per share to all the dissenting Asia Bancshares shareholders. If, within 30 days after the making of an offer, Asia Bancshares and any dissenting Asia Bancshares shareholders agree on the price to be paid for dissenting shares, the balance of payment for the shares must be made within 60 days after the making of the offer or the completion of the merger, whichever is later, and upon surrender of the certificates representing such Asia Bancshares shares.

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If Asia Bancshares fails to make an offer to dissenting Asia Bancshares shareholders within the 15-day period described above, or if it makes the offer and any dissenting Asia Bancshares shareholder fails to agree with Asia Bancshares within 30 days thereafter upon the price to be paid for his or her shares, Asia Bancshares is required, within 20 days after the expiration of whichever is the applicable of the two periods, to institute a special proceeding in the Supreme Court of the State of New York for the County of Queens to determine the rights of dissenting Asia Bancshares shareholders and to fix the fair value of their shares. If Asia Bancshares fails to institute a proceeding within the 20-day period, any dissenting shareholder may institute a proceeding for the same purpose not later than 30 days after the expiration of the 20-day period. If a dissenting shareholder does not institute a proceeding within the 30-day period, all dissenters' rights are lost unless the court, for good cause shown, otherwise directs.

During each proceeding, the court will determine whether each dissenting shareholder is entitled to receive payment for his or her shares and, if so, will fix the value of such shares as of the close of business on the day prior to the date Asia Bancshares shareholders voted to adopt the agreement, taking into consideration the nature of the transaction giving rise to the shareholder's right to receive payment for his or her dissenting shares and its effects on Asia Bancshares and its shareholders, the concepts and methods then customary in relevant securities and financial markets for determining the fair value of shares of a corporation engaging in a similar transaction under comparable circumstances and all other relevant factors. The court shall determine the fair value of the shares without a jury and without referral to an appraiser or referee. The court will also award interest on such amount to be paid from the completion of the merger to the date of payment unless the court finds that an Asia Bancshares shareholder's refusal to accept Asia Bancshares' offer of payment was arbitrary, vexatious or otherwise not in good faith. Each party to such proceeding will bear its own costs and expenses unless the court finds that the Asia Bancshares shareholder's refusal to accept Asia Bancshares' offer was arbitrary, vexatious or otherwise not in good faith, in which case Asia Bancshares' costs will be assessed against any or all dissenting Asia Bancshares shareholders who are parties to such proceeding. The court, in its discretion, may also apportion or assess any part of the dissenting Asia Bancshares shareholder's costs against Asia Bancshares if it finds that the fair value of the shares as determined materially exceeds the amount which Asia Bancshares offered to pay, or that no offer or advance payment was made by Asia Bancshares, or that Asia Bancshares failed to institute such special proceeding within the specified period, or that the action of Asia Bancshares in complying with its obligations under Section 623 was arbitrary, vexatious or otherwise not in good faith. Within 60 days following the final determination of the proceeding, Asia Bancshares shall pay to each dissenting Asia Bancshares shareholder the amount found to be due him or her, upon the shareholder's surrender of all certificates representing dissenting shares.

The enforcement by an Asia Bancshares shareholder of his or her right to receive payment for shares in accordance with Section 623 excludes the enforcement by such shareholder of any other right to which he or she might otherwise be entitled by virtue of his or her ownership of shares (unless the shareholder withdraws his or her notice of election or the merger is abandoned), except that the shareholder will retain the right to bring or maintain an appropriate action to obtain relief on the grounds that the merger will be or is unlawful or fraudulent as to him or her. An Asia Bancshares shareholder's notice of election may be withdrawn at any time prior to his or her acceptance in writing of an offer to purchase his or her dissenting shares by Asia Bancshares, but no withdrawal may be made later than 60 days from the completion of the merger (unless Asia Bancshares failed to make a timely offer) without the written consent of Asia Bancshares. In order for a withdrawal of an Asia Bancshares shareholder's notice of election to be effective, it must be accompanied by a return to Asia Bancshares of any advance payment made to such shareholder.

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If the merger is approved by the requisite vote of the shareholders of Asia Bancshares at the special meeting, then following the closing of merger, Cathay will assume the obligations of Asia Bancshares under Section 623.

**Interests of Certain Persons in the Merger**

In considering the recommendation of Asia Bancshares' board of directors to vote "FOR" the adoption of the merger agreement, shareholders of Asia Bancshares common stock should be aware that certain officers of Asia Bancshares and its wholly owned subsidiary, Asia Bank, and members of the board of directors of Asia Bancshares and Asia Bank may have interests in the transaction that are different from, or in addition to, the interests of shareholders of Asia Bancshares' common stock generally. The members of the board of directors of Asia Bancshares were made aware of these differing interests and potential conflicts, and considered them, among other matters, in evaluating and negotiating the merger agreement and the merger and in recommending to the shareholders of Asia Bancshares that the merger be approved.

**Severance and Retention Benefits.** Pursuant to the merger agreement, Asia Bancshares and Cathay agreed to pay certain severance, retention and retirement benefits to the executive officers of Asia Bank. As a result, prior to the closing date of the merger, Asia Bank will make the following payments to the individuals listed below, subject to each individual's continued employment with Asia Bank through the payment date.

| Name            | Retention Payment |
|-----------------|-------------------|
| Jen-Tai Tsai    | 918,272           |
| Wu-Hsing Liao   | 693,837           |
| Kathy Huang     | 381,646           |
| Shou-Wen Hsu    | 354,738           |
| Chean-Kuo Cheng | 175,569           |
| Phuong L. Quach | 98,074            |
| Lei-Lei Kong    | 73,398            |

In addition, Shou Wen Hsu, the Chief Lending Officer and Executive Vice President of Asia Bank will be paid the sum of \$100,000 provided that he accepts full time employment from Cathay Bank following the merger and that he remains an employee of Cathay Bank for a period of two years after the closing of the merger. The payment of this retention benefit will be made to Mr. Hsu following the two-year anniversary of his employment by Cathay Bank.

**Indemnification and Insurance.** The merger agreement provides that for six (6) years after the effective time of the merger, Cathay will indemnify and hold harmless each of the present and former directors and officers of Asia Bancshares and its subsidiaries against any judgments, fines, losses, claims, damages, liabilities, costs, expenses (including reasonable attorney's fees) and amounts paid in settlement arising out of or pertaining to matters existing or occurring at or prior to the effective time of the merger.

The merger agreement further provides that, prior to closing, Asia Bancshares will purchase a six (6)-year prepaid directors' and officers' liability insurance "tail policy" that provides directors' and officers' liability insurance covering those persons who are currently covered by Asia Bancshares' directors' and officers' liability insurance policies with coverage no less favorable, as a whole, than the terms of such current insurance coverage with respect to claims arising from or related to facts or events which occurred at or prior to the effective time of the merger.

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**THE MERGER AGREEMENT**

*This section describes the material terms of the merger agreement. The description in this section and elsewhere in this proxy statement/prospectus is qualified in its entirety by reference to the complete text of the merger agreement, a copy of which is attached as Appendix A and is incorporated by reference into this proxy statement/prospectus. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. You are encouraged to read the merger agreement carefully and in its entirety. This section is not intended to provide you with any factual information about Cathay or Asia Bancshares. Such information can be found elsewhere in this proxy statement/prospectus and in the public filings Cathay makes with the SEC, as described in the section entitled "Where You Can Find More Information" beginning on page [ ] of this proxy statement/prospectus.*

**Explanatory Note Regarding the Merger Agreement**

The merger agreement is included to provide you with information regarding its terms. The merger agreement contains representations and warranties by Cathay, on the one hand, and by Asia Bancshares, on the other hand, which were made solely for the benefit of the other party for purposes of that agreement. The representations, warranties and covenants made in the merger agreement by Cathay and Asia Bancshares were qualified and subject to important limitations agreed to by Cathay and Asia Bancshares in connection with negotiating the terms of the merger agreement. In particular, in your review of the representations and warranties contained in the merger agreement and described in this summary, it is important to bear in mind that the representations and warranties were negotiated with the principal purpose of establishing circumstances in which a party to the merger agreement may have the right not to consummate the merger if the representations and warranties of the other party prove to be untrue due to a change in circumstance or otherwise, and allocating risk between the parties to the merger agreement, rather than establishing matters as facts about Cathay or Asia Bancshares at the time they were made or otherwise. The representations and warranties also may be subject to a contractual standard of materiality different from that generally applicable to stockholders and reports and documents filed with the SEC and were qualified by the matters contained in the confidential disclosure schedules that Cathay and Asia Bancshares each delivered in connection with the merger agreement and certain documents filed with the SEC. Moreover, information concerning the subject matter of the representations and warranties, which do not purport to be accurate as of the date of this proxy statement/prospectus, may have changed since the date of the merger agreement. Information about Cathay and Asia Bancshares is set forth elsewhere in this proxy statement/prospectus and in the case of Cathay, other public filings made with the SEC, which are incorporated by reference into this proxy statement/prospectus. See the section entitled "Where You Can Find More Information" beginning on page [ ].

**Structure of the Merger**

Asia Bancshares will merge with and into Cathay, and Asia Bancshares will cease to exist. Simultaneously with the merger of Asia Bancshares into Cathay, Asia Bancshares' bank subsidiary, Asia Bank, will merge with and into Cathay's bank subsidiary, Cathay Bank, and Asia Bank will cease to exist.

As described in detail in the section entitled "The Merger Merger Consideration," upon completion of the merger, shareholders of Asia Bancshares (other than shares owned by Cathay or Asia Bancshares, or by shareholders that have asserted and not withdrawn dissenters' rights in accordance with the NYBCL) will be entitled to receive for each share of Asia Bancshares common stock that they own, the per share merger consideration in cash or shares of Cathay common stock based upon the elections made by shareholders of Asia Bancshares, subject to pro ration.

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**Effective Time**

The closing of the merger will take place on the fifth (5th) business day after the satisfaction or waiver of the conditions to the merger (other than those conditions that by their nature are to be satisfied at the closing, but subject to the satisfaction or waiver of such conditions), or at such other place, date and time as Asia Bancshares and Cathay may agree in writing; provided that Cathay will have a one-time option to postpone the closing for up to 30 days beyond the date on which the closing would otherwise occur by providing written notice, specifying the date on which the postponed closing shall occur, to Asia Bancshares not less than two (2) business days prior to the anticipated closing.

On the closing date, Asia Bancshares and Cathay shall file (i) with the Secretary of State of the State of New York, a certificate of merger, executed in accordance with, and containing such information as is required by, the relevant provisions of the New York law, and (ii) with the Secretary of State of the State of Delaware, a certificate of merger, executed in accordance with, and containing such information as is required by, the relevant provisions of Delaware law. The merger will become effective at such time as the certificates of merger have been filed with the Secretary of State of the State of New York and Secretary of State of the State of Delaware or at such time as is agreed between the parties and specified in the certificates of merger, in accordance with the relevant provisions of New York and Delaware law.

**Organizational Documents**

At the effective time, the amended and restated certificate of incorporation and the amended and restated bylaws of Cathay will become the certificate of incorporation and bylaws of the surviving company.

**Conduct of Business Prior to Effective Time**

From January 20, 2015 until the effective time of the merger, except as expressly required or permitted by the merger agreement, as required by applicable law, pursuant to certain exceptions or with the prior written consent of Cathay, Asia Bancshares shall, and shall cause each of its subsidiaries to:

conduct its business in the ordinary course;

use reasonable best efforts to maintain and preserve intact its business organization, assets, employees and relationships with regulators, customers, suppliers, employees, licensors and licensees and other third parties; and

take no action that is intended to or would reasonably be expected to result in the failure of any of the conditions to the merger.

The merger agreement also provides that, during the period from January 20, 2015, until the effective time of the merger, Asia Bancshares will not, except as expressly required or permitted by the merger agreement, as required by applicable law, pursuant to certain exceptions or with the prior written consent of Cathay, among other things:

incur any indebtedness for borrowed money (other than intercompany indebtedness), assume, guarantee, endorse or otherwise, as an accommodation, become responsible for the obligations of any other person;

(i) adjust, split, combine or reclassify any of its capital stock; (ii) make, declare or pay any dividend, or make any other distribution on, or directly or indirectly redeem, purchase or otherwise acquire, any of its capital stock, or any securities or obligations convertible (whether currently convertible or convertible only after the passage of time or the occurrence of certain events) into or exchangeable for any of its capital stock, except any dividends paid by any of

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Asia Bancshares' subsidiaries to Asia Bancshares or any of its wholly owned subsidiaries; or (iii) (A) issue, grant, sell or otherwise permit to become outstanding, or authorize the issuance of, any additional capital stock or securities convertible or exchangeable into, or exercisable for, its capital stock or any equity-based awards or interests or other rights of any kind to acquire its capital stock, or (B) enter into any contract, understanding or arrangement with respect to the sale or voting of its capital stock or other securities;

sell, transfer, pledge, lease, grant, license, mortgage, assign, encumber or otherwise dispose of (including by merger) any of its material properties or assets to any person other than a wholly owned subsidiary, in each case except in the ordinary course of business consistent with past practice or for permitted liens, or cancel, release, prepay, redeem, defease, repurchase, assign or otherwise acquire any indebtedness or guarantees to any such person or any claims held by any such person;

acquire (whether by merger or consolidation, acquisition of stock or assets or by formation of a joint venture or otherwise, but excluding by way of foreclosures or acquisitions of control in a fiduciary or similar capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business consistent with past practice) any other person, other than a wholly owned subsidiary of Asia Bancshares, or make any material investment in (either by purchase of stock or securities, contributions to capital, property transfers, or purchase of any property or assets) any other person or property or assets of any other person, in each case other than a wholly owned subsidiary of Asia Bancshares;

terminate any material contract or amend, waive, or fail to use reasonable best efforts to enforce any material provision of, any material contract, in each case except in the ordinary course of business consistent with past practice, or enter into any contract that would constitute a material contract or renew any material contract other than any contract which is terminable by Asia Bancshares or its subsidiaries on 60 days or less notice without any required payment or other conditions, other than the condition of notice;

except as required by any existing Asia Bancshares benefit plan or as required by applicable law, (i) become a party to, enter into, adopt, amend or terminate (or commit to become a party to, enter into, adopt, amend or terminate) any Asia Bancshares benefit plan (or arrangement that had it existed as of the date hereof, would have been a Asia Bancshares benefit plan), (ii) increase, in any manner, the compensation or benefits payable to any current or former employee, officer, director or other service provider of Asia Bancshares or any of its subsidiaries or pay any amounts to any such individual not otherwise due, (iii) pay or award, or commit to pay or award, any bonuses or incentive compensation (other than a bonus to current employees immediately prior to the closing date of the merger (with such bonus being treated as a transaction expense for purposes of the purchase price adjustment), provided that such bonus would not reduce the aggregate merger consideration below \$126 million or be treated as an "excess parachute payment" for purposes of Sections 280G and 4999 of the Code), (iv) grant or accelerate the vesting of any compensation or benefits for the benefit of any current or former employee, officer, director or other service provider of Asia Bancshares or any of its subsidiaries, (v) enter into any collective bargaining agreement or similar labor agreement, (vi) provide any funding for any rabbi trust or similar arrangement, or take any action to fund or in any other way secure the payment of any compensation or benefits, or (vii) hire or terminate the employment of any individual with annual target compensation in excess of \$150,000;

commence, settle or compromise any litigation, claim, suit, action or proceeding, except for (i) settlements (A) involving only monetary remedies with a value not in excess of \$25,000, with respect to any individual litigation, claim, suit, action or proceeding or \$50,000, in the aggregate and (B) that does not involve or create an adverse precedent for any litigation, claim, suit action

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or proceeding that is reasonably likely to be material to Asia Bancshares and its subsidiaries (or following the closing, Cathay and its subsidiaries) and (ii) the commencement of any litigation, claim, suit action or proceeding in the ordinary course of business consistent with past practice;

waive or release any rights or claims material to Asia Bancshares and its subsidiaries or agree or consent to the issuance of any injunction, decree, order or judgment restricting or adversely affecting its business or operations in any material respect;

amend its articles of incorporation and bylaws, or otherwise take any action to exempt any person from any provision of its articles of incorporation and bylaws, or enter into a plan of consolidation, merger, share exchange, reorganization or similar business combination (other than with respect to consolidations, mergers, share exchanges, reorganizations or similar business combinations solely involving its wholly owned subsidiaries);

restructure or make any material change to its investment securities or derivatives portfolio or its interest rate exposure, through purchases, sales or otherwise, or the manner in which the portfolio is classified or reported;

take any action that is intended or expected to result in any of the conditions to the merger not being satisfied;

implement or adopt any change in its accounting principles, practices or methods, including reserving methodologies, other than as may be required by GAAP;

enter into any new line of business or change in any material respect its lending, investment, underwriting, risk and asset liability management and other banking and operating, securitization and servicing policies, except as required by applicable law or as requested by any governmental entity;

make any material changes in its policies and practices with respect to (i) underwriting, pricing, originating, acquiring, selling, servicing, or buying or selling rights to service, loans or (ii) its hedging practices and policies, in each case except as required by law;

except for loans or commitments for loans that have been approved by Cathay prior to January 20, 2015, without prior consultation with Cathay, (1) make or acquire any individual loan or issue a commitment (or renew or extend an existing commitment) for any individual loan if under the Company's credit policies previously made available to Cathay such loan or commitment would require the approval of the board of directors of Asia Bancshares or (2) without prior consultation with Cathay, enter into agreements relating to, or consummate purchases or sales of, whole individual loans pursuant to Asia Bancshares' credit policies previously made available to Cathay such loan or commitment would require the approval of the board of directors of Asia Bancshares;

make application for the opening, relocation, renovation or closing of any, or open, relocate, renovate or close any, branch office, loan production office or other significant office or operations facility of it or its subsidiaries or acquire or sell or agree to acquire or sell, any branch office or any deposit liabilities;

make any capital expenditure in excess of \$10,000 individually or \$25,000 in the aggregate;

materially reduce the amount of insurance coverage or fail to renew or replace any material existing insurance policies;



terminate or allow to lapse any permit or amend a permit in a manner that adversely impacts the ability to conduct its business in any material respect;

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adopt a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization;

make, change or revoke any material tax election, change any material tax accounting method, file any material amended tax return, enter into any closing agreement within the meaning of Section 7212 of the Code (or any comparable provision of state, local or foreign Law), request any material tax ruling, settle or compromise any material tax proceeding, or surrender any claim for a material refund of taxes;

take any action or knowingly fail to take any action that could reasonably be expected to prevent the merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code;

(i) cancel or permit to lapse any material intellectual property, or (ii) disclose to any third party, other than representatives of Cathay or pursuant to a confidentiality agreement, any trade secret included in the intellectual property in a way that results in loss of trade secret protection;

agree to take, make any commitment to take, or adopt any resolutions of its board of directors or similar governing body in support of, any of the foregoing prohibited actions.

In addition, the merger agreement provides that from January 20, 2015 until the effective time of the merger, except as expressly required or permitted by the merger agreement, as required by applicable law, pursuant to certain exceptions or with the prior written consent of Asia Bancshares, Cathay will not:

amend its articles of incorporation or bylaws in a manner that would adversely affect Asia Bancshares shareholders adversely relative to other holders of Cathay common stock upon receipt of the merger consideration;

take any action or knowingly fail to take any action that could reasonably be expected to prevent the merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code; or

take any action that is intended or expected to result in any of the conditions to the merger not being satisfied.

**Regulatory Matters**

Cathay and Asia Bancshares have agreed to use their reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement. However, notwithstanding the foregoing, nothing in the merger agreement will require Cathay to take any action, or commit to take any action, or agree to any condition or restriction, in connection with obtaining any regulatory approvals that would reasonably be expected to, individually or in the aggregate, materially impair the anticipated benefits to Cathay and its subsidiaries of the merger, which we refer to as a burdensome condition.

**Cathay Covenants Relating to Employee Matters**

Under the merger agreement, Cathay agrees to provide all Asia Bank's employees as of the effective time of the merger, for as long such employees remain employed by Cathay or its subsidiaries, with compensation opportunities and employee benefits that are substantially comparable in the aggregate to the compensation opportunities and employee benefits provided to similarly situated employees of Cathay and its subsidiaries. This commitment will be deemed satisfied if Cathay continues the compensation opportunities and employee benefit plans generally provided to Asia Bancshares employees immediately prior to the effective time of the merger.

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Cathay further agrees that, with respect to any employee benefit plans of Cathay or its subsidiaries providing benefits to any Asia Bank employee after the effective time of the merger, Cathay shall:

use commercially reasonable efforts to waive all exclusions and waiting periods with respect to participation and coverage requirements applicable to such employees and their eligible dependents under any Cathay benefit plans that provide health care benefits in which such employees first become eligible to participate; and

recognize all service of such Asia Bank employees since their most recent date of hire by Asia Bank with respect to any Cathay benefit plan, provided that such recognition will not apply to the extent it would result in the duplication of benefits for the same period of service and further will not apply with respect to any defined benefit retirement plan or benefit plan that provides retiree welfare benefits or any benefit plan that is a frozen plan or provides grandfathered benefits.

To the extent permitted by Cathay's applicable 401(k) plan, Cathay shall permit the Asia Bank employees who are then actively employed to make rollover contributions of "eligible rollover distributions" (within the meaning of Section 401(a)(31) of the Code, but excluding loans), in the form of cash, in an amount equal to the full account balance (excluding loans) distributed to such Asia Bank employees from Asia Bank's 401(k) plan to Cathay's 401(k) plan.

Cathay and Asia Bancshares have also agreed to establish a pool of up to \$3.8 million to fund severance, retention and retirement commitments to certain employees of Asia Bank, subject to reduction to the extent necessary to ensure that no such payment would be treated as an "excess parachute payment" for purposes of Sections 280G and 4999 of the Code. In addition, prior to the closing date of the merger, Asia Bancshares has committed to pay amounts due in respect of annual and other short-term incentive plans, with any payments due in respect of performance periods that are ongoing as of the closing date to be prorated based on the portion of the performance period elapsed as of such date. Cathay has also agreed to continue the employment of certain employees of Asia Bank for two years following the closing date of the merger or to pay severance to any such employee upon his or her earlier involuntary termination of employment without cause.

**Indemnification and Insurance**

The merger agreement provides that for six (6) years after the effective time of the merger, Cathay will indemnify and hold harmless each of Asia Bancshares' directors and officers against any judgments, fines, losses, claims, damages, liabilities, costs, expenses (including reasonable attorney's fees) and amounts paid in settlement.

The merger agreement further provides that, prior to closing, Asia Bancshares will purchase a six (6) year prepaid directors' and officers' liability insurance "tail policy" that provides directors' and officers' liability insurance covering those persons who are currently covered by Asia Bancshares' directors' and officers' liability insurance policies with coverage no less favorable, as a whole, than the terms of such current insurance coverage with respect to claims arising from or related to facts or events, which occurred at or prior to the effective time of the merger.

**Non-Solicitation**

The merger agreement provides that Asia Bancshares shall, and shall cause each of its affiliates and its and their respective officers, directors, employees, agents, financial advisors, investment bankers, attorneys, accountants and other representatives (collectively "representatives"):

to immediately cease and cause to be terminated any solicitation, encouragement, discussions or negotiations with any persons (other than Cathay) that may be ongoing with respect to a Company Takeover Proposal (as defined below); and

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not to, directly or indirectly, (1) solicit, initiate, encourage or knowingly facilitate any inquiries regarding, or the making of any proposal or offer that constitutes, or could reasonably be expected to lead to, a Company Takeover Proposal, (2) engage in, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any other person any information in connection with or for the purpose of encouraging or facilitating, a Company Takeover Proposal, or (3) approve, recommend or enter into, or propose to approve, recommend or enter into, any letter of intent or similar document, agreement, commitment, or agreement in principle (whether written or oral, binding or nonbinding) with respect to a Company Takeover Proposal.

Asia Bancshares further shall not release any third party from, or waive, amend or modify any provision of, or grant permission under any standstill or confidentiality provision in any agreement to which Asia Bancshares is a party other than any waiver, amendment, modification or permission under a confidentiality provision that does not, and would not be reasonably likely to, facilitate, encourage or relate in any way to a Company Takeover Proposal or a potential Company Takeover Proposal; provided that if the Asia Bancshares board of directors determines in good faith, after consultation with its outside legal counsel that the failure to take such action would be in violation of the directors' fiduciary duties under applicable Law, Asia Bancshares may waive any such standstill provision solely to the extent necessary to permit a third party to make, on a confidential basis to the Asia Bancshares board of directors, a Company Takeover Proposal, conditioned upon such third party agreeing that Asia Bancshares shall not be prohibited from providing any information to Cathay (including regarding any such Company Takeover Proposal).

If at any time after January 20, 2015 and prior to obtaining Asia Bancshares shareholder approval, Asia Bancshares or any of its representatives, receives a bona fide, unsolicited written Company Takeover Proposal from any person, that did not result from Asia Bancshares' or its representatives' breach of the non-solicitation provisions of the merger agreement, and if the Asia Bancshares board of directors determines in good faith, after consultation with independent financial advisors and outside legal counsel, that such Company Takeover Proposal constitutes or is reasonably expected to lead to a Company Superior Proposal (as defined below) and that the failure to take such action would be in violation of the directors' fiduciary duties under applicable law, then Asia Bancshares and its representatives may, (A) furnish, pursuant to an acceptable confidentiality agreement, information (including non-public information) with respect to Asia Bancshares to the person who has made such Company Takeover Proposal; provided, that Asia Bancshares shall concurrently with the delivery to such person, provide to Cathay any non-public information concerning Asia Bancshares that is provided or made available to such person or its representatives, unless such non-public information has been previously provided to Cathay; and (B) engage in or otherwise participate in discussions or negotiations with the person making such Company Takeover Proposal and its representatives regarding such Company Takeover Proposal. Asia Bancshares shall promptly (and in any event within 24 hours) notify Cathay if Asia Bancshares furnishes non-public information and/or enters into discussions or negotiations with a third-party.

Asia Bancshares will promptly (and in no event later than 24 hours after receipt) notify Cathay in writing in the event that Asia Bancshares or any of its representatives receives a Company Takeover Proposal or a request for information relating to Asia Bancshares that is reasonably likely to lead to or that contemplates a Company Takeover Proposal. The notice will include the identity of the person making the Company Takeover Proposal and the material terms and conditions thereof. Asia Bancshares shall keep Cathay reasonably informed, on a current basis, as to the status of (including any developments, discussions or negotiations) such Company Takeover Proposal (including by promptly (and in no event later than 24 hours after receipt) providing to Cathay copies of any correspondence, proposals, indications of interest, and/or draft agreements relating to such Company Takeover Proposal).

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**Company Adverse Recommendation Change**

The Asia Bancshares board of directors shall not (each of the following a "Company Adverse Recommendation Change"):

fail to recommend that its shareholders approve the merger agreement or fail to include its recommendation in this proxy statement/prospectus;

change, qualify, withhold, withdraw or modify, or authorize or publicly propose to change, qualify, withhold, withdraw or modify, in a manner adverse to Cathay, its recommendation in favor of the merger agreement;

take any formal action or make any recommendation or public statement in connection with a tender offer or exchange offer other than a recommendation against such offer or a temporary "stop, look and listen" communication of the type contemplated by Rule 14d-9(f) under the Exchange Act;

adopt, approve or recommend, or publicly propose to adopt, approve or recommend to Asia Bancshares shareholders a Company Takeover Proposal;

fail to recommend against a Company Takeover Proposal or fail to reaffirm the Asia Bancshares board of directors' recommendation in favor of the merger agreement, in either case within three business days after a request by Cathay to do so (or such fewer number of business days as remains prior to the special meeting); or

In addition, the Asia Bancshares board of directors shall not authorize, cause or permit Asia Bancshares to enter into any letter of intent, memorandum of understanding, agreement (including an acquisition agreement, merger agreement, joint venture agreement or other agreement), commitment or agreement in principle with respect to any Company Takeover Proposal (other than an acceptable confidentiality agreement in accordance with the terms of the merger agreement).

However, prior to the time Asia Bancshares shareholder approval is obtained, but not after, the Asia Bancshares board of directors may make a Company Adverse Recommendation Change with respect to a bona fide, unsolicited Company Takeover Proposal that did not result from a breach of the merger agreement, if and only if, prior to taking such action, the Asia Bancshares board of directors determines in good faith, after consultation with independent financial advisors and outside legal counsel, that (i) such Company Takeover Proposal constitutes a Company Superior Proposal and (ii) the failure to take such action would constitute a violation of the Asia Bancshares board of directors' fiduciary duties under applicable law;

Prior to making a Company Adverse Recommendation Change, Asia Bancshares must provide Cathay at least five business days' prior written notice of its intention to take such action, and specifying the reasons therefor, including the terms and conditions of, and the identity of the person making, any such Company Superior Proposal. Asia Bancshares shall also provide to Cathay a copy of the Company Superior Proposal and any related agreements or documentation and will negotiate in good faith with Cathay during such notice period to enable Cathay to propose revisions to the terms of the merger agreement such that it would cause such Company Superior Proposal to no longer constitute a Company Superior Proposal. At the end of the notice period, the Asia Bancshares board of directors will consider in good faith any revisions to the terms of the merger agreement proposed by Cathay, and determine, after consultation with its independent financial advisors and outside legal counsel, whether the Company Superior Proposal would nevertheless continue to constitute a Company Superior Proposal and whether the failure of the Asia Bancshares board of directors to change its recommendation would violate the directors' fiduciary duties under applicable law.

For purposes of the above, "Company Takeover Proposal" means any inquiry, proposal or offer from any person (other than Cathay) relating to, or that may lead to, in a single transaction or a series

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of related transactions, (A) a merger, consolidation, business combination, recapitalization, binding share exchange, liquidation, dissolution, joint venture or other similar transaction involving Asia Bancshares, (B) any acquisition of 15% or more of the outstanding Asia Bancshares common stock or securities of Asia Bancshares representing more than 15% of the voting power of Asia Bancshares, (C) any acquisition (including the acquisition of stock in any subsidiary of Asia Bancshares) of assets or businesses of Asia Bancshares, including pursuant to a joint venture, representing 15% or more of the consolidated assets, revenues or net income of Asia Bancshares, (D) any tender offer or exchange offer that if consummated would result in any person beneficially owning 15% or more to the outstanding Asia Bancshares common stock or securities of Asia Bancshares representing more than 15% of the voting power of Asia Bancshares or (E) any combination of the foregoing types of transactions if the sum of the percentage of consolidated assets, consolidated revenues or earnings and Asia Bancshares common stock (or voting power of securities of Asia Bancshares other than Asia Bancshares common stock) involved is 15% or more.

"Company Superior Proposal" means a bona fide, unsolicited written Company Takeover Proposal (A) that if consummated would result in a third party (or in the case of a direct merger between such third party and Asia Bancshares, the shareholders of such third party) acquiring, directly or indirectly, more than 50% of the outstanding Asia Bancshares common stock or more than 50% of the assets of Asia Bancshares, taken as a whole and (B) that the Asia Bancshares board of directors determines in good faith, after consultation with its independent financial advisors and outside legal counsel, taking into account all financial, legal, regulatory and other aspects of such proposal, including all conditions contained therein and the person making such Company Takeover Proposal, is reasonably likely to be completed on the terms proposed on a timely basis, is not subject to any due diligence contingency, and is fully financed with available cash on hand, or is otherwise fully backed by written financing commitments in full force and effect and (taking into account any changes to the merger agreement proposed by Cathay in response to such Company Takeover Proposal), is more favorable to Asia Bancshares shareholders from a financial point of view than the merger.

**The Special Meeting**

Asia Bancshares shall take all action necessary in accordance with applicable laws and its organizational documents to set a record date for, duly give notice of, convene and, as soon as reasonably practicable after the effective date of this proxy statement/prospectus, hold a meeting of its shareholders for the purpose of obtaining the Asia Bancshares shareholder approval.

In the event that there are not sufficient votes to constitute a quorum or approve the adoption of the merger agreement at the time of the special meeting, the Chairman of the board of directors of Asia Bancshares may adjourn the special meeting to a later date or dates in order to permit further solicitation of proxies. If it is necessary to adjourn the special meeting, no notice of the adjourned special meeting is required to be given to shareholders (unless the adjournment is for more than 30 days or if a new record date is fixed), other than an announcement at the special meeting of the hour, date and place to which the special meeting is adjourned.

The special meeting may not be postponed, adjourned or otherwise delayed except (i) with the prior written consent of Cathay or (ii) to the extent required by applicable law for Asia Bancshares' shareholders to review any supplemental or amended disclosure which Asia Bancshares has determined in good faith (after consultation with outside counsel) is necessary under applicable law. If an adjournment is permitted pursuant to the preceding sentence, the Chairman of the board of directors of Asia Bancshares may adjourn the special meeting to a later date or dates and no notice of the adjourned special meeting is required to be given to shareholders (unless the adjournment is for more than 30 days or if a new record date is fixed), other than an announcement at the special meeting of the hour, date and place to which the special meeting is adjourned. Except as expressly permitted under the merger agreement and as described above in " Company Adverse Recommendation

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Change," the Asia Bancshares board of directors shall continue to recommend that Asia Bancshares shareholders vote in favor of the merger and include such recommendation in this proxy statement/prospectus and Asia Bancshares shall solicit, and use its reasonable best efforts to obtain, the shareholder approval at the special meeting. However, if the Asia Bancshares board of directors has effected a Company Adverse Recommendation Change, then Asia Bancshares board of directors may submit the merger agreement to its shareholders without recommendation.

**Conditions to the Merger**

The obligations of Cathay and Asia Bancshares to consummate the merger are subject to the satisfaction or waiver on or before the effective time of the merger of the following conditions:

approval of the Agreement and Plan of Merger by Asia Bancshares shareholders holding not less than two-thirds of the shares of Asia Bancshares common stock that are outstanding and entitled to vote at the special meeting;

the authorization for listing on The NASDAQ Global Select Market of the Cathay common stock to be issued in the transaction;

the receipt of required regulatory approvals of the Federal Reserve, the FDIC and the CDBO in respect of the merger and the bank merger and expiration of all statutory waiting periods;

the absence of any order, injunction, decree, law or other legal restraint or prohibition preventing the consummation of the merger, the bank merger or any other transaction contemplated by the merger agreement;

the Cathay average closing price on The NASDAQ Global Select Market being equal to or exceeding \$17.50.

In addition, Cathay's obligation to effect the merger is subject to satisfaction or waiver of the following additional conditions:

the representations and warranties of Asia Bancshares must be true and correct at and as of January 20, 2015 and at and as of the closing date as though made at and as of the closing date (except for any such representations and warranties made as of a particular date or period, which representations and warranties must be true and correct only as of that date or period), subject to the materiality standards provided in the merger agreement, and Cathay shall have received a certificate signed by and executive officer of Asia Bancshares certifying, on behalf of Asia Bancshares, to the foregoing effect;

Asia Bancshares shall have complied in all material respects with the obligations required to be performed by it under the merger agreement at or prior to the closing date, and Cathay shall have received a certificate signed by an executive officer of Asia Bancshares certifying, on behalf of Asia Bancshares, to the foregoing effect;

since January 20, 2015, no fact, change, event, occurrence, condition or development has occurred that has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect (as defined in the merger agreement) on Asia Bancshares, and Cathay shall have received a certificate signed by an executive officer of Asia Bancshares certifying, on behalf of Asia Bancshares, to the foregoing effect;

receipt by Cathay of a tax opinion from Wachtell, Lipton, Rosen & Katz to the effect that the merger will constitute a "reorganization" within the meaning of Section 368(a) of the Code;

the consummation of the merger, the bank merger and the other transactions contemplated by the merger agreement will not result in a burdensome condition;





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receipt of all material consents and approvals (other than the required regulatory approvals described above) required for consummation of the merger, the bank merger and the other transactions contemplated by the merger agreement;

receipt by Cathay of copies of title insurance policies for certain of Asia Bancshares' properties.

In addition, Asia Bancshares's obligation to effect the merger is subject to satisfaction or waiver of the following additional conditions:

the representations and warranties of Cathay must be true and correct at and as of January 20, 2015 and at and as of the closing date as though made at and as of the closing date (except for any such representations and warranties made as of a particular date or period, which representations and warranties must be true and correct only as of that date or period), subject to the materiality standards provided in the merger agreement, and Asia Bancshares shall have received a certificate signed by an executive officer of Cathay certifying, on behalf of Cathay, to the foregoing effect;

Cathay shall have complied in all material respects with the obligations required to be performed by it under the merger agreement at or prior to the closing date, and Asia Bancshares shall have received a certificate signed by an executive officer of Cathay certifying on behalf of Cathay, to the foregoing effect;

since January 20, 2015, no fact, change, event, occurrence, condition or development has occurred that has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on Cathay, and Asia Bancshares shall have received a certificate signed by an executive officer of Cathay certifying, on behalf of Cathay, to the foregoing effect;

receipt by Asia Bancshares of a tax opinion from Lamb & Barnosky, to the effect that the merger will constitute a "reorganization" within the meaning of Section 368(a) of the Code;

If these conditions are not satisfied or waived, the merger agreement may be terminated. The merger agreement may also be terminated upon the occurrence of certain other events. See " Termination."

**Termination**

The Agreement and Plan of Merger may be terminated prior to the effective time of the merger:

by mutual consent of Cathay and Asia Bancshares;

by either party, if the merger has not been consummated on or prior to December 31, 2015 (the "End Date"); provided, however, that the right to terminate at the End Date will not be available to any party if the failure of the Closing to occur by such date shall be due to a material breach of the merger agreement by such party;

by either party, if any governmental entity issues an order permanently restraining, enjoining or otherwise prohibiting the merger;

by either party, if the Asia Bancshares special meeting is held and the requisite shareholder approval is not obtained;

by either party, if the other party is in material breach of the merger agreement and fails to cure such breach within the time periods provided;

by Cathay, if prior to the receipt of Asia Bancshares' shareholders' approval, the board of directors of Asia Bancshares makes a Company Adverse Recommendation Change or if Asia Bancshares materially breaches any of its obligations relating to holding its special meeting of shareholders and not soliciting any Company Takeover Proposals;

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by either party, if following the fifth trading day preceding the expected closing date, the Cathay average closing price is less than \$17.50 (subject to the obligation of the parties to negotiate in good faith over a period of not less than six months (the "Negotiation Period") to restructure the transactions and deal terms), provided that if at any time during the Negotiation Period the Cathay average closing price equals or exceeds \$17.50, the closing shall occur as provided under the merger agreement.

**Termination Fee**

In the event the merger agreement is terminated in the following circumstances, Asia Bancshares is required to pay to Cathay a termination fee of \$4 million:

by Cathay, if prior to the receipt of Asia Bancshares' shareholders' approval, the Asia Bancshares board of directors makes a Company Adverse Recommendation Change;

by Cathay, if prior to the receipt of Asia Bancshares' shareholders' approval, Asia Bancshares materially breaches any of its obligations relating to holding its special meeting of shareholders and not soliciting any Company Takeover Proposal;

by Cathay or Asia Bancshares, if a Company Takeover Proposal has been made known to the board of directors or senior management of Asia Bancshares or is made directly to Asia Bancshares shareholders generally or has been publicly announced and, thereafter, the merger agreement is terminated because (i) the End Date is reached without Asia Bancshares shareholders having approved the merger agreement, (ii) the Asia Bancshares shareholders failed to approve the merger agreement at the special meeting or (iii) Asia Bancshares materially breaches the merger agreement; and at any time on or prior to the twelve (12) month anniversary of such termination, Asia Bancshares enters into an alternative transaction within the definition of Company Takeover Proposal (whether or not involving the same Company Takeover Proposal made known prior to the termination, as described above), provided that all references to "Company Takeover Proposal" in this context will have the same meaning described above in "Non-Solicitation," except that all references there to "15%" shall instead be references to "50%."

**Representations and Warranties**

The Agreement and Plan of Merger contains customary mutual representations and warranties by each party relating to, among other things: corporate organization; capitalization; corporate authority; consents and approvals; reports; financial statements; broker's fees; absence of certain changes or events; legal proceedings; compliance with applicable law; agreements with regulatory agencies; and reorganization.

In addition, Asia Bancshares makes representations and warranties relating to, among other things: taxes and tax returns; employee benefit matters; certain contracts; risk management instruments; environmental liability; investment securities and commodities; property; intellectual property; related party transactions; state takeover laws; company information; loan matters; loan portfolio; insurance; and opinion of financial advisor, and Cathay has made representations and warranties relating to availability of financing for the merger.

A material adverse effect means, with respect to Asia Bancshares or Cathay, as the case may be, any fact, change, event, occurrence, condition or development which (i) has, or would reasonably be expected to have, a material adverse effect on the business, properties, assets, liabilities, results of operations or condition (financial or otherwise) of such party and its subsidiaries taken as a whole or (ii) prevents or materially impairs the ability of such party to timely consummate the transactions contemplated by the merger agreement. However, a material adverse effect with respect to clause (i) of

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the preceding sentence shall not be deemed to include the impact of (A) changes after the date of the merger agreement in GAAP, (B) changes after the date of the merger agreement in laws of general applicability to companies in the industries in which such party and its subsidiaries operate, (C) changes after the date of the merger agreement in global, national or regional political conditions (including the outbreak of war or acts of terrorism) or in economic or market conditions affecting other companies in the industries in which such party and its subsidiaries operate, (D) the announcement of this merger agreement, or (E) a decline in the trading price of a party's common stock or the failure, in and of itself, to meet earnings projections, but not, in either case, including the underlying causes thereof; except, with respect to clauses (A), (B) or (C), to the extent that the effects of such change are disproportionately adverse to the business, properties, assets, liabilities, results of operations or condition (financial or otherwise) of such party and its subsidiaries, taken as a whole, as compared to other companies in the industry in which such party and its Subsidiaries operate).

The representations and warranties of the parties do not survive the effective time of the merger.

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**VOTING AND SUPPORT AGREEMENTS**

Certain directors and executive officers of Asia Bancshares and their family members who beneficially own in the aggregate 622,868.94 shares of Asia Bancshares common stock, or approximately [ ]% of the outstanding shares of Asia Bancshares common stock as of the record date, have entered into voting agreements with Cathay in the form attached to this proxy statement/prospectus as Appendix C (the "voting and support agreements").

Under the voting and support agreements, these shareholders have agreed that, at any meeting of Asia Bancshares' shareholders and on every action or approval by written consent of the shareholders, they will vote:

in favor of the adoption of the merger agreement and the approval of the transactions contemplated thereby, including the merger;

against any action, proposal, transaction, or agreement that relates to a competing proposal for Asia Bancshares, without regard to the terms of such proposal; and

against any action, proposal, transaction or agreement that would reasonably be likely to (i) result in a breach of any covenant, representation or warranty or any other obligation or agreement of Asia Bancshares contained in the merger agreement, or of the shareholder contained in the voting and support agreement or (ii) prevent, materially impede or materially delay Asia Bancshares' or Cathay's ability to consummate the transactions contemplated by the merger agreement, including the merger.

These shareholders also have agreed (with some limited exceptions) not to (a) sell, transfer, assign, tender in any tender or exchange offer, pledge, encumber, hypothecate or similarly dispose of (by merger, by testamentary disposition, by operation of law or otherwise) (a "Transfer"), either voluntarily or involuntarily, or to enter into any contract, option or other arrangement or understanding with respect to the Transfer of any shares, (b) deposit any shares into a voting trust, or (c) agree (whether or not in writing) to take any of the actions referred to in the foregoing clause (a) or (b) prior to the earlier to occur of consummation or termination of the merger agreement pursuant to its terms. Cathay may in its discretion waive any of its rights under the voting and support agreements.

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**COMPARISON OF CATHAY COMMON STOCK WITH ASIA BANCSHARES COMMON STOCK**

As a result of the merger, holders of Asia Bancshares common stock who receive Cathay common stock will become shareholders of Cathay. As a holder of Cathay common stock, you will have similar (but not identical) rights to those that you currently have with your shares of Asia Bancshares common stock.

The discussion below is a summary of various rights of shareholders and is not intended to be a complete statement of all rights. The discussion is qualified in its entirety by reference to the amended and restated certificate of incorporation and bylaws of Cathay and the amended certificate of incorporation and amended and restated bylaws of Asia Bancshares as well as the provisions of New York, Delaware and federal law.

**Authorized Capital Stock**

*Cathay*

Cathay's authorized capital stock consists of: (a) 100,000,000 shares of common stock, par value \$0.01 per share and (b) 10,000,000 shares of preferred stock, par value \$0.01 per share. The Cathay board of directors is authorized, without further shareholder action, to issue other shares of preferred stock with such designations, preferences and rights as the Cathay board of directors may determine.

*Asia Bancshares*

Asia Bancshares' amended certificate of incorporation authorizes 2,000,000 shares of common stock, par value \$10.00 per share, and 250,000 shares of preferred stock, par value \$0.01 per share. Subject to the limitations in Asia Bancshares' amended certificate of incorporation, the Asia Bancshares board of directors is authorized, without further shareholder action, to issue shares of preferred stock with such designations, preferences and rights as the Asia Bancshares board of directors may determine.

**Issuance of Common Stock**

*Cathay*

As of March 31, 2015, there were 79,901,042 shares of Cathay common stock issued and outstanding and 4,207,565 shares of Cathay common stock held in treasury. There are no shares of Cathay preferred stock that are issued and outstanding.

*Asia Bancshares*

As of December 31, 2014, there were 1,460,044.38 shares of Asia Bancshares common stock issued and outstanding. There are no shares of Asia Bancshares preferred stock that are issued and outstanding.

**Liquidation Rights**

*Cathay*

In the event that Cathay is liquidated, the holders of Cathay common stock are entitled to share, on a pro rata basis, Cathay's remaining assets after provision for liabilities and following the payment of the full amount of liquidation preference to the holders of any outstanding shares of preferred stock, if any, outstanding. The Cathay board of directors is authorized to determine the liquidation rights of any other preferred stock that may be issued.

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*Asia Bancshares*

In the event that Asia Bancshares is liquidated, the holders of Asia Bancshares common stock are entitled to share, on a pro rata basis, Asia Bancshares' remaining assets after provision for liabilities and following the payment of the full amount of liquidation preference to the holders of any outstanding shares of preferred stock, if any, outstanding. The Asia Bancshares board of directors is authorized to determine the liquidation rights of any other preferred stock that may be issued.

**Preemptive Rights**

*Cathay*

Cathay's shareholders do not have preemptive rights to subscribe to any additional securities that may be issued by Cathay.

*Asia Bancshares*

Asia Bancshares' shareholders do not have preemptive rights to subscribe to any additional securities that may be issued by Asia Bancshares.

**Voting Rights**

*Cathay*

All voting rights are currently vested in the holders of Cathay common stock with each share being entitled to one vote. Cathay's shareholders generally do not have cumulative voting rights for the election of directors. However, if any shareholder controls 40% or more of Cathay's voting stock, Cathay's shareholders are permitted to cumulate their votes in the election of directors.

*Asia Bancshares*

All voting rights are currently vested in the holders of Asia Bancshares common stock with each share being entitled to one vote. Asia Bancshares' shareholders do not have cumulative voting rights for the election of directors.

**Shareholder Action without a Meeting**

*Cathay*

Subject to the rights of the holders of any class or series of preferred stock of Cathay, any action required or permitted to be taken by the shareholders of Cathay must be effected at an annual or special meeting of shareholders of Cathay and may not be effected by any consent in writing by such shareholders.

*Asia Bancshares*

Any action required or permitted to be taken by Asia Bancshares shareholders by vote at an annual or general meeting may, in lieu of a meeting, be taken by unanimous written consent of holders of all outstanding shares entitled to vote on such action.

**Shareholder Vote on Certain Business Combinations**

*Cathay*

Cathay's amended and restated certificate of incorporation provides that certain transactions with an "interested shareholder" or its affiliates or associates be approved by 80% or more of the voting power of the then-outstanding shares of stock of Cathay entitled to vote in the election of directors

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(the "voting stock"), voting together as a single class. Such supermajority approval is not required if the transaction in question (i) is approved by a majority of disinterested directors of Cathay or (ii) satisfies (if the transaction involves any cash or other consideration to the shareholders of Cathay solely in their capacity as shareholders of Cathay) certain price and procedural requirements. An "interested shareholder" is defined as (a) a person who is, or has publicly disclosed a plan or intention to become, a beneficial owner of more than 10% of the voting power of the voting stock or (b) an affiliate or associate of Cathay as defined under the Securities Exchange Act of 1934, who at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then-outstanding voting stock. The affirmative vote of at least 80% of the voting power of all of the then-outstanding shares of the voting stock, voting together as a single class, is required to alter, amend or repeal this provision of Cathay's amended and restated certificate of incorporation.

*Asia Bancshares*

Under Section 903 of the NYBCL, the consummation by Asia Bancshares of a merger or consolidation requires the approval of the board of directors and two-thirds of the votes of all outstanding shares entitled to vote thereon.

In addition, Asia Bancshares' amended certificate of incorporation provides that any merger or consolidation of Asia Bancshares or any sale, lease, exchange or other disposition of all or substantially all of its assets to or with any other corporation, person or other entity, requires the affirmative vote of the holders of at least 75% of the outstanding shares of stock of Asia Bancshares entitled to vote at a meeting called for that purpose. However, the preceding sentence does not apply if the board of directors approves such action by a resolution adopted by 75% of the members of the board of directors. Additionally, the voting requirement mentioned above does not apply if: (i) the action does not change any shareholder's relative voting power in such successor entity; (ii) the action provides for the application of the voting provisions on a business combination that are contained in Asia Bancshares' amended certificate of incorporation (without any amendment, change, alteration or deletion) to apply to any successor of Asia Bancshares; or (iii) the action transfers all or substantially all of Asia Bancshares' assets to a wholly-owned subsidiary of Asia Bancshares.

**Special Meetings of Shareholders**

*Cathay*

Special meetings of Cathay shareholders, unless otherwise prescribed by statute, may only be called, at any time, by the Chairman of the board of directors, the President or by a majority of the members of the board of directors.

*Asia Bancshares*

Special meetings of Asia Bancshares shareholders may only be called, at any time, by the Chairman of the board of directors, the President or by the members of the board of directors.

**Dividends**

The payment of dividends by any bank or bank holding company is subject to government regulation, in that regulatory authorities may prohibit banks and bank holding companies from paying dividends in a manner that would constitute an unsafe or unsound banking practice. In addition, a bank may not pay cash dividends if doing so would reduce the amount of its capital below that necessary to meet minimum applicable regulatory capital requirements. State laws also limit a bank's ability to pay dividends.



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*Cathay*

Dividends may be paid on Cathay common stock when, as and if declared by the Cathay board of directors out of funds legally available for the payment of dividends. In addition, the Cathay board of directors may issue other preferred stock that is entitled to such dividend rights as the board of directors may determine, including priority over the common stock in the payment of dividends.

The ability of Cathay to pay dividends depends on its ability to receive dividends or other distributions from its subsidiaries. The limitations and restrictions imposed by statute or regulation may limit the amount of dividends

*Asia Bancshares*

Asia Bancshares amended and restated bylaws provide that, subject to applicable law, Asia Bancshares may declare and pay dividends at such times and in such amounts as the board of directors may, in its absolute discretion, determine and designate.

**Amendment of Certificate of Incorporation and Bylaws**

*Cathay*

The Delaware General Corporation Law authorizes a corporation's board of directors to make various changes of an administrative nature to its certificate of incorporation, including increasing the number of outstanding shares in proportion to a stock split or stock dividend in the corporation's own shares. Other amendments to a corporation's certificate of incorporation must be recommended to the shareholders by the board of directors, unless the board determines that, because of a conflict of interest or other special circumstances, it should make no recommendation and must be approved by a majority of all votes entitled to be cast by each class of shareholders that has a right to vote on the amendment.

Cathay's amended and restated certificate of incorporation provides that the affirmative vote of the holders of at least 80% of the voting power of all of the then-outstanding shares of the capital stock of Cathay entitled to vote generally in the election of directors shall be required to alter, amend or repeal certain provisions in such certificate of incorporation, such as those regarding action by written consent, amendment of bylaws, election of directors or business combinations with interested shareholders. The Cathay board of directors may, by a majority vote of the directors, amend Cathay's amended and restated bylaws (however, if there is an interested shareholder at the time, the amendment requires the approval of a majority of the disinterested directors). The shareholders of Cathay also have power to amend Cathay's amended and restated Bylaws by the affirmative vote of the holders of at least 80% of the voting power of all of the then-outstanding shares of the capital stock of Cathay entitled to vote generally in the election of directors.

*Asia Bancshares*

Under New York law, and subject to limited exceptions, amendments to the certificate of incorporation must be approved by vote of a majority of all outstanding shares entitled to vote on the proposed amendment, except that provisions of the certificate of incorporation requiring a greater or class vote may only be amended by such greater or class vote. In addition, an amendment that negatively affects, in certain ways, holders of shares of a class or series requires authorization by a majority of the votes of all outstanding shares of the affected class or series.

The amended certificate of incorporation of Asia Bancshares expressly requires the affirmative vote of 80% of the shares entitled to vote in the election of directors to amend the provisions governing: (i) the restriction on certain business combinations involving a person that is the beneficial owner of twenty percent or more of the outstanding shares of stock of Asia Bancshares; (ii) the ability

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of the board of directors to oppose a tender or other offer of Asia Bancshares common stock; and (iii) the minimum vote required to amend the provisions of the certificate of incorporation described in (i) and (ii) of this sentence.

Asia Bancshares' amended and restated bylaws provide that the bylaws may be amended, repealed or suspended by the vote of the shareholders holding a majority of the shares entitled to vote in an election of directors. Other than a bylaw fixing the number of directors (the amendment of which requires the vote of the shareholders holding a majority of the shares entitled to vote in an election of directors), the bylaws may also be amended, repealed or suspended by the vote of a majority of the entire board of directors. Any bylaw adopted by the board of directors may be amended, repealed or suspended by shareholders entitled to vote as stated above.

**Board of Directors**

*Cathay*

Cathay's amended and restated certificate of incorporation provides that the board must be staggered, divided into three classes, as nearly equal in number as reasonably possible. Cathay's board currently consists of twelve (12) members, each of whom has a staggered three-year term.

*Asia Bancshares*

Asia Bancshares' amended and restated bylaws provide that each director serves until the next annual meeting of the shareholders and until his/her successor is duly elected and qualified. Asia Bancshares' board currently consists of 11 members.

**Nomination to the Board of Directors**

*Cathay*

Only persons who are nominated in accordance with the procedures set forth in the Cathay amended and restated bylaws shall be eligible for election as directors. Nominations of persons for election to the board of directors of Cathay may be made at the direction of the board of directors or by the nominating committee thereof or, to the extent authorized by applicable law, by any shareholder of Cathay who is a shareholder of record at the time of notice provided for in the Cathay amended and restated bylaws, who is entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in the bylaws and with applicable law.

*Asia Bancshares*

Asia Bancshares' amended and restated bylaws provide that any nominations by shareholders for directors to be elected at an annual meeting of shareholders must be submitted to the Secretary in writing by shareholders holding at least 5% of the outstanding common stock of Asia Bancshares not later than the close of business on the 30<sup>th</sup> day immediately preceding the date of the meeting. Nominations not made in accordance with the preceding requirement may be disregarded in the discretion of the chairman or presiding officer of the meeting.

**Removal**

*Cathay*

Cathay's directors may be removed from office prior to the expiration of their term only for cause and upon the vote of at least 80% of the combined voting power of the company.

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*Asia Bancshares*

Asia Bancshares' amended and restated bylaws provide that, subject to the rights of the holders of preferred stock, any or all of the directors may be removed, either with or without cause, at any time by a majority vote of the shareholders present at any meeting called for such purpose.

**Vacancies**

*Cathay*

Under Cathay's amended and restated bylaws, and subject to the rights of the holders of preferred stock, newly created directorships resulting from any increase in the number of directors and any vacancies on the board of directors resulting from death, resignation, disqualification, removal or other cause shall be filled only by the affirmative vote of a majority of the remaining directors then in office, even though there may be less than a quorum of the board of directors; provided, however, that in the event that at the time of such vacancy or newly created directorship any stockholder owns 10% or more of Cathay's outstanding common stock, then, in addition to the vote of a majority of the remaining directors then in office, the filling of such vacancy or newly created directorship will require the approval of a majority of the directors who are unaffiliated with the 10% stockholder.

Any director appointed to fill a vacancy will hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor is elected and qualified. No decrease in the number of directors will shorten the term of any incumbent director. If the number of directors is changed, any increase or decrease shall be apportioned among the three board classes so as to make all classes as nearly equal in number as possible. If, consistent with the preceding requirement, the increase or decrease may be allocated to more than one class, the increase or decrease may be allocated to any such class the board of directors selects in its discretion.

*Asia Bancshares*

Under New York law, vacancies occurring on the board of directors by reason of the removal of directors without cause may be filled only by a vote of the stockholders unless the certificate of incorporation or bylaws provide otherwise. Under New York law, newly created directorships resulting from an increase in the number of directors and vacancies occurring in the board for any reason (except the removal of directors without cause) may be filled by vote of the board unless a provision of the certificate of incorporation or the by-laws, provides that such newly created directorships or vacancies shall be filled by vote of the shareholders.

Pursuant to the amended and restated bylaws of Asia Bancshares, subject to the rights of the holders of preferred stock, vacancies on the board of directors, including newly created directorships resulting from an increase in the number of directors, shall be filled by a majority vote of the shareholders present at a duly called meeting, except vacancies not exceeding one-third (1/3) of the entire board, without regard to such vacancy, may be filled by the affirmative vote of a majority of the directors then in office. Pursuant to New York law, a director elected to fill a vacancy, unless elected by the stockholders, shall hold office until the next meeting of stockholders at which the election of directors is in the regular order of business, and until such director's successor has been elected and qualified. Pursuant to the bylaws of Asia Bancshares, directors elected to fill a vacancy shall hold office for the balance of the unexpired term.

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**Dissenters' Rights**

*Cathay*

Under Delaware Law, appraisal rights are generally available for shares of any class or series of a corporation in a merger or consolidation; provided that, except in certain circumstances, no such rights are available for the shares of any class or series of stock which, at the record date for the meeting held to approve such transaction, were either (1) listed on a national securities exchange or (2) held of record by more than 2,000 shareholders; and further provided that no rights are available to shareholders of the surviving corporation if the merger does not require their approval.

*Asia Bancshares*

Under New York law, stockholders may, under certain circumstances, exercise a right of dissent from certain corporate actions and obtain payment for the fair value of their shares. For example, subject to certain exceptions, dissenters' rights are available under New York law to any stockholder of a constituent corporation in the event of a merger if such stockholder is entitled to vote upon the merger and the stock held by such stockholder is not listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. Neither Asia Bancshares' amended and restated certificate of incorporation nor its amended bylaws grant any dissenters' rights in addition to the statutorily prescribed rights. Stockholders who desire to exercise their dissenters' rights must satisfy all of the conditions and requirements set forth in the NYBCL in order to maintain these rights and obtain any payment due in respect of the exercise of these rights.

**Limitation of Personal Liability of Directors and Officers**

*Cathay*

Under the Delaware General Corporation Law, indemnification of directors and officers is authorized to cover judgments, amounts paid in settlement and expenses arising out of actions where the director or officer acted in good faith and in or not opposed to the best interests of the corporation, and, in criminal cases, where the director or officer had no reasonable cause to believe that his or her conduct was unlawful. Unless limited by the corporation's certificate of incorporation, Delaware Law requires indemnification if the director or officer is wholly successful on the merits of the action. Cathay's amended and restated certificate of incorporation and amended and restated bylaws provide that Cathay shall indemnify its directors, officers, employees and its agents to the fullest extent authorized by law.

*Asia Bancshares*

Under Section 722 of the NYBCL, a corporation may indemnify its directors and officers made, or threatened to be made, a party to any action or proceeding related to service as a director or officer, except for stockholder derivative suits, if the director or officer acted in good faith and for a purpose that he or she reasonably believed to be in, or, in the case of service to another corporation or enterprise, not opposed to the best interests of the corporation, or, with respect to criminal proceedings, had no reasonable cause to believe his or her conduct was unlawful. In the case of stockholder derivative suits, the corporation may indemnify a director or officer if he or she acted in good faith for a purpose that he or she reasonably believed to be in, or, in the case of service to another corporation or enterprise, not opposed to the best interests of the corporation, except that no indemnification may be made in respect of (i) a threatened action, or a pending action that is settled or otherwise disposed of, or (ii) any claim, issue or matter as to which such individual has been adjudged to be liable to the corporation, unless and only to the extent that the court in which the action was brought, or, if no action was brought, any court of competent jurisdiction, determines, upon

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application, that, in view of all the circumstances of the case, the individual is fairly and reasonably entitled to indemnity for the portion of the settlement amount and expenses as the court deems proper.

Any individual who has been successful on the merits or otherwise in the defense of a civil or criminal action or proceeding will be entitled to indemnification. Except as provided in the preceding sentence, unless ordered by a court pursuant to Section 724 of the NYBCL, any indemnification under the NYBCL as described in the immediately preceding paragraph may be made only if, pursuant to Section 723 of the NYBCL, indemnification is authorized in the specific case and after a finding that the director or officer met the requisite standard of conduct by the disinterested directors if a quorum is available, or, if the quorum so directs or is unavailable, by (i) the board of directors upon the written opinion of independent legal counsel or (ii) the stockholders. Further, New York law permits a corporation to purchase directors and officers insurance.

Asia Bancshares' amended and restated bylaws provide that the directors and officers of the corporation shall be indemnified to the fullest extent permitted under New York law. The board of directors, may also, in its discretion, cause Asia Bancshares to maintain insurance for the indemnification of directors and officers, covering any expenses incurred in any proceeding and any liabilities asserted against any of them in such capacity, except that no insurance may provide for indemnification in connection with material acts of active and deliberate dishonesty. The board of directors may also, in its discretion, provide indemnification to the employees of Asia Bancshares to the same extent as provided to its directors and officers, and maintain liability insurance for employees with regard to their actions on behalf of the Asia Bancshares.

**Anti-Takeover Provisions**

*Cathay*

The Delaware General Corporation Law provides that a stockholder acquiring more than 15% of the outstanding voting shares of the corporation (an "interested stockholder") but less than 85% of such shares may not engage in certain business combinations with the corporation for a period of three years subsequent to the date on which the stockholder became an interested stockholder unless prior to such date, the board of directors of the corporation approves either the business combination or the transaction, which resulted in the stockholder becoming an interested stockholder, or the business combination is approved by the board of directors and by the affirmative vote of at least 66<sup>2</sup>/<sub>3</sub>% of the outstanding voting stock that is not owned by the interested stockholder. Cathay has not opted out of this provision.

In addition, Cathay's amended and restated certificate of incorporation provides that certain combinations with a stockholder acquiring more than 10% of the outstanding voting shares of the corporation must be approved by the affirmative vote of at least 80% of the outstanding voting stock that is not owned by the such 10% interested stockholder unless the transaction is either approved by a majority of disinterested directors or the offer meets certain fair price provisions.

*Asia Bancshares*

Section 912 of the NYBCL generally provides that a New York corporation may not engage in a business combination with an interested stockholder for a period of five years following the interested stockholder's becoming such. Such a business combination would be permitted where it is approved by the board of directors before the interested stockholder's becoming such. Covered business combinations include certain mergers and consolidations, dispositions of assets or stock, plans for liquidation or dissolution, reclassifications of securities, recapitalizations and similar transactions. An interested stockholder is generally a stockholder owning at least 20% of a corporation's outstanding voting stock. In addition, New York corporations may not engage at any time with any interested stockholder in a business combination other than: (i) a business combination approved by the board of

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directors before the stock acquisition, or where the acquisition of the stock had been approved by the board of directors before the stock acquisition; (ii) a business combination approved by the affirmative vote of the holders of a majority of the outstanding voting stock not beneficially owned by the interested stockholder at a meeting called for that purpose no earlier than five years after the stock acquisition; or (iii) a business combination in which the interested stockholder pays a formula price designed to ensure that all other stockholders receive at least the highest price per share that is paid by the interested stockholder and that meets certain other requirements.

A corporation may opt out of the interested stockholder provisions described in the preceding paragraph by expressly electing not to be governed by such provisions in its bylaws, which must be approved by the affirmative vote of a majority of votes of the outstanding voting stock of such corporation and is subject to further conditions. Asia Bancshares' amended certificate of incorporation expressly provides that the provisions of Section 912 of the NYBCL shall apply to any business combination of the corporation.

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**INFORMATION ABOUT CATHAY**

***Cathay General Bancorp***

Cathay General Bancorp  
777 North Broadway  
Los Angeles, California 90012  
Phone: (213) 625-4700

Cathay, headquartered in Los Angeles, California, is a Delaware corporation and is a bank holding company registered under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). Cathay is the holding company for Cathay Bank, a California state-chartered bank. Founded in 1962, Cathay Bank offers a wide range of financial services. Cathay Bank currently operates 33 branches in California, nine branches in New York State, one in Massachusetts, two in Houston, Texas, three in Washington State, three in the Chicago, Illinois area (and one drive-through location), one in New Jersey, one in Nevada, one in Hong Kong and representative offices in Taipei and Shanghai.

As of March 31, 2015, Cathay had total assets of approximately \$11.9 billion, total loans of approximately \$9.0 billion, total deposits of approximately \$9.1 billion and approximately \$1.6 billion in shareholders' equity.

Cathay common stock trades on The NASDAQ Global Select Market under the symbol "CATY."

**INFORMATION ABOUT ASIA BANCSHARES**

***Asia Bancshares, Inc.***

Asia Bancshares, Inc.  
135-34 Roosevelt Avenue  
Flushing, New York 11354

Asia Bancshares is a New York corporation which is registered as a bank holding company under the BHC Act. Asia Bancshares is the parent of Asia Bank, a national banking association. As of March 31, 2015, Asia Bancshares and its subsidiaries had consolidated total assets of \$523.1 million, deposits of \$444.4 million and stockholders' equity of \$78.8 million. Asia Bancshares had 69 full-time and 8 part-time employees as of March 31, 2015.

Asia Bancshares was incorporated under the laws of New York State in 1986. At the direction of the board of directors, pursuant to a plan of reorganization, the former stockholders of Asia Bank became the stockholders of Asia Bancshares. Since commencing business, Asia Bancshares has functioned primarily as the holder of all of Asia Bank's common stock. Asia Bancshares has two other direct wholly-owned subsidiaries, Asia Realty Corp. and Asia Realty II Corp., each of which is a New York State corporation and is used to hold other real estate owned property recovered in the foreclosure of a mortgage held by Asia Bank.

Asia Bank has one wholly owned subsidiary, Asia Real Estate Corp., a Delaware corporation that owns a commercial building (leased to five tenants) and a residential condominium, both located in Rockville, Maryland.

As of March 31, 2014, Asia Bank employed 77 full-time equivalent individuals on a full- and part-time basis. There are no employees of its subsidiaries.

Asia Bancshares' principal executive offices are located at 135-34 Roosevelt Avenue, Flushing, New York 11354. Asia Bancshares' telephone number is (718) 961-6721. For additional information about Asia Bancshares, see "Where You Can Find More Information" beginning on page [     ].

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***Market Area***

Asia Bank attracts deposits through its branches in Manhattan and Queens, New York and in Rockville, Maryland. All of the consumers and businesses that it serves are located within the communities where its branches are located.

Asia Bank's primary lending market includes the New York City metropolitan area. Within Asia Bank's lending market, the majority of businesses are considered small businesses, and lending tends to be concentrated within commercial real estate and small professional businesses. Asia Bank makes loans for office and retail properties, industrial properties, professional offices, parking garages and other commercial projects. Asia Bank also makes permanent mortgage loans for multifamily housing developments.

***Regulation and Supervision***

Federal banking laws, regulations and policies, as well as New York State laws, extensively regulate Asia Bancshares and Asia Bank, including prescribing standards relating to capital, earnings, dividends, the repurchase or redemption of shares, loans or extensions of credit to affiliates and insiders, internal controls, information systems, internal audit systems, loan documentation, credit underwriting, asset growth, impaired assets and loan-to-value ratios. The regulatory framework is intended primarily for the protection of depositors, federal deposit insurance funds and the banking system as a whole and not for the protection of security holders.

***Regulatory Agencies***

Asia Bancshares is a legal entity separate and distinct from Asia Bank and its other subsidiaries. As a bank holding company, Asia Bancshares is regulated under the BHC Act, and is subject to inspection, examination and supervision by the Federal Reserve.

Asia Bank is organized as a national bank and is subject to extensive regulation and supervision by the Office of the Comptroller of the Currency (the "OCC"), as its chartering agency, and by the FDIC, as its insurer of deposits. Asia Bank must file reports with the OCC and the FDIC concerning its activities and financial condition, in addition to obtaining regulatory approvals prior to entering into certain transactions such as mergers with, or acquisitions of, other depository institutions in which Asia Bank would be the surviving entity. Furthermore, Asia Bank is periodically examined by the OCC and the FDIC to assess compliance with various regulatory requirements, including safety and soundness considerations.

***Description of Asia Bancshares Properties***

Asia Bancshares itself owns no physical properties. The corporate headquarters of Asia Bancshares are located at 135-34 Roosevelt Boulevard, Flushing, New York in space leased and partially occupied by Asia Bank as a branch. Asia Bank occupies three additional locations, including branches in Elmhurst and Manhattan and a branch in Rockville, Maryland. Asia Bank, owns in fee the buildings in which it operates a branch at 82-62 Broadway, Elmhurst, NY, and 23 Chatham Square New York, NY. Asia Real Estate Corporation, a subsidiary of Asia Bank, owns in fee the building in which Asia Bank operates a branch at 650 Hungerford Drive Rockville, MD. Asia Bank also occupies the premises at 135-11 Roosevelt Avenue, Flushing, NY as its loan center under an operating lease agreement. Management believes that the physical facilities are suitable and adequate and at present are being fully utilized.

The premises owned by Asia Real Estate Corporation at 650 Hungerford Drive Rockville, MD, is a commercial office building with five additional units that are leased to third parties pursuant to lease



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agreements. The premises owned by Asia Real Estate Corporation at 648 Ivy League Lane Rockville, MD is a single family residential condominium leased to a third party.

***Asia Bancshares' Legal Proceedings***

There are no legal proceedings currently pending against Asia Bancshares.

In April 2014, an adversary proceeding was commenced against Asia Bank in the United States Bankruptcy Court for the District of New Jersey by Charles A. Stanziale, Jr., as the Chapter 7 Trustee for 15 Engle Street, LLC and Kim's Provisions, Co., Inc. (Case No. 12-21053). While neither Kim's Provisions nor 15 Engle Street were borrowers of Asia Bank, both of the debtor entities were controlled by Ki Kim who was the guarantor of commercial loans made by Asia Bank to two borrowers, 152 Northern, LLC and Le Monde Vert, LLC. In the adversary proceeding, the U.S. Bankruptcy Trustee sought to recover from Asia Bank certain amounts allegedly paid indirectly by Mr. Kim to Asia Bank as payment of those borrowers' loan obligations to Asia Bank. The total amount of those alleged payments was \$430,850.49. In February 2015, Asia Bank and the U.S. Bankruptcy Trustee reached a settlement in the adversary proceeding, whereby Asia Bank agreed to pay the U.S. Bankruptcy Trustee the sum of \$107,771.62. The settlement of this matter is currently pending approval of the U.S Bankruptcy Court.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

***Critical Accounting Policies***

The discussion and analysis of the Asia Bancshares' (the "Company's") consolidated balance sheets and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues, and expenses, and related disclosures of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Management of the Company considers the following to be critical accounting policies:

Accounting for the allowance for credit losses involves significant judgments and assumptions by management, which have a material impact on the carrying value of net loans. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances as described in "*Allowance for Credit Losses*" below.

**Highlights**

Earnings per share remained the same of \$3.68 per share for 2014 compared to \$3.68 per share for 2013. Earnings per share decreased to \$.75 per share for the first quarter of 2015 compared to \$.83 per share for the first quarter of 2014.

Total loans increased \$15.0 million, or 3.6%, between 2013 and 2014, to \$429.5 million at December 31, 2014, compared to \$414.5 million at December 31, 2013. Total loans decreased \$6.5 million, or 1.5%, to \$423.0 million at March 31, 2015 compared to \$429.5 million at December 31, 2014.

**Financial Performance**

| (Dollars in thousands)                       | Three months<br>ended |          | Twelve months<br>ended |          |
|--|-----------------------|----------|------------------------|----------|
|  | March 31,             |          | December 31,           |          |
|  | 2015                  | 2014     | 2014                   | 2013     |
| Net income                                   | \$ 1,096              | \$ 1,212 | \$ 5,369               | \$ 5,367 |
| Basic earnings per common share              | \$ 0.75               | \$ 0.83  | \$ 3.68                | \$ 3.68  |
| Return on average assets                     | 0.84%                 | 0.99%    | 1.07%                  | 1.13%    |
| Return on average total stockholders' equity | 5.63%                 | 6.69%    | 6.91%                  | 7.42%    |
| Efficiency ratio                             | 57.91%                | 49.32%   | 47.94%                 | 46.78%   |

**Comparison of the three months ended March 31, 2015 to March 31, 2014*****Statement of Operations Review*****Net Income**

Net income for the first quarter of 2015 was \$1,096,000, which is 9.57% less compared to net income for the first quarter of 2014 of \$1,212,000 due to expenses in connection with the Merger. Earnings per share for the first quarter of 2015 was \$0.75 compared to \$0.83 for the first quarter of 2014 due primarily to expenses in connection with the Merger.

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Return on average stockholders' equity was 5.63% and return on average assets was 0.84% for the first quarter of 2015, compared to a return on average stockholders' equity of 6.69% and a return on average assets of 0.99% for the first quarter of 2014.

**Net Interest Income Before Provision for Credit Losses**

Net interest income before provision for credit losses increased \$91,000, or 1.8%, to \$5.1 million for the first quarter of 2015 compared to \$5.0 million for the first quarter of 2014. The increase was due primarily to the increase in loan interest income as a result of the \$13.8 million increase in average loan balance.

The net interest margin was 4.05% for the first quarter of 2015, compared to 4.30% for the first quarter of 2014. The decrease in the net interest margin was due mainly to the decrease in the yield on interest bearing assets.

For the first quarter of 2015, the yield on average interest-earning assets was 4.44% and the cost of funds on average interest-bearing liabilities was 0.55%. In comparison, for the first quarter of 2014, the yield on average interest-earning assets was 4.69% and the cost of funds on average interest-bearing liabilities was 0.53%. The interest spread, defined as the difference between the yield on average interest-earning assets and the cost of funds on average interest-bearing liabilities, decreased to 3.90% for the first quarter of 2015 from 4.16% for the first quarter of 2014.

The following table sets forth information concerning average interest-earning assets, average interest-bearing liabilities, and the average yields and rates paid on those assets and liabilities for first quarter of 2015 and first quarter of 2014. Average outstanding amounts included in the table are daily averages.

Table of Contents**Interest-Earning Assets and Interest-Bearing Liabilities**

Three months ended March 31,

| (Dollars in thousands)                   | 2015              |                         |                          | 2014              |                         |                          |
|--|-------------------|-------------------------|--------------------------|-------------------|-------------------------|--------------------------|
|  | Average Balance   | Interest Income/Expense | Average Yield/Rate(1)(2) | Average Balance   | Interest Income/Expense | Average Yield/Rate(1)(2) |
| <b>Interest earning assets:</b>          |                   |                         |                          |                   |                         |                          |
| Commercial loans                         | \$ 15,206         | \$ 178                  | 4.75%                    | \$ 14,153         | \$ 172                  | 4.93%                    |
| Residential mortgage loans               | 2,235             | 31                      | 5.63                     | 2,426             | 34                      | 5.68                     |
| Commercial mortgage loans                | 407,090           | 5,295                   | 5.28                     | 396,927           | 5,212                   | 5.33                     |
| Real estate construction loans           | 3,075             | 46                      | 6.07                     | 253               | 4                       | 6.41                     |
| Other loans and leases                   | 29                | 1                       | 13.98                    | 30                | 1                       | 13.52                    |
| <b>Total loans and leases(1)</b>         | <b>427,635</b>    | <b>5,551</b>            | <b>5.26</b>              | <b>413,789</b>    | <b>5,423</b>            | <b>5.32</b>              |
| Taxable securities                       | 2,191             | 25                      | 4.63                     | 2,258             | 26                      | 4.67                     |
| Federal Funds Sold                       | 31,133            | 23                      | 0.30                     | 31,909            | 24                      | 0.31                     |
| Federal Home Loan Bank stock             | 1,377             | 21                      | 6.18                     | 1,377             | 21                      | 6.18                     |
| Interest bearing deposits                | 52,358            | 21                      | 0.16                     | 27,066            | 18                      | 0.27                     |
| <b>Total interest-earning assets</b>     | <b>514,694</b>    | <b>5,641</b>            | <b>4.44</b>              | <b>476,399</b>    | <b>5,512</b>            | <b>4.69</b>              |
| <b>Non-interest earning assets:</b>      |                   |                         |                          |                   |                         |                          |
| Cash and due from banks                  | 2,889             |                         |                          | 2,854             |                         |                          |
| Other non-earning assets                 | 11,882            |                         |                          | 15,192            |                         |                          |
| <b>Total non-interest earning assets</b> | <b>14,771</b>     |                         |                          | <b>18,046</b>     |                         |                          |
| Less: Allowance for loan losses          | (5,713)           |                         |                          | (5,790)           |                         |                          |
| Deferred loan fees                       | (425)             |                         |                          | (448)             |                         |                          |
| <b>Total assets</b>                      | <b>\$ 523,327</b> |                         |                          | <b>\$ 488,207</b> |                         |                          |
| <b>Interest bearing liabilities:</b>     |                   |                         |                          |                   |                         |                          |
| <b>Interest bearing demand accounts</b>  |                   |                         |                          |                   |                         |                          |
| Interest bearing demand accounts         | \$ 20,972         | \$ 19                   | 0.37                     | \$ 21,490         | \$ 18                   | 0.34                     |
| Money market accounts                    | 109,799           | 130                     | 0.48                     | 86,773            | 102                     | 0.48                     |
| Savings accounts                         | 63,087            | 31                      | 0.20                     | 60,984            | 30                      | 0.20                     |
| Time deposits                            | 178,256           | 321                     | 0.73                     | 182,279           | 312                     | 0.69                     |
| <b>Total interest-bearing deposits</b>   | <b>372,114</b>    | <b>501</b>              | <b>0.55</b>              | <b>351,526</b>    | <b>462</b>              | <b>0.53</b>              |
| <b>Non-interest bearing liabilities:</b> |                   |                         |                          |                   |                         |                          |
| Demand deposits                          | 70,719            |                         |                          | 61,226            |                         |                          |
| Other liabilities                        | 2,634             |                         |                          | 2,974             |                         |                          |
| <b>Total equity</b>                      | <b>77,860</b>     |                         |                          | <b>72,481</b>     |                         |                          |
| <b>Total liabilities and equity</b>      | <b>\$ 523,327</b> |                         |                          | <b>\$ 488,207</b> |                         |                          |
| <b>Net interest spread(3)</b>            |                   |                         |                          |                   |                         |                          |
|  |                   |                         | <b>3.90%</b>             |                   |                         | <b>4.16%</b>             |
| <b>Net interest income(3)</b>            |                   | <b>\$ 5,140</b>         |                          |                   | <b>\$ 5,050</b>         |                          |

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|                        |       |       |
|------------------------|-------|-------|
| Net interest margin(3) | 4.05% | 4.30% |
|------------------------|-------|-------|

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- (1) Yields and amounts of interest earned include loan fees. Non-accrual loans are included in the average balance.
- (2) Calculated by dividing net interest income by average outstanding interest-earning assets.
- (3) Net interest income, net interest spread, and net interest margin on interest earning assets have been adjusted to a fully taxable-equivalent basis using a statutory federal income tax rate of 35%.

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The following table summarizes the changes in interest income and interest expense attributable to changes in volume and changes in interest rates:

| (Dollars in thousands)                   | Taxable-Equivalent Net Interest Income Changes Due to Rate and Volume(1)<br>Three months ended March 31,<br>2015 - 2014 |                    |                 |
|--|---|--------------------|-----------------|
|  | Increase (Decrease) in<br>Net Interest Income Due to:   |                    |                 |
|  | Changes in<br>Volume  | Changes in<br>Rate | Total<br>Change |
| Interest-earning assets:                 |   |                    |                 |
| Loans and leases                         | 181   | (53)               | 128             |
| Taxable securities                       | (1)   |                    | (1)             |
| Federal Home Loan Bank stock             |   |                    |                 |
| Deposits with other banks                | 13  | (10)               | 3               |
| Federal funds sold                       |   |                    |                 |
| <b>Total changes in interest income</b>  | <b>193</b>  | <b>(63)</b>        | <b>130</b>      |
| Interest-bearing liabilities:            |   |                    |                 |
| Interest-bearing demand accounts         |   | 1                  | 1               |
| Money market accounts                    | 27  | 1                  | 28              |
| Savings accounts                         | 1   |                    | 1               |
| Time deposits                            | (7)   | 16                 | 9               |
| <b>Total changes in interest expense</b> | <b>21</b>   | <b>18</b>          | <b>39</b>       |
| <b>Changes in net interest income</b>    | <b>172</b>  | <b>(81)</b>        | <b>91</b>       |

(1) Changes in interest income and interest expense attributable to changes in both volume and rate have been allocated proportionately to changes due to volume and changes due to rate.

**Provision for Credit Losses**

Provision for credit losses was \$0 for first quarter of 2015 compared to \$307,000 for first quarter of 2014. The provision for credit losses was based on the review of the adequacy of the allowance for loan losses at March 31, 2015. The provision or reversal for credit losses represents the charge against or benefit toward current earnings that is determined by management, through a credit review process, as the amount needed to establish an allowance that management believes to be sufficient to absorb credit

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losses inherent in the Company's loan portfolio, including unfunded commitments. The following table summarizes the charge-offs and recoveries for the periods indicated:

|                          | For the<br>three months<br>ended<br>March 31, |               |
|--------------------------|---|---------------|
|                          | 2015  | 2014          |
|                          | (In thousands)                                |               |
| <b>Charge-offs:</b>      |   |               |
| Commercial loans         | \$ 1  | \$ 2          |
| Construction loans       |   |               |
| Real estate loans(1)     | 108   | 254           |
| <b>Total charge-offs</b> | <b>109</b>                                    | <b>256</b>    |
| <b>Recoveries:</b>       |   |               |
| Commercial loans         |   |               |
| Construction loans       |   |               |
| Real estate loans(1)     |   |               |
| <b>Total recoveries</b>  |   |               |
| <b>Net charge-offs</b>   | <b>\$ 109</b>                                 | <b>\$ 256</b> |

(1) Real estate loans include commercial mortgage loans, residential mortgage loans, and equity lines.

**Non-Interest Income**

Non-interest income, which includes revenues from depository service fees, wire transfer fees, and other sources of fee income, was \$277,000 for the first quarter of 2015, an increase of \$11,000, or 0.4%, compared to \$266,000 for the first quarter of 2014.

**Non-Interest Expense**

Non-interest expense increased \$578,000, or 20.3%, to \$3,427,000 in first quarter of 2015 compared to \$2,849,000 in first quarter of 2014 primarily due to merger related expenses. The efficiency ratio was 57.91% in first quarter of 2015 compared to 49.32% in first quarter of 2014.

**Income Taxes**

The effective tax rate for the first quarter of 2015 was 44.9% compared to 45.27% for the first quarter of 2014. The effective tax rate decreased in 2014 as a result of the lower proportion of income earned in New York City during first quarter of 2015 compared to first quarter of 2014.

**Comparison of the year ended 2014 to the year ended 2013**

Net income for 2014, was \$5,369,000, which remained almost the same when compared to net income for 2013 of \$5,367,000. Basic earnings per share for 2014 was \$3.68 compared to \$3.68 for 2013 due primarily to an increase in net interest income of \$445,000 and a decrease in the provision for loan losses of \$511,000, which were partially offset by higher other operating expenses of \$264,000 and lower wire transfer fee income of \$102,000.





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Return on average stockholders' equity was 6.91% and return on average assets was 1.07% for 2014, compared to a return on average stockholders' equity of 7.42% and a return on average assets of 1.13% for 2013.

**Net Interest Income Before Provision for Credit Losses**

Net interest income before provision for credit losses increased \$445,000, or 2.2%, to \$20.6 million for 2014 compared to \$20.1 million for 2013. The increase was due primarily to the increase in loan interest income as a result of the \$15.0 million increase in average loan balances.

The net interest margin was 4.17% for 2014, compared to 4.41% for 2013. The decrease in the net interest margin was due mainly to the decrease in the yield on interest bearing assets.

For 2014, the yield on average interest-earning assets was 4.55% and the cost of funds on average interest-bearing liabilities was 0.53%. In comparison, for 2013, the yield on average interest-earning assets was 4.81% and the cost of funds on average interest-bearing liabilities was 0.54%. The interest spread, defined as the difference between the yield on average interest-earning assets and the cost of funds on average interest-bearing liabilities, decreased to 4.02% for 2014 from 4.27% for 2013.

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The following table sets forth information concerning average interest-earning assets, average interest-bearing liabilities, and the average yields and rates paid on those assets and liabilities for 2014 and 2013. Average outstanding amounts included in the table are daily averages.

**Interest-Earning Assets and Interest-Bearing Liabilities**

Twelve months ended December 31,

| (Dollars in thousands)                   | Average Balance   | 2014 Interest Income/Expense | Average Yield/Rate(1)(2) | Average Balance   | 2013 Interest Income/Expense | Average Yield/Rate(1)(2) |
|--|-------------------|------------------------------|--------------------------|-------------------|------------------------------|--------------------------|
| <b>Interest earning assets:</b>          |                   |                              |                          |                   |                              |                          |
| Commercial loans                         | \$ 14,324         | \$ 699                       | 4.88%                    | \$ 14,738         | \$ 769                       | 5.22%                    |
| Residential mortgage loans               | 2,345             | 132                          | 5.63                     | 2,575             | 154                          | 5.98                     |
| Commercial mortgage loans                | 402,309           | 21,163                       | 5.26                     | 382,358           | 20,660                       | 5.40                     |
| Real estate construction loans           | 1,384             | 85                           | 6.14                     | 10                | 1                            | 6.74                     |
| Other loans and leases                   | 29                | 4                            | 13.79                    | 54                | 8                            | 14.81                    |
| <b>Total loans and leases(1)</b>         | <b>420,391</b>    | <b>22,083</b>                | <b>5.25</b>              | <b>399,735</b>    | <b>21,592</b>                | <b>5.40</b>              |
| Taxable securities                       | 2,222             | 103                          | 4.64                     | 2,376             | 112                          | 4.71                     |
| Federal Funds Sold                       | 31,000            | 97                           | 0.31                     | 30,750            | 87                           | 0.28                     |
| Federal Home Loan Bank stock             | 1,377             | 83                           | 6.03                     | 1,377             | 83                           | 6.03                     |
| Interest bearing deposits                | 38,462            | 87                           | 0.23                     | 21,778            | 59                           | 0.27                     |
| <b>Total interest-earning assets</b>     | <b>493,452</b>    | <b>22,453</b>                | <b>4.55</b>              | <b>456,016</b>    | <b>21,933</b>                | <b>4.81</b>              |
| <b>Non-interest earning assets:</b>      |                   |                              |                          |                   |                              |                          |
| Cash and due from banks                  | 3,115             |                              |                          | 2,682             |                              |                          |
| Other non-earning assets                 | 13,231            |                              |                          | 16,383            |                              |                          |
| <b>Total non-interest earning assets</b> | <b>16,346</b>     |                              |                          | <b>19,065</b>     |                              |                          |
| Less: Allowance for loan losses          | (5,769)           |                              |                          | (5,636)           |                              |                          |
| Deferred loan fees                       | (440)             |                              |                          | (360)             |                              |                          |
| <b>Total assets</b>                      | <b>\$ 503,589</b> |                              |                          | <b>\$ 469,085</b> |                              |                          |
| <b>Interest bearing liabilities:</b>     |                   |                              |                          |                   |                              |                          |
| <b>Interest bearing demand</b>           |                   |                              |                          |                   |                              |                          |
| accounts                                 | \$ 20,696         | \$ 72                        | 0.35                     | \$ 20,785         | \$ 71                        | 0.34                     |
| Money market accounts                    | 93,427            | 426                          | 0.46                     | 86,930            | 406                          | 0.47                     |
| Savings accounts                         | 62,324            | 124                          | 0.20                     | 60,042            | 118                          | 0.20                     |
| Time deposits                            | 181,482           | 1,274                        | 0.70                     | 168,741           | 1,226                        | 0.73                     |
| <b>Total interest-bearing deposits</b>   | <b>357,929</b>    | <b>1,896</b>                 | <b>0.53</b>              | <b>336,498</b>    | <b>1,821</b>                 | <b>0.54</b>              |
| <b>Non-interest bearing liabilities:</b> |                   |                              |                          |                   |                              |                          |
| Demand deposits                          | 67,637            |                              |                          | 59,814            |                              |                          |
| Other liabilities                        | 2,324             |                              |                          | 2,375             |                              |                          |
| <b>Total equity</b>                      | <b>75,699</b>     |                              |                          | <b>70,398</b>     |                              |                          |
| <b>Total liabilities and equity</b>      | <b>\$ 503,589</b> |                              |                          | <b>\$ 469,085</b> |                              |                          |
| <b>Net interest spread(3)</b>            |                   |                              | <b>4.02%</b>             |                   |                              | <b>4.27%</b>             |



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The following table summarizes the changes in interest income and interest expense attributable to changes in volume and changes in interest rates:

| (Dollars in thousands)                   | Taxable-Equivalent Net Interest Income Changes Due to Rate and Volume(1)<br>Twelve months ended December 31,<br>2014 - 2013 |                    |                 |
|--|---|--------------------|-----------------|
|  | Increase (Decrease) in<br>Net Interest Income Due to:   |                    |                 |
|  | Changes in<br>Volume  | Changes in<br>Rate | Total<br>Change |
| <b>Interest-earning assets:</b>          |   |                    |                 |
| Loans and leases                         | 1,096   | (605)              | 491             |
| Taxable securities                       | (7)   | (2)                | (9)             |
| Federal Home Loan Bank stock             |   |                    |                 |
| Deposits with other banks                | 39  | (11)               | 28              |
| Federal funds sold                       | 1   | 9                  | 10              |
| <b>Total changes in interest income</b>  | <b>1,129</b>  | <b>(609)</b>       | <b>520</b>      |
| <b>Interest-bearing liabilities:</b>     |   |                    |                 |
| Interest bearing demand accounts         | 1   |                    | 1               |
| Money market accounts                    | 30  | (10)               | 20              |
| Savings accounts                         | 5   | 1                  | 6               |
| Time deposits                            | 90  | (42)               | 48              |
| <b>Total changes in interest expense</b> | <b>126</b>  | <b>(51)</b>        | <b>75</b>       |
| <b>Changes in net interest income</b>    | <b>1,003</b>  | <b>(558)</b>       | <b>445</b>      |

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- (1) Changes in interest income and interest expense attributable to changes in both volume and rate have been allocated proportionately to changes due to volume and changes due to rate.

**Provision for Credit Losses**

Provision for credit losses was \$278,000 for 2014 compared to \$789,000 for 2013. The provision for credit losses was based on the review of the adequacy of the allowance for loan losses at December 31, 2014. The provision or reversal for credit losses represents the charge against or benefit toward current earnings that is determined by management, through a credit review process, as the amount needed to establish an allowance that management believes to be sufficient to absorb credit losses inherent in the

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Company's loan portfolio, including unfunded commitments. The following table summarizes the charge-offs and recoveries for the periods indicated:

|                          | <b>For the twelve<br/>months ended<br/>December 31,</b> |               |
|--------------------------|---|---------------|
|                          | <b>2014</b>   | <b>2013</b>   |
|                          | <b>(In thousands)</b>                                   |               |
| <b>Charge-offs:</b>      |   |               |
| Commercial loans         | \$  | \$            |
| Construction loans       |   |               |
| Real estate loans(1)     | 256   | 669           |
| <b>Total charge-offs</b> | <b>256</b>  | <b>669</b>    |
| <b>Recoveries:</b>       |   |               |
| Commercial loans         |   | 32            |
| Construction loans       |   |               |
| Real estate loans(1)     | 7   | 7             |
| <b>Total recoveries</b>  | <b>7</b>  | <b>39</b>     |
| <b>Net charge-offs</b>   | <b>\$ 249</b>   | <b>\$ 630</b> |

(1) Real estate loans include commercial mortgage loans, residential mortgage loans, and equity lines.

**Non-Interest Income**

Non-interest income, which includes revenues from depository service fees, wire transfer fees, and other sources of fee income, was \$1,083,000 for 2014, a decrease of \$185,000, or 14.6%, compared to \$1,268,000 for 2013. The decrease in non-interest income in 2014 was primarily due to a decrease of \$185,000 in wire transfer fees as a result of decreased emphasis on this service during 2014.

**Non-Interest Expense**

Non-interest expense increased \$430,000, or 4.0%, to \$11,283,000 in 2014 compared to \$10,853,000 in 2013 primarily as a result of higher director fees paid in 2014 as well as additional professional fees in relation to the proposed merger. The efficiency ratio was 47.94% in 2014 compared to 46.78% in 2013.

**Income Taxes**

The effective tax rate for 2014 was 46.7% compared to 44.9% for 2013. The effective tax rate increased in 2014 as a result of the higher proportion of income earned in New York City during 2014 compared to 2013.

**Balance Sheet Review****Assets**

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Total assets were \$523.3 million at March 31, 2015, an increase of \$35.1 million, or 7.2%, from \$488.2 million at March 31, 2014, primarily due to a \$4.7 million increase in loans and a \$26.3 million

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increase in deposits. Total assets were \$533.2 million at December 31, 2014, an increase of \$58.5 million, or 12.3%, from \$474.7 million at December 31, 2013, primarily due to a \$15 million increase in loans and a \$53.1 million increase in deposits.

**Loans**

Gross loans were \$423.0 million at March 31, 2015, a decrease of \$6.5 million, or 1.50%, from \$429.5 million at December 31, 2014, primarily due to decreases of \$8.5 million in commercial mortgage loans and \$2.0 million in residential real estate loans. Gross loans were \$429.5 million at December 31, 2014, an increase of \$15.0 million, or 3.6%, from \$414.5 million at December 31, 2013, primarily due to increases of \$11.9 million in commercial mortgage loans. The following table sets forth the classification of loans by type, mix, and percentage change as of the dates indicated:

|                                   | March 31,<br>2015 | % of<br>Gross Loans | December 31,<br>2014 | % of<br>Gross Loans | % Change     |
|-----------------------------------|-------------------|---------------------|----------------------|---------------------|--------------|
| (Dollars in thousands)            |                   |                     |                      |                     |              |
| <b>Type of Loans</b>              |                   |                     |                      |                     |              |
| Commercial real estate            | \$ 366,920        | 86.73%              | \$ 375,398           | 87.41%              | 2.26%        |
| Construction and land development | 3,164             | 0.75                | 2,921                | 0.68                | 8.32         |
| Residential real estate           | 47,044            | 11.12               | 45,044               | 10.49               | 4.44         |
| Commercial and Industrial         | 2,035             | 0.48                | 1,999                | 0.47                | 1.80         |
| Consumer                          | 3,877             | 0.91                | 4,103                | 0.97                | (5.51)       |
| <b>Gross loans</b>                | <b>\$ 423,040</b> | <b>100%</b>         | <b>\$ 429,465</b>    | <b>100%</b>         | <b>1.50%</b> |
| Allowance for loan losses         | (5,657)           |                     | (5,764)              |                     | (1.86)       |
| Unamortized deferred loan fees    | (411)             |                     | (435)                |                     | (5.52)       |
| <b>Total loans, net</b>           | <b>\$ 416,972</b> |                     | <b>\$ 423,266</b>    |                     | <b>1.49%</b> |

|                                   | December 31,<br>2014 | % of<br>Gross Loans | December 31,<br>2013 | % of<br>Gross Loans | % Change     |
|-----------------------------------|----------------------|---------------------|----------------------|---------------------|--------------|
| (Dollars in thousands)            |                      |                     |                      |                     |              |
| <b>Type of Loans</b>              |                      |                     |                      |                     |              |
| Commercial real estate            | \$ 375,398           | 87.41%              | \$ 373,654           | 90.15%              | 0.47%        |
| Construction and land development | 2,921                | 0.68                | 253                  | 0.06                | 1054.55      |
| Residential real estate           | 45,044               | 10.49               | 35,826               | 8.64                | 25.73        |
| Commercial and Industrial         | 1,999                | 0.47                | 1,098                | 0.26                | 82.06        |
| Consumer                          | 4,103                | 0.95                | 3,630                | 0.89                | 13.03        |
| <b>Gross loans</b>                | <b>\$ 429,465</b>    | <b>100%</b>         | <b>\$ 414,461</b>    | <b>100%</b>         | <b>3.62%</b> |
| Allowance for loan losses         | (5,764)              |                     | (5,735)              |                     | 0.51         |
| Unamortized deferred loan fees    | (435)                |                     | (455)                |                     | (4.40)       |

|                  |    |         |    |         |       |
|------------------|----|---------|----|---------|-------|
| Total loans, net | \$ | 423,266 | \$ | 408,271 | 3.67% |
|------------------|----|---------|----|---------|-------|

**Non-performing Assets**

Non-performing assets include loans past due 90 days or more and still accruing interest, non-accrual loans, and other real estate owned. The Company's policy is to place loans on non-accrual status if interest and/or principal is past due 90 days or more, or in cases where management deems the full collection of principal and interest unlikely. After a loan is placed on non-accrual status, any previously accrued but unpaid interest is reversed and charged against current income and subsequent



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payments received are generally first applied towards the outstanding principal balance of the loan. The loan is generally returned to accrual status when the borrower has brought the past due principal and interest payments current and, in the opinion of management, the borrower has demonstrated the ability to make future payments of principal and interest as scheduled.

Management reviews the loan portfolio regularly for problem loans. During the ordinary course of business, management becomes aware of borrowers that may not be able to meet the contractual requirements of the loan agreements. Such loans are placed under closer supervision with consideration given to placing the loans on non-accrual status, the need for an additional allowance for loan losses, and (if appropriate) partial or full charge-off.

The ratio of non-performing assets to total assets was 1.35% at March 31, 2015 compared to 1.33% at December 31, 2014 and compared to 1.79% at December 31, 2013. Total non-performing assets decreased \$1.4 million, or 16.5%, to \$7.1 million at March 31, 2015 and December 31, 2014, compared to \$8.5 million at December 31, 2013, primarily due to repayments of nonaccrual loans.

As a percentage of gross loans plus OREO, our non-performing assets decreased to 1.68% at March 31, 2015 from 1.65% at December 31, 2014 and from 2.04% at December 31, 2013. The non-performing portfolio loan coverage ratio, defined as the allowance for loan losses to non-performing loans, decreased to 80.07% at March 31, 2015 from 81.3% at December 31, 2014 and from 67.57% at December 31, 2013.

The following table presents non-performing assets and troubled debt restructurings (TDRs) at March 31, 2015, December 31, 2014 and December 31, 2013:

| (Dollars in thousands)   | March 31,<br>2015 | December 31,<br>2014 | % Change   | December 31,<br>2013 | % Change    |
|--|-------------------|----------------------|------------|----------------------|-------------|
| <b>Non-performing assets</b>                                     |                   |                      |            |                      |             |
| Accruing loans past due 90 days or more                          | \$                | \$                   |            | \$                   |             |
| Non-accrual loans:   |                   |                      |            |                      |             |
| Commercial real estate loans, excluding land loans               | 1,342             | 1,367                | (2)        | 2,209                | (38)        |
| Commercial loans   | 90                | 90                   |            | 383                  | (77)        |
| Residential mortgage loans                                       | 5,633             | 5,633                |            | 5,896                | (4)         |
| <b>Total non-accrual loans:</b>                                  | <b>\$ 7,065</b>   | <b>\$ 7,090</b>      | <b>(0)</b> | <b>\$ 8,488</b>      | <b>(16)</b> |
| <b>Total non-performing loans</b>                                | <b>7,065</b>      | <b>7,090</b>         | <b>(0)</b> | <b>8,488</b>         | <b>(16)</b> |
| Other real estate owned  |                   |                      |            |                      |             |
| <b>Total non-performing assets</b>                               | <b>\$ 7,065</b>   | <b>\$ 7,090</b>      | <b>(0)</b> | <b>\$ 8,488</b>      | <b>(16)</b> |
| <b>Accruing troubled debt restructurings (TDRs)</b>              | <b>\$ 259</b>     | <b>\$ 100</b>        |            | <b>\$ 100</b>        |             |
| Allowance for loan losses  | \$ 5,657          | \$ 5,764             | (2)        | \$ 5,735             | 1           |
| Allowance for off-balance sheet credit commitments               | 8                 | 56                   | (86)       | 56                   |             |
| Allowance for credit losses                                      | \$ 5,665          | \$ 5,820             | (3)        | \$ 5,791             | 1           |
| <b>Total gross loans outstanding, at period-end</b>              | <b>\$ 423,040</b> | <b>\$ 429,465</b>    | <b>(1)</b> | <b>\$ 414,461</b>    | <b>4</b>    |
| Allowance for loan losses to non-performing loans, at period-end | 80.07%            | 81.30%               |            | 67.57%               |             |
| Allowance for loan losses to gross loans, at period-end          | 1.34%             | 1.34%                |            | 1.38%                |             |



Table of Contents**Non-accrual Loans**

At both March 31, 2015 and December 31, 2014, total non-accrual loans were \$7.1 million, a decrease of \$1.4 million, or 16.5%, from \$8.5 million at December 31, 2013. The allowance for the collateral-dependent loans is calculated based on the difference between the outstanding loan balance and the value of the collateral as determined by recent appraisals, sales contracts, or other available market price information. The allowance for collateral-dependent loans varies from loan to loan based on the collateral coverage of the loan at the time of designation as non-performing. Non-accrual loans also include those troubled debt restructurings that do not qualify for accrual status.

**Impaired Loans**

A loan is considered impaired when it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement based on current circumstances and events. The assessment for impairment occurs when and while such loans are on non-accrual as a result of delinquency status of over 90 days or receipt of information indicating that full collection of principal is doubtful, or when the loan has been restructured in a troubled debt restructuring. Non-accrual impaired loans, including TDRs, are not returned to accrual status unless the unpaid interest has been brought current and full repayment of the recorded balance is expected or if the borrower has made six consecutive monthly payments of the scheduled amounts due, and TDRs are reviewed for continued impairment until they are no longer reported as TDRs.

At March 31, 2015 and December 31, 2014, recorded investment in impaired loans totaled \$7.1 million and \$7.2 million, respectively and was comprised of non-accrual loans of \$7.1 million at March 31, 2015 and \$6.9 million and accruing TDRs of \$0.3 million at December 31, 2014. At December 31, 2013, recorded investment in impaired loans totaled \$8.4 million and was comprised of non-accrual loans of \$8.4 million. At March 31, 2015, and December 31, 2014 and 2013, none of the allowance for loan losses was allocated for impaired loans.

The following table presents impaired loans and related allowance as of the dates indicated:

|  | <b>Impaired Loans</b>                   |                                |                  |   |                                |                  |   |                                |                  |
|--|---|--------------------------------|------------------|---|--------------------------------|------------------|---|--------------------------------|------------------|
|  | <b>March 31, 2015</b>                   |                                |                  | <b>December 31, 2014</b>                |                                |                  | <b>December 31, 2013</b>                |                                |                  |
|  | <b>Unpaid<br/>Principal<br/>Balance</b> | <b>Recorded<br/>Investment</b> | <b>Allowance</b> | <b>Unpaid<br/>Principal<br/>Balance</b> | <b>Recorded<br/>Investment</b> | <b>Allowance</b> | <b>Unpaid<br/>Principal<br/>Balance</b> | <b>Recorded<br/>Investment</b> | <b>Allowance</b> |
|  | <b>(In thousands)</b>                   |                                |                  |   |                                |                  |   |                                |                  |
| <b>With no allocated allowance</b>             |   |                                |                  |   |                                |                  |   |                                |                  |
| Commercial loans                               | \$ 90                                   | \$ 90                          | \$               | \$                                      | \$                             | \$               | \$ 391                                  | \$ 293                         | \$               |
| Real estate construction loans                 |   |                                |                  |   |                                |                  |   |                                |                  |
| Commercial mortgage loans                      | 1,342                                   | 1,342                          |                  | 1,322                                   | 1,322                          |                  | 2,560                                   | 2,170                          |                  |
| Residential mortgage loans<br>and equity lines | 5,633                                   | 5,633                          |                  | 6,038                                   | 5,892                          |                  | 5,783                                   | 5,633                          |                  |
| Subtotal                                       | \$ 7,065                                | \$ 7,065                       | \$               | \$ 7,360                                | \$ 7,214                       | \$               | \$ 8,734                                | \$ 8,096                       | \$               |
| <b>With allocated allowance</b>                |   |                                |                  |   |                                |                  |   |                                |                  |
| Commercial loans                               | \$                                      | \$                             | \$               | \$                                      | \$                             | \$               | \$                                      | \$                             | \$               |
| Real estate construction loans                 |   |                                |                  |   |                                |                  |   |                                |                  |
| Commercial mortgage loans                      |   |                                |                  |   |                                |                  |   |                                |                  |
| Residential mortgage loans<br>and equity lines |   |                                |                  |   |                                |                  | 263                                     | 263                            | 8                |
| Subtotal                                       | \$                                      | \$                             | \$               | \$                                      | \$                             | \$               | \$ 263                                  | \$ 263                         | \$ 8             |
| <b>Total impaired loans</b>                    | <b>\$ 7,065</b>                         | <b>\$ 7,065</b>                | <b>\$</b>        | <b>\$ 7,360</b>                         | <b>\$ 7,214</b>                | <b>\$</b>        | <b>\$ 8,997</b>                         | <b>\$ 8,359</b>                | <b>\$ 8</b>      |

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**Loan Concentration**

Most of the Company's business activities are with customers located in the predominantly Asian areas of New York City, New York and the State of Maryland. The Company has no specific industry concentration, and generally its loans are collateralized with real property or other pledged collateral of the borrowers. Loans are generally expected to be paid off from the operating profits of the borrowers, refinancing by another lender, or through sale by the borrowers of the collateral. There were no loan concentrations to multiple borrowers in similar activities which exceeded 10% of total loans as of March 31, 2015, December 31, 2014, or December 31, 2013.

The federal banking regulatory agencies issued final guidance on December 6, 2006, regarding risk management practices for financial institutions with high or increasing concentrations of commercial real estate ("CRE") loans on their balance sheets. The regulatory guidance reiterates the need for sound internal risk management practices for those institutions that have experienced rapid growth in CRE lending, have notable exposure to specific types of CRE, or are approaching or exceeding the supervisory criteria used to evaluate the CRE concentration risk, but the guidance is not to be construed as a limit for CRE exposure. The supervisory criteria are: (1) total reported loans for construction, land development, and other land represent 100% of the institution's total risk-based capital, and (2) both total CRE loans represent 300% or more of the institution's total risk-based capital and the institution's CRE loan portfolio has increased 50% or more within the last thirty-nine months. Total loans for construction, land development, and other land represented 4% of the Bank's total risk-based capital as of both March 31, 2015 and December 31, 2014, and 0.4% as of December 31, 2013. Total CRE loans represented 466%, 486% and 517% of total risk-based capital as of March 31, 2015, December 31, 2014, and December 31, 2013, respectively.

**Allowance for Credit Losses**

The Bank maintains the allowance for credit losses at a level that is considered adequate to absorb the estimated and known risks in the loan portfolio and off-balance sheet unfunded credit commitments. Allowance for credit losses is comprised of the allowance for loan losses and the reserve for off-balance sheet unfunded credit commitments. With this risk management objective, the Bank's management has an established monitoring system that is designed to identify impaired and potential problem loans, and to permit periodic evaluation of impairment and the adequacy level of the allowance for credit losses in a timely manner.

In addition, the Bank's Board of Directors has established a written credit policy that includes a credit review and control system which it believes should be effective in ensuring that the Bank maintains an adequate allowance for credit losses. The Board of Directors provides oversight for the allowance evaluation process, including quarterly evaluations, and determines whether the allowance is adequate to absorb losses in the credit portfolio. The determination of the amount of the allowance for credit losses and the provision for credit losses is based on management's current judgment about the credit quality of the loan portfolio and takes into consideration known relevant internal and external factors that affect collectability when determining the appropriate level for the allowance for credit losses. The nature of the process by which the Bank determines the appropriate allowance for credit losses requires the exercise of considerable judgment. Additions to the allowance for credit losses are made by charges to the provision for credit losses. While management utilizes its best judgment based on the information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Bank's control, including the performance of the Bank's loan portfolio, the economy, changes in interest rates, and the view of the regulatory authorities toward loan classifications. Identified credit exposures that are determined to be uncollectible are charged against the allowance for credit losses. Recoveries of previously charged off amounts, if any, are credited to the allowance for credit losses. A weakening of the economy or other factors that adversely affect asset

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quality could result in an increase in the number of delinquencies, bankruptcies, or defaults, and a higher level of non-performing assets, net charge-offs, and provision for credit losses in future periods.

The allowance for loan losses was \$5,657,000 and \$5,764,000 at March 31, 2015 and December 31, 2014, respectively and the allowance for off-balance sheet unfunded credit commitments was \$68,000 and \$56,000 at March 31, 2015 and December 31, 2014, which represented the amount believed by management to be sufficient to absorb credit losses inherent in the loan portfolio, including unfunded commitments. The allowance for loan losses represented 1.34% of period-end gross loans at both March 31, 2015 and December 31, 2014 and 79.79% and 81.3% of non-performing loans at March 31, 2015 and December 31, 2014. The comparable ratios were 1.38% of period-end gross loans and 67.57% of non-performing loans at December 31, 2013.

The following table sets forth information relating to the allowance for loan losses, charge-offs, recoveries, and the reserve for off-balance sheet credit commitments for the periods indicated:

|  | Three months ended<br>March 31, |            | Twelve months ended<br>December 31, |            |
|--|---------------------------------|------------|-------------------------------------|------------|
|  | 2015                            | 2014       | 2014                                | 2013       |
| (Dollars in thousands)   |                                 |            |                                     |            |
| <b>Allowance for Loan Losses</b>   |                                 |            |                                     |            |
| Balance at beginning of period   | \$ 5,764                        | \$ 5,735   | \$ 5,735                            | \$ 5,577   |
| Provision for credit losses  |                                 | 307        | 278                                 | 789        |
| Charge-offs :  |                                 |            |                                     |            |
| Commercial loans   |                                 |            |                                     | (98)       |
| Construction loans-residential   |                                 |            |                                     |            |
| Construction loans-other   |                                 |            |                                     |            |
| Real estate loans  | (108)                           | (254)      | (256)                               | (571)      |
| Total charge-offs  | (108)                           | (254)      | (256)                               | (669)      |
| Recoveries:  |                                 |            |                                     |            |
| Commercial loans   | 1                               | 2          |                                     | 32         |
| Construction loans-residential   |                                 |            |                                     |            |
| Construction loans-other   |                                 |            |                                     |            |
| Real estate loans  |                                 |            | 7                                   | 7          |
| Total recoveries   | 1                               | 2          | 7                                   | 39         |
| Balance at end of period   | \$ 5,657                        | \$ 5,790   | \$ 5,764                            | \$ 5,735   |
| <b>Reserve for off-balance sheet credit commitments</b>                  |                                 |            |                                     |            |
| Balance at beginning of period   | \$ 55                           | \$ 56      | \$ 57                               | \$ 47      |
| Provision/(reversal) for credit losses/transfers                         | 13                              | 4          | (1)                                 | 10         |
| Balance at end of period   | \$ 68                           | \$ 60      | \$ 56                               | \$ 57      |
| Average loans outstanding during period ended                            | \$ 422,802                      | \$ 408,956 | \$ 416,378                          | \$ 401,570 |
| Total gross loans outstanding, at period-end                             | \$ 423,040                      | \$ 418,297 | \$ 429,465                          | \$ 414,461 |
| Total non-performing loans, at period-end                                | \$ 7,090                        | \$ 8,488   | \$ 7,090                            | \$ 8,488   |
| Ratio of net charge-offs to average loans outstanding during the period  | 0.03%                           | 0.08%      | 0.08%                               | 0.21%      |
| Provision for loan losses to average loans outstanding during the period | 0.00%                           | 0.10%      | 0.09%                               | 0.26%      |
| Allowance for loan losses to non-performing loans at period-end          | 79.79%                          | 68.21%     | 81.30%                              | 67.57%     |
| Allowance for loan losses to gross loans at period-end                   | 1.34%                           | 1.38%      | 1.34%                               | 1.38%      |



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Our allowance for loan losses consists of the following:

**Specific allowance:** For impaired loans, we provide specific allowances for loans that are not collateral dependent based on an evaluation of the present value of the expected future cash flows discounted at the loan's effective interest rate and for loans that are collateral dependent based on the fair value of the underlying collateral determined by the most recent valuation information received. If the measure of the impaired loan is less than the recorded investment in the loan, the deficiency will be charged off against the allowance for loan losses or, alternatively, a specific allocation will be established.

**General allowance:** The unclassified portfolio is segmented on a group basis. Segmentation is determined by loan type and common risk characteristics. The non-impaired loans are grouped into nine segments: one commercial segment, three commercial real estate segments, one construction segment, one loans to individuals segment, one residential mortgage segment, one equity lines of credit segment, and one overdrafts segment. The allowance is provided for each segmented group based on the group's historical loan loss experience aggregated based on loan risk classifications which takes into account the current financial condition of the borrowers and guarantors, the prevailing value of the underlying collateral if collateral dependent, charge-off history, management's knowledge of the portfolio, general economic conditions, environmental factors including the trends in delinquency and non-accrual, and other significant factors, such as the national and local economy, volume and composition of the portfolio, strength of management and loan staff, underwriting standards, and concentration of credit. In addition, management reviews reports on past-due loans to ensure appropriate classification.

The table set forth below reflects management's allocation of the allowance for loan losses by loan category and the ratio of each loan category to the total average loans as of the dates indicated:

| (Dollars in thousands)         | March 31, 2015  |   | December 31, 2014 |   | December 31, 2013 |   |
|--------------------------------|-----------------|---|-------------------|---|-------------------|---|
|                                | Amount          | Percentage of Loans in Each Category to Average Gross Loans | Amount            | Percentage of Loans in Each Category to Average Gross Loans | Amount            | Percentage of Loans in Each Category to Average Gross Loans |
| Type of Loan:                  |                 |   |                   |   |                   |   |
| Commercial loans               | \$ 20           | 0.3%  | \$ 20             | 0.3%  | \$ 9              | 0.2%  |
| Residential mortgage loans(1)  | 494             | 8.5   | 493               | 8.5   | 389               | 6.7   |
| Commercial mortgage loans      | 5,070           | 90.0  | 5,178             | 90.0  | 5,302             | 92.4  |
| Real estate construction loans | 37              | 0.6   | 37                | 0.6   | 3                 | 0.1   |
| Installment and other loans    | 36              | 0.6   | 36                | 0.6   | 32                | 0.6   |
| <b>Total</b>                   | <b>\$ 5,657</b> | <b>100%</b>   | <b>\$ 5,764</b>   | <b>100%</b>   | <b>\$ 5,735</b>   | <b>100%</b>   |

(1) Residential mortgage loans includes equity lines.

### **Deposits**

Total deposits were \$442.5 million at March 31, 2015, a decrease of \$10.5 million, or 2.3%, from \$453.0 million at December 31, 2014, primarily due to a \$14.2 million, or 11.92%, decrease in money market deposits, and a \$7.0 million, or 6.3%, increase in time deposits over

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\$100,000. Total deposits were \$453.0 million at December 31, 2014, an increase of \$53.1 million, or 13.3%, from \$399.9 million at December 31, 2013, primarily due to a \$31.1 million, or 35.3%, increase in money market deposits, a \$16.1 million, or 78.0%, increase in time deposits over \$100,000 and a \$10.6 million, or 17.3%, increase



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in non-interest bearing demand deposits. The following table displays the deposit mix as of the dates indicated:

|                                      | March 31, 2015 | % of Total | December 31, 2014 | % of Total | % Change |
|--------------------------------------|----------------|------------|-------------------|------------|----------|
| (Dollars in thousands)               |                |            |                   |            |          |
| <b>Deposits</b>                      |                |            |                   |            |          |
| Non-interest-bearing demand deposits | \$ 71,254      | 16.1%      | \$ 71,639         | 15.8%      | 0.5%     |
| NOW deposits                         | 20,568         | 4.6        | 22,361            | 4.9        | (8.0)    |
| Money market deposits                | 104,879        | 23.7       | 119,111           | 26.3       | (11.9)   |
| Savings deposits                     | 64,108         | 14.5       | 62,599            | 13.8       | 2.4      |
| Time deposits under \$100,000        | 63,732         | 14.4       | 66,448            | 14.7       | (4.1)    |
| Time deposits of \$100,000 or more   | 117,915        | 26.7       | 110,864           | 24.5       | 6.4      |
| Total deposits                       | \$ 442,456     | 100.0%     | \$ 453,022        | 100.0%     | 2.3%     |

|                                      | December 31, 2014 | % of Total | December 31, 2013 | % of Total | % Change |
|--------------------------------------|-------------------|------------|-------------------|------------|----------|
| (Dollars in thousands)               |                   |            |                   |            |          |
| <b>Deposits</b>                      |                   |            |                   |            |          |
| Non-interest-bearing demand deposits | \$ 71,639         | 15.8%      | \$ 61,004         | 15.3%      | 17.4%    |
| NOW deposits                         | 22,361            | 4.9        | 21,606            | 5.4        | 3.5      |
| Money market deposits                | 119,111           | 26.3       | 88,051            | 22.0       | 35.3     |
| Savings deposits                     | 62,599            | 13.8       | 61,337            | 15.3       | 2.1      |
| Time deposits under \$100,000        | 66,448            | 14.7       | 73,076            | 18.3       | (9.1)    |
| Time deposits of \$100,000 or more   | 110,864           | 24.5       | 94,794            | 23.7       | 17.0     |
| Total deposits                       | \$ 453,022        | 100.0%     | \$ 399,868        | 100.0%     | 13.3%    |

**Off-Balance-Sheet Arrangements and Contractual Obligations**

The following table summarizes the Company's contractual obligations to make future payments as of March 31, 2015 and December 31, 2014. Payments for deposits and borrowings do not include interest. Payments related to leases are based on actual payments specified in the underlying contracts.

|   | Payment Due by Period as of March 31, 2015 |  |                                       |                 |    | Total      |
|---|--|--|---------------------------------------|-----------------|----|------------|
|   | 1 year or less                             | More than 1 year but less than 3 years | 3 years or more but less than 5 years | 5 years or more |    |            |
| (In thousands)                                      |  |  |                                       |                 |    |            |
| <b>Contractual obligations:</b>                     |  |  |                                       |                 |    |            |
| Deposits with stated maturity dates                 | \$ 137,884                                 | \$ 41,100                              | \$ 2,663                              | \$              | \$ | \$ 181,647 |
| <b>Long-term debt</b>                               |  |  |                                       |                 |    |            |
| Operating leases                                    | 838  | 1,749                                  | 551                                   |                 |    | 3,138      |
| Total contractual obligations and other commitments | \$ 138,722                                 | \$ 42,849                              | \$ 3,214                              | \$              | \$ | \$ 184,785 |



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|  | Payment Due by Period as of December 31, 2014 |   |  |                    | Total             |
|--|---|---|--|--------------------|-------------------|
|  | 1 year<br>or less                             | More than<br>1 year but<br>less than<br>3 years | 3 years or<br>more but<br>less than<br>5 years | 5 years<br>or more |                   |
| (In thousands)   |   |   |  |                    |                   |
| <b>Contractual obligations:</b>                            |   |   |  |                    |                   |
| Deposits with stated maturity dates                        | \$ 140,023                                    | \$ 34,446                                       | \$ 2,843                                       | \$                 | \$ 177,312        |
| <b>Long-term debt</b>                                      |   |   |  |                    |                   |
| Operating leases   | 832   | 1,737   | 773  |                    | 3,342             |
| <b>Total contractual obligations and other commitments</b> | <b>\$ 140,855</b>                             | <b>\$ 36,183</b>                                | <b>\$ 3,616</b>                                | <b>\$</b>          | <b>\$ 180,654</b> |

In the normal course of business, we enter into various transactions, which, in accordance with U.S. generally accepted accounting principles, are not included in our consolidated balance sheets. We enter into these transactions to meet the financing needs of our customers. These transactions include commitments to extend credit and standby letters of credit, which involve, to varying degrees, elements of credit risk and interest rate risk in excess of the amounts recognized in the condensed consolidated balance sheets.

*Loan Commitments.* We enter into contractual commitments to extend credit, normally with fixed expiration dates or termination clauses, at specified rates and for specific purposes. Substantially all of our commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of loan funding. We minimize our exposure to loss under these commitments by subjecting them to credit approval and monitoring procedures. Management assesses the credit risk associated with certain commitments to extend credit in determining the level of the allowance for credit losses.

**Capital Resources**

Total equity was \$77.9 million at March 31, 2015 and increased from \$77.7 million at December 31, 2014 as a result of the net income for the first quarter of 2015. Total equity was \$77.7 million at December 31, 2014, an increase of \$5.4 million, or 7.5%, from \$72.3 million at December 31, 2013, due to the net income for 2014.

**Capital Adequacy Review**

Management seeks to maintain the Company's capital at a level sufficient to support future growth, protect depositors and stockholders, and comply with various regulatory requirements.

Both the Bancorp's and the Bank's regulatory capital continued to exceed the regulatory minimum requirements as of March 31, 2015 and December 31, 2014. In addition, the capital ratios of the Bank place it in the "well capitalized" category which is defined as institutions with a Tier 1 risk-based capital ratio equal to or greater than 6.0%, total risk-based capital ratio equal to or greater than 10.0%, and Tier 1 leverage capital ratio equal to or greater than 5.0%.

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The following table presents Bancorp's and the Bank's capital and leverage ratios as of March 31, 2015, December 31, 2014, and December 31, 2013:

| (Dollars in thousands)                   | Asia Bancshares Inc. |       |                   |       |                   |       |
|--|----------------------|-------|-------------------|-------|-------------------|-------|
|  | March 31, 2015       |       | December 31, 2014 |       | December 31, 2013 |       |
|  | Balance              | %     | Balance           | %     | Balance           | %     |
| Tier 1 capital (to risk-weighted assets) | \$ 78,792            | 19.22 | \$ 77,696         | 18.67 | \$ 73,076         | 18.24 |
| Tier 1 capital minimum requirement       | 16,398               | 4.00  | 16,648            | 4.00  | 16,025            | 4.00  |
| Excess                                   | \$ 62,394            | 15.22 | \$ 61,048         | 14.67 | \$ 57,051         | 14.24 |
| Total capital (to risk-weighted assets)  | \$ 83,924            | 20.47 | \$ 82,846         | 19.91 | \$ 78,093         | 19.49 |
| Total capital minimum requirement        | 32,797               | 8.00  | 33,295            | 8.00  | 32,050            | 8.00  |
| Excess                                   | \$ 51,127            | 12.47 | \$ 49,551         | 11.91 | \$ 46,043         | 11.49 |
| Tier 1 capital (to average assets)       |                      |       |                   |       |                   |       |
| Leverage ratio                           | \$ 78,792            | 15.06 | \$ 77,696         | 14.75 | \$ 73,076         | 15.34 |
| Minimum leverage requirement             | 20,933               | 4.00  | 21,066            | 4.00  | 19,050            | 4.00  |
| Excess                                   | \$ 57,859            | 11.06 | \$ 56,630         | 10.75 | \$ 54,026         | 11.34 |
| Risk-weighted assets                     | \$ 409,958           |       | \$ 416,190        |       | \$ 400,625        |       |
| Total average assets(1)                  | \$ 523,327           |       | \$ 526,652        |       | \$ 476,254        |       |

| (Dollars in thousands)                   | Asia Bank, NA  |       |                   |       |                   |       |
|--|----------------|-------|-------------------|-------|-------------------|-------|
|  | March 31, 2015 |       | December 31, 2014 |       | December 31, 2013 |       |
|  | Balance        | %     | Balance           | %     | Balance           | %     |
| Tier 1 capital (to risk-weighted assets) | \$ 73,844      | 18.23 | \$ 72,724         | 17.68 | \$ 67,287         | 16.80 |
| Tier 1 capital minimum requirement       | 16,203         | 4.00  | 16,454            | 4.00  | 16,025            | 4.00  |
| Excess                                   | \$ 57,641      | 14.23 | \$ 56,270         | 13.68 | \$ 51,262         | 12.80 |
| Total capital (to risk-weighted assets)  | \$ 78,916      | 19.48 | \$ 77,874         | 18.93 | \$ 72,304         | 18.05 |
| Total capital minimum requirement        | 32,405         | 8.00  | 32,909            | 8.00  | 32,050            | 8.00  |
| Excess                                   | \$ 46,511      | 11.48 | \$ 44,965         | 10.93 | \$ 40,254         | 10.05 |

|   |    |         |       |    |         |       |                 |
|---|----|---------|-------|----|---------|-------|-----------------|
| <b>Tier 1 capital (to average assets)</b> |    |         |       |    |         |       |                 |
| Leverage ratio                            | \$ | 73,844  | 14.24 | \$ | 72,724  | 13.94 | \$ 67,287 14.19 |
| Minimum leverage requirement              |    | 20,740  | 4.00  |    | 20,873  | 4.00  | 18,968 4.00     |
| Excess                                    | \$ | 53,104  | 10.24 | \$ | 51,851  | 9.94  | \$ 48,319 10.19 |
| <br>                                      |    |         |       |    |         |       |                 |
| Risk-weighted assets                      | \$ | 405,065 |       | \$ | 411,357 |       | \$ 400,625      |
| Total average assets(1)                   | \$ | 518,494 |       | \$ | 521,819 |       | \$ 474,194      |

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(1) The quarterly total average assets reflect all debt securities at amortized cost, equity security with readily determinable fair values at the lower of cost or fair value, and equity securities without readily determinable fair values at historical cost.

Management believes that, as of March 31, 2015 and December 31, 2014, Bancorp and the Bank would meet all capital adequacy requirements under the Basel III rules on a fully phased-in basis as if such requirements were currently in effect.

***Dividend Policy***

Holders of common stock are entitled to dividends as and when declared by our Board of Directors out of funds legally available for the payment of dividends. In 2012, the Bancorp paid a dividend totaling \$3,650,000. The Bancorp did not pay a dividend in 2013 or 2014 and does not expect to pay a dividend in 2015.

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*Liquidity*

Liquidity is our ability to maintain sufficient cash flow to meet maturing financial obligations and customer credit needs, and to take advantage of investment opportunities as they are presented in the marketplace. Our principal sources of liquidity are growth in deposits and repayments from loans. At March 31, 2015 and December 31, 2014, our liquidity total coverage ratio (defined as total overall coverage capacity over total funds to be covered) was 82.74% and 82.44%, respectively, which are over our policy requirement of 70%.

Approximately 75.9% and 81.9% of the Company's time deposits mature within one year or less as of March 31, 2015 and December 31, 2014, respectively. Management anticipates that there may be some outflow of these deposits upon maturity due to the keen competition in the Bank's marketplace. However, based on our historical run-off experience, we expect that the outflow will be minimal and can be replenished through our normal growth in deposits. Management believes the above-mentioned sources will provide adequate liquidity to the Bank to meet its daily operating needs.

The business activities of Bancorp consist primarily of the operation of the Bank.

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**WHERE YOU CAN FIND MORE INFORMATION ABOUT CATHAY**

Cathay has filed with the SEC a registration statement under the Securities Act that registers the distribution to Asia Bancshares shareholders of the shares of Cathay common stock to be issued in connection with the merger. This proxy statement/prospectus is a part of that registration statement and constitutes the prospectus of Cathay in addition to being a proxy statement for Asia Bancshares shareholders. The registration statement, including the attached exhibits and schedules, contains additional relevant information about Cathay and Cathay common stock.

You may read and copy this information at the Public Reference Room of the SEC at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates, or from commercial document retrieval services.

The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like Cathay, who file electronically with the SEC. The address of the site is <http://www.sec.gov>. The reports and other information filed by Cathay with the SEC are also available at Cathay's website at <http://www.cathaybank.com>. The web addresses of the SEC and Cathay are included as inactive textual references only. Except as specifically incorporated by reference into this proxy statement/prospectus, information on those web sites is not part of this proxy statement/prospectus.

The SEC allows Cathay to incorporate by reference information in this proxy statement/prospectus. This means that Cathay can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this proxy statement/prospectus, except for any information that is superseded by information that is included directly in this proxy statement/prospectus.

This proxy statement/prospectus incorporates by reference the documents listed below that Cathay previously filed with the SEC. They contain important information about the companies and their financial condition.

**CATHAY SECURITIES AND EXCHANGE COMMISSION  
FILINGS (SEC FILE NUMBER 001-31830):**

|  | <b>PERIOD OR DATE FILED</b>   |
|--|---|
| Annual Report on Form 10-K                     | Year ended December 31, 2014  |
| Quarterly Report on Form 10-Q                  | Quarter ended March 31, 2015  |
| Current Reports on Form 8-K                    | Filed on January 21, 2015 (both) (however, we do not incorporate by reference any information under Item 2.02, Results of Operations and Financial Condition), March 23, 2015, April 22, 2015 (however, we do not incorporate by reference any information under Item 2.02, Results of Operations and Financial Condition) and May 19, 2015 |
| Definitive Proxy Statement                     | Filed on April 16, 2015   |
| Description of Cathay Common Stock on Form 8-A | Filed on September 16, 1999, including any amendment or report filed to update such description   |

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In addition, Cathay also incorporates by reference additional documents that it files with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act between the date of this proxy statement/prospectus and the date of the Asia Bancshares special meeting. These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

Cathay has supplied all information contained or incorporated by reference in this proxy statement/prospectus relating to Cathay and Asia Bancshares has supplied all information relating to Asia Bancshares.

Documents incorporated by reference are available from Cathay without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this proxy statement/prospectus. You can obtain documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from the company at the following addresses:

Cathay General Bancorp  
777 North Broadway  
Los Angeles, California 90012  
Attn: Investor Relations  
(213) 625-4700

**Asia Bancshares shareholders requesting documents must do so by July 10 to receive them before the special meeting. You will not be charged for any of these documents that you request.** If you request any incorporated documents from Cathay, Cathay will mail them to you by first class mail, or another equally prompt means, within one business day after receiving your request.

**Asia Bancshares**

Asia Bancshares does not have a class of securities registered under Section 12 of the Exchange Act, is not subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, and accordingly does not file documents and reports with the SEC.

If you have any questions concerning the merger or this proxy statement/prospectus, would like additional copies of this proxy statement/prospectus or need help voting your shares of Asia Bancshares common stock, please contact:

Asia Bancshares, Inc.  
135-11 Roosevelt Avenue  
Flushing, New York 11354  
Attention: Jeffrey Hsu  
Telephone number: (718) 961-9898

**Cathay has not authorized anyone to give any information or make any representation about the merger or the company that is different from, or in addition to, that contained in this proxy statement/prospectus or in any of the materials that have been incorporated in this proxy statement/prospectus. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this proxy statement/prospectus or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this proxy statement/prospectus does not extend to you. The information contained in this proxy statement/prospectus speaks only as of the date of this proxy statement/prospectus unless the information specifically indicates that another date applies.**

This proxy statement/prospectus is dated June [ ], 2015.



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**LEGAL MATTERS**

The validity of the shares of Cathay common stock to be issued in connection with the merger will be passed upon for Cathay by Wachtell, Lipton, Rosen & Katz. Certain federal income tax consequences of the merger will be passed upon for Cathay by Wachtell, Lipton, Rosen & Katz and for Asia Bancshares, by Lamb & Barnosky, LLP.

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**EXPERTS**

The consolidated financial statements of Cathay as of December 31, 2014 and 2013, and for each of the years in the three-year period ended December 31, 2014, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2014 have been incorporated by reference herein and in the registration statement in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The balance sheets of Asia Bancshares, Inc. as of December 31, 2014 and 2013, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended, have been included in this Registration Statement in reliance upon the report of Crowe Horwath LLP, independent auditors, and upon the authority of said firm as experts in accounting and auditing.

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**ASIA BANCSHARES, INC.**

**AND SUBSIDIARIES**

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**Crowe Horwath LLP**  
Independent Member Crowe Horwath International  
**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Asia Bancshares, Inc. and Subsidiaries  
Flushing, New York

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Asia Bancshares, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Asia Bancshares, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Crowe Horwath LLP

New York, New York

March 24, 2015

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

March 31, 2015 (Unaudited) and December 31, 2014

|  | Mar. 31, 2015  | Dec. 31, 2014  |
|--|----------------|----------------|
| <b>ASSETS</b>  |                |                |
| Cash and due from banks  | \$ 55,384,852  | \$ 65,620,943  |
| Federal funds sold   | 37,000,000     | 30,000,000     |
| Total cash and cash equivalents  | 92,384,852     | 95,620,943     |
| Investment securities  |                |                |
| Held to maturity (fair value of \$2,414,981 and \$2,393,344 on 3/31/15 and 12/31/14)                                 | 2,181,601      | 2,195,611      |
| Loans, net   | 416,971,735    | 423,265,669    |
| Federal Reserve Bank ("FRB") stock   | 1,376,950      | 1,376,950      |
| Bank premises and equipment, net   | 5,904,639      | 6,040,574      |
| Interest receivable  | 1,666,822      | 1,664,538      |
| Other assets   | 2,660,989      | 3,065,775      |
| Total assets   | \$ 523,147,588 | \$ 533,230,060 |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                |                |
| Deposits   |                |                |
| Non-interest bearing   | \$ 71,253,752  | \$ 71,639,186  |
| Interest bearing   | 371,202,194    | 381,382,722    |
| Total deposits   | 442,455,946    | 453,021,908    |
| Interest payable   | 677,249        | 752,156        |
| Other liabilities  | 1,222,661      | 1,759,946      |
| Total liabilities  | 444,355,856    | 455,534,010    |
| <b>Stockholders' equity</b>  |                |                |
| Preferred stock, \$0.01 par value; 250,000 shares authorized, none issued and outstanding for 2015 and 2014          |                |                |
| Common stock, \$10 par value; 2,000,000 shares authorized, 1,460,044 shares issued and outstanding for 2015 and 2014 | 14,600,444     | 14,600,444     |
| Surplus  | 30,604,578     | 30,604,578     |
| Retained earnings  | 33,586,710     | 32,491,028     |
| Total stockholders' equity   | 78,791,732     | 77,696,050     |
| Total liabilities and stockholders' equity   | \$ 523,147,588 | \$ 533,230,060 |

See accompanying notes to consolidated financial statements.



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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

|   | Three Months<br>Ended March 31, |              |
|---|---------------------------------|--------------|
|   | 2015                            | 2014         |
| Interest income                                     |                                 |              |
| Loans, including fees                               | \$ 5,550,718                    | \$ 5,422,777 |
| Investment securities                               | 25,238                          | 26,003       |
| Federal funds sold                                  | 23,349                          | 23,931       |
| Other   | 42,020                          | 39,310       |
|   | 5,641,325                       | 5,512,021    |
| Interest expense                                    |                                 |              |
| Deposits  | 500,750                         | 462,037      |
| Net interest income                                 | 5,140,575                       | 5,049,984    |
| Provision for loan losses                           |                                 | 254,000      |
| Net interest income after provision for loan losses | 5,140,575                       | 4,795,984    |
| Other income  |                                 |              |
| Service charges and fees                            | 270,358                         | 259,241      |
| Other   | 6,399                           | 6,294        |
|   | 276,757                         | 265,535      |
| Other expenses                                      |                                 |              |
| Salaries and benefits                               | 1,613,782                       | 1,568,010    |
| Occupancy and equipment                             | 373,599                         | 348,780      |
| Other   | 1,439,825                       | 932,577      |
|   | 3,427,206                       | 2,849,367    |
| Income before income taxes                          | 1,990,127                       | 2,212,152    |
| Provision for income taxes                          | 894,445                         | 1,000,154    |
| Net income  | \$ 1,095,682                    | \$ 1,211,998 |
| Basic earnings per share                            | \$ 0.75                         | \$ 0.84      |
| Weighted average shares outstanding                 | 1,460,044                       | 1,460,044    |

See accompanying notes to consolidated financial statements.





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**ASIA BANCSHARES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

|  | <b>Three Months ended March 31,</b> |                      |
|--|-------------------------------------|----------------------|
|  | <b>2015</b>                         | <b>2014</b>          |
| <b>Cash flows from operating activities</b>                                      |                                     |                      |
| Net income   | \$ 1,095,682                        | \$ 1,211,998         |
| Adjustments to reconcile net income to net cash provided by operating activities |                                     |                      |
| Depreciation and amortization  | 104,645                             | 93,891               |
| Amortization and accretion of securities   | 427                                 | 439                  |
| Provision for loan losses  |                                     | 254,000              |
| Changes in   |                                     |                      |
| Interest receivable  | 70,299                              | 7,715                |
| Other assets   | 64,563                              | 157,379              |
| Interest payable   | (86,155)                            | 25,920               |
| Other liabilities  | 29,330                              | 113,253              |
| Net cash provided by operating activities  | 1,278,791                           | 1,864,595            |
| <b>Cash flows from investing activities</b>                                      |                                     |                      |
| Held to maturity securities:   |                                     |                      |
| Proceeds from principal payments   | 8,980                               | 8,276                |
| Net change in loans  | 6,541,893                           | 233,151              |
| Purchase of bank premises and equipment  | 30,414                              | (1,389)              |
| Net cash (used in) investing activities  | 6,581,287                           | 240,038              |
| <b>Cash flows from financing activities</b>                                      |                                     |                      |
| Net change in deposits   | 18,196,797                          | 12,333,585           |
| Net cash provided by financing activities  | 18,196,797                          | 12,333,585           |
| <b>Net change in cash and cash equivalents</b>                                   | <b>26,056,875</b>                   | <b>14,438,218</b>    |
| Cash and cash equivalents at beginning of year                                   | 95,620,943                          | 51,614,769           |
| <b>Cash and cash equivalents at end of year</b>                                  | <b>\$ 121,677,818</b>               | <b>\$ 66,052,987</b> |
| <b>Supplemental cash flow information</b>  |                                     |                      |
| Interest paid  | \$ 586,905                          | \$ 436,117           |
| Income taxes paid, net of refunds  | \$ 571,300                          | \$ 558,750           |

See accompanying notes to consolidated financial statements.

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## NOTE 1 INVESTMENT SECURITIES

Year-end securities were as follows for March 31, 2015 and December 31, 2014:

| Held to Maturity      | Amortized<br>Cost | Unrecognized<br>Gains | Unrecognized<br>Losses | Fair<br>Value |
|-----------------------|-------------------|-----------------------|------------------------|---------------|
| March 31, 2015        |                   |                       |                        |               |
| FNMA notes and bonds  | \$ 1,997,991      | \$ 211,156            | \$                     | \$ 2,209,147  |
| FHLMC notes and bonds | 183,610           | 22,224                |                        | 205,834       |
|                       | \$ 2,181,601      | \$ 223,380            | \$                     | \$ 2,414,981  |
| December 31, 2014     |                   |                       |                        |               |
| FNMA notes and bonds  | \$ 2,010,447      | \$ 176,215            | \$                     | \$ 2,186,662  |
| FHLMC notes and bonds | 185,164           | 21,518                |                        | 206,682       |
|                       | \$ 2,195,611      | \$ 197,733            | \$                     | \$ 2,393,344  |

The amortized cost and fair value of investment securities at December 31, 2014, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

|                     | Held to Maturity<br>Amortized<br>Cost | Fair<br>Value |
|---------------------|---------------------------------------|---------------|
| Due after ten years | \$ 2,181,601                          | \$ 2,414,981  |

All securities held by the Company as of March 31, 2015 and December 31, 2014 were in unrealized gain positions.

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## NOTE 2 LOANS

A summary of loans by class as of the end of the first quarter and year-end follows:

|                                   | Mar. 31, 2015  | Dec. 31, 2014  |
|-----------------------------------|----------------|----------------|
| Commercial real estate            |                |                |
| Non-owner-occupied                | \$ 274,039,236 | \$ 281,819,329 |
| Owner-occupied                    | 78,082,581     | 78,305,032     |
| Multifamily                       | 14,797,858     | 15,273,315     |
| Construction and land development | 3,164,067      | 2,920,820      |
| Residential real estate           |                |                |
| One-to-four family                | 47,043,639     | 45,044,123     |
| Commercial and industrial         | 2,035,179      | 1,998,911      |
| Consumer                          |                |                |
| Home equity                       | 3,641,877      | 3,863,159      |
| Loans to individuals              | 235,000        | 240,000        |
| Overdrafts                        | 6              | 94             |
|                                   | 423,039,443    | 429,464,783    |
| Deferred loan fees, net           | (410,935)      | (435,184)      |
| Allowance for loan losses         | (5,656,773)    | (5,763,930)    |
| Loans, net                        | \$ 416,971,735 | \$ 423,265,669 |

At month ended March 31, 2015 and year ended December 31, 2014, certain officers and directors, and companies in which they have a beneficial interest, were indebted to the Bank in the aggregate amount of \$1,620,501 and \$1,638,516, respectively.

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## NOTE 2 LOANS (Continued)

The following table presents the activity in the allowance for loan losses by portfolio segment for Three months ended March 31, 2015 and March 31, 2014:

|                                       | Commercial       | Commercial<br>Real Estate | Construction<br>and Land | Residential<br>Real Estate | Consumer         | Total               |
|---------------------------------------|------------------|---------------------------|--------------------------|----------------------------|------------------|---------------------|
| <b>March 31, 2015</b>                 |                  |                           |                          |                            |                  |                     |
| Allowance for loan losses:            |                  |                           |                          |                            |                  |                     |
| Beginning balance                     | \$ 19,899        | \$ 5,177,634              | \$ 37,361                | \$ 492,910                 | \$ 36,126        | \$ 5,763,930        |
| Provision for loan losses             |                  |                           |                          |                            |                  |                     |
| Loans charged off                     |                  |                           |                          | (107,712)                  |                  | (107,712)           |
| Recoveries                            |                  |                           |                          | 555                        |                  | 555                 |
| <b>Total ending allowance balance</b> | <b>\$ 19,899</b> | <b>\$ 5,177,634</b>       | <b>\$ 37,361</b>         | <b>\$ 385,753</b>          | <b>\$ 36,126</b> | <b>\$ 5,656,773</b> |
| <b>March 31, 2014</b>                 |                  |                           |                          |                            |                  |                     |
| Allowance for loan losses:            |                  |                           |                          |                            |                  |                     |
| Beginning balance                     | \$ 8,849         | \$ 5,302,119              | \$ 3,333                 | \$ 389,211                 | \$ 31,808        | \$ 5,735,320        |
| Provision for loan losses             |                  |                           |                          | 254,000                    |                  | 254,000             |
| Loans charged off                     |                  |                           |                          | (200,711)                  |                  | (200,711)           |
| Recoveries                            |                  |                           |                          | 1,665                      |                  | 1,665               |
| <b>Total ending allowance balance</b> | <b>\$ 8,849</b>  | <b>\$ 5,302,119</b>       | <b>\$ 3,333</b>          | <b>\$ 444,165</b>          | <b>\$ 31,808</b> | <b>\$ 5,790,274</b> |

The Bank is primarily a commercial mortgage lender against collateral properties located in nineteen different counties within its identified marketing territories. Queens, Manhattan and Brooklyn, New York, are the largest concentration areas with approximately three quarters of outstanding mortgages held against properties located in those three boroughs. Loans to underlying businesses are also varied. There are twenty-five existing different types of property loans on the books with stores and apartments, retail stores and multi-use collectively approximating 38.95% of total mortgage loans at year-end 2014. Notwithstanding this geographic and property type diversity, the Bank's exposure to possible future credit loss may be adversely affected by changes in local economic and employment conditions.

*Credit Quality Indicators*

The Bank categorizes loans based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis includes all commercial real estate loans and commercial loans and also includes residential and home equity loans delinquent greater than ninety days. This analysis is performed on a rotating quarterly basis for performing non-delinquent loans. For delinquent loans analysis is performed more frequently. For performing non-delinquent residential, home equity and consumer loans the Bank classifies these as pass-rated loans.



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ASIA BANCSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**NOTE 2 LOANS (Continued)**

The Bank uses an eight-point credit risk grading system that sorts loans into risk categories based on the relevant information about the financial strength of borrowers and their ability to service debt. Information evaluated includes current financial information, historical payment experience, collateral and current economic trends, among other factors. The Bank analyzes loans individually by segregating them as to perceived credit risk. This analysis is performed no less frequently than on a quarterly basis. Four pass grades are used to rate borrowers: Superior, Good, Satisfactory and Watch. Additionally, four other grades are assigned to loans that are subject to adverse criticism. They are:

*Special Mention:* Loans criticized as special mention have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Bank's credit position at some future date.

*Substandard:* Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

*Doubtful:* Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

*Loss:* Loans classified as loss are considered not collectible and of such little value that continuance on the Bank's books as bankable assets is not warranted.

As of March 31, 2015 and December 31, 2014, the Bank did not have any loans considered doubtful or loss.



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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## NOTE 2 LOANS (Continued)

As of March 31, 2015 and December 31, 2014, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

|   | Pass           | Special<br>Mention | Substandard  | Total          |
|---|----------------|--------------------|--------------|----------------|
| March 31, 2015                            |                |                    |              |                |
| Commercial real estate non owner occupied | \$ 270,184,745 | \$ 3,671,045       | \$ 183,446   | \$ 274,039,236 |
| Commercial real estate owner occupied     | 75,342,127     | 1,582,186          | 1,158,268    | 78,082,581     |
| Construction and land development         | 3,164,067      |                    |              | 3,164,067      |
| Multifamily                               | 14,797,858     |                    |              | 14,797,858     |
| One-to-four family                        | 42,210,652     |                    | 4,832,987    | 47,043,639     |
| Home equity                               | 2,841,877      |                    | 800,000      | 3,641,877      |
| Commercial and industrial                 | 1,945,387      |                    | 89,792       | 2,035,179      |
| Loans to individuals                      | 235,000        |                    |              | 235,000        |
| Overdrafts                                | 6              |                    |              | 6              |
| Total                                     | \$ 410,721,719 | \$ 5,253,231       | \$ 7,064,493 | \$ 423,039,443 |

|   |                |              |              |                |
|---|----------------|--------------|--------------|----------------|
| December 31, 2014                         |                |              |              |                |
| Commercial real estate non owner occupied | \$ 277,935,298 | \$ 3,693,423 | \$ 190,608   | \$ 281,819,329 |
| Commercial real estate owner occupied     | 72,380,421     | 4,747,756    | 1,176,855    | 78,305,032     |
| Construction and land development         | 2,920,820      |              |              | 2,920,820      |
| Multifamily                               | 15,273,315     |              |              | 15,273,315     |
| One-to-four family                        | 40,211,136     |              | 4,832,987    | 45,044,123     |
| Home equity                               | 3,063,159      |              | 800,000      | 3,863,159      |
| Commercial and industrial                 | 1,909,119      |              | 89,792       | 1,998,911      |
| Loans to individuals                      | 240,000        |              |              | 240,000        |
| Overdrafts                                | 94             |              |              | 94             |
| Total                                     | \$ 413,933,362 | \$ 8,441,179 | \$ 7,090,242 | \$ 429,464,783 |

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## NOTE 2 LOANS (Continued)

The following table presents the aging of the recorded investment in past due loans as of March 31, 2015 and December 31, 2014, by class of loans:

|  | Loans Not<br>Past Due | 30 - 59 Days<br>Past Due | 60 - 89 Days<br>Past Due | Greater<br>Than<br>90 Days<br>Past Due<br>Accruing | 90 Days<br>Past Due<br>and on<br>Nonaccrual | Total                 |
|--|-----------------------|--------------------------|--------------------------|--|---|-----------------------|
| March 31, 2015                               |                       |                          |                          |  |   |                       |
| Commercial real estate non<br>owner occupied | \$ 273,378,769        | \$ 477,021               | \$                       | \$   | \$ 183,446                                  | \$ 274,039,236        |
| Commercial real estate owner<br>occupied     | 76,924,313            |                          |                          |  | 1,158,268                                   | 78,082,581            |
| Construction and land<br>development         | 3,164,067             |                          |                          |  |   | 3,164,067             |
| Multifamily                                  | 14,797,858            |                          |                          |  |   | 14,797,858            |
| One-to-four family                           | 41,951,939            | 258,713                  |                          |  | 4,832,987                                   | 41,951,939            |
| Home equity                                  | 2,841,877             |                          |                          |  | 800,000                                     | 3,863,159             |
| Commercial and industrial                    | 1,945,387             |                          |                          |  | 89,792                                      | 1,945,387             |
| Loans to individuals                         | 235,000               |                          |                          |  |   | 235,000               |
| Overdrafts                                   | 6                     |                          |                          |  |   | 6                     |
| <b>Total</b>                                 | <b>\$ 415,239,215</b> | <b>\$ 735,734</b>        | <b>\$</b>                | <b>\$</b>  | <b>\$ 7,064,493</b>                         | <b>\$ 423,039,442</b> |
| December 31, 2014                            |                       |                          |                          |  |   |                       |
| Commercial real estate non<br>owner occupied | \$ 281,111,767        | \$ 516,954               | \$                       | \$   | \$ 190,608                                  | \$ 281,819,329        |
| Commercial real estate owner<br>occupied     | 76,638,890            |                          | 489,287                  |  | 1,176,855                                   | 78,305,032            |
| Construction and land<br>development         | 2,920,820             |                          |                          |  |   | 2,920,820             |
| Multifamily                                  | 15,273,315            |                          |                          |  |   | 15,273,315            |
| One-to-four family                           | 40,211,136            |                          |                          |  | 4,832,987                                   | 45,044,123            |
| Home equity                                  | 3,063,159             |                          |                          |  | 800,000                                     | 3,863,159             |
| Commercial and industrial                    | 1,909,119             |                          |                          |  | 89,792                                      | 1,998,911             |
| Loans to individuals                         | 240,000               |                          |                          |  |   | 240,000               |
| Overdrafts                                   | 94                    |                          |                          |  |   | 94                    |
| <b>Total</b>                                 | <b>\$ 421,368,300</b> | <b>\$ 516,954</b>        | <b>\$ 489,287</b>        | <b>\$</b>  | <b>\$ 7,090,242</b>                         | <b>\$ 429,464,783</b> |

Nonaccrual loans and loans due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## NOTE 2 LOANS (Continued)

The following table represents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of March 31, 2015 and December 31, 2014:

|                             | Allowance for Loan Losses                      |   |                     | Loan Balances                               |   |                       |
|-----------------------------|--|---|---------------------|---|---|-----------------------|
|                             | Individually<br>Evaluated<br>for<br>Impairment | Collectively<br>Evaluated for<br>Impairment | Total               | Individually<br>Evaluated for<br>Impairment | Collectively<br>Evaluated for<br>Impairment | Total                 |
| March 31, 2015              |  |   |                     |   |   |                       |
| Commercial                  | \$   | \$ 19,899                                   | \$ 19,899           | \$  | \$ 2,035,179                                | \$ 2,035,179          |
| Commercial real estate      |  | 5,177,634                                   | 5,177,634           | 1,296,529                                   | 365,623,146                                 | 366,919,675           |
| Construction and land loans |  | 37,361                                      | 37,361              |   | 3,164,066                                   | 3,164,066             |
| Residential real estate     |  | 385,753                                     | 385,753             | 5,091,700                                   | 41,951,939                                  | 47,043,639            |
| Consumer                    |  | 36,126                                      | 36,126              | 800,000                                     | 3,076,884                                   | 3,876,884             |
| <b>Total</b>                | <b>\$</b>                                      | <b>\$ 5,656,773</b>                         | <b>\$ 5,656,773</b> | <b>\$ 7,188,229</b>                         | <b>\$ 415,851,214</b>                       | <b>\$ 423,039,443</b> |
| December 31, 2014           |  |   |                     |   |   |                       |
| Commercial                  | \$   | \$ 19,899                                   | \$ 19,899           | \$  | \$ 1,998,911                                | \$ 1,998,911          |
| Commercial real estate      |  | 5,177,635                                   | 5,177,635           | 1,321,774                                   | 374,075,902                                 | 375,397,676           |
| Construction and land loans |  | 37,361                                      | 37,361              |   | 2,920,820                                   | 2,920,820             |
| Residential real estate     |  | 492,909                                     | 492,909             | 5,092,374                                   | 39,951,749                                  | 45,044,123            |
| Consumer                    |  | 36,126                                      | 36,126              | 800,000                                     | 3,303,253                                   | 4,103,253             |
| <b>Total</b>                | <b>\$</b>                                      | <b>\$ 5,763,930</b>                         | <b>\$ 5,763,930</b> | <b>\$ 7,214,148</b>                         | <b>\$ 422,250,635</b>                       | <b>\$ 429,464,783</b> |

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**NOTE 2 LOANS (Continued)**

The following table presents information related to loans individually evaluated for impairment by class of loans as of month ended March 31, 2015 and year ended December 31, 2014:

|   | Unpaid<br>Principal<br>Balance | Recorded<br>Investment | Allowance for<br>Loan Losses<br>Allocated | Average<br>Recorded<br>Investment |
|---|--------------------------------|------------------------|---|-----------------------------------|
| <b>March 31, 2015</b>                     |                                |                        |   |                                   |
| Commercial real estate non owner occupied | \$ 175,248                     | \$ 175,248             | \$  | \$ 177,640                        |
| Commercial real estate owner occupied     | 1,121,281                      | 1,121,281              |   | 1,127,568                         |
| Construction and land development         |                                |                        |   |                                   |
| Multifamily                               |                                |                        |   |                                   |
| One-to-four family                        | 5,349,861                      | 5,091,700              |   | 5,091,922                         |
| Home equity                               | 800,000                        | 800,000                |   | 800,000                           |
| Commercial and industrial                 |                                |                        |   |                                   |
| Loans to individuals                      |                                |                        |   |                                   |
| <b>Total</b>                              | <b>\$ 7,446,390</b>            | <b>\$ 7,188,229</b>    | <b>\$</b>                                 | <b>\$ 7,197,130</b>               |
| <b>December 31, 2014</b>                  |                                |                        |   |                                   |
| Commercial real estate non owner occupied | \$ 182,410                     | \$ 192,410             | \$  | \$ 708,208                        |
| Commercial real estate owner occupied     | 1,139,364                      | 1,139,364              |   | 1,173,166                         |
| Construction and land development         |                                |                        |   |                                   |
| Multifamily                               |                                |                        |   |                                   |
| One-to-four family                        | 5,238,385                      | 5,092,374              |   | 5,093,901                         |
| Home equity                               | 800,000                        | 800,000                |   | 800,000                           |
| Commercial and industrial                 |                                |                        |   | 146,478                           |
| Loans to individuals                      |                                |                        |   |                                   |
| <b>Total</b>                              | <b>\$ 7,360,159</b>            | <b>\$ 7,214,148</b>    | <b>\$</b>                                 | <b>\$ 7,921,753</b>               |

|  | 03/31/15  | 12/31/14  |
|--|-----------|-----------|
| Interest income recognized during the time period that loans were impaired, using accrual or cash-basis method of accounting | \$ 21,949 | \$ 97,447 |

As of March 31, 2015 and December 31, 2014, the Company has a recorded investment in troubled debt restructurings of \$2,158,700 and \$2,158,700, respectively. There were no specific allowance allocations applied to these loans as of March 31, 2015 and December 31, 2014.

During the quarter ended March 31, 2015 and March 31, 2014, there were no loans modified as troubled debt restructurings.

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A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms. There were no defaults in 2015 and 2014 of loans modified within the previous twelve months.

The terms of certain other loans were modified during the first quarter ending March 31, 2015, that did not meet the definition of a troubled debt restructuring. The modification of these loans

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**NOTE 2 LOANS (Continued)**

involved either a modification of the terms of a loan to borrowers who were not experiencing financial difficulties or a delay in a payment that was considered to be insignificant. These loan modifications are not considered material.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the company's internal underwriting policy.

**NOTE 3 DEPOSITS**

Time deposits that meet or exceed the Federal Deposit Insurance limit of \$250,000 were \$24,514,805 and \$35,451,922 at month end March 31, 2015 and year end 2014, respectively.

The scheduled maturities of all time deposits were as follows:

|             |           |    |             |
|-------------|-----------|----|-------------|
| 2015 (April | December) | \$ | 102,082,834 |
| 2016        |           |    | 53,585,468  |
| 2017        |           |    | 22,851,479  |
| 2018        |           |    | 1,842,335   |
| 2019        |           |    | 998,531     |
| 2020        |           |    | 286,596     |
|             |           | \$ | 181,647,243 |

**NOTE 4 FAIR VALUE**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

*Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

*Level 2:* Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

*Level 3:* Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

*Impaired Loans:* The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.



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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**NOTE 4 FAIR VALUE (Continued)**

*Assets and Liabilities Measured on a Recurring Basis:* There are no assets and liabilities measured at fair value on a recurring basis at March 31, 2015 and December 31, 2014.

*Assets and Liabilities Measured on a Non-Recurring Basis*

*Impaired Loans:* There were no impaired loans measured for impairment using the fair value of the collateral for collateral dependent loans at March 31, 2015 and December 31, 2014.

The carrying amount and estimated fair value of financial instruments, excluding those shown above (in thousands), at year end were as follows:

|                              | March 31, 2015  |            | December 31, 2014 |            |
|------------------------------|-----------------|------------|-------------------|------------|
|                              | Carrying Amount | Fair Value | Carrying Amount   | Fair Value |
| <b>Financial assets</b>      |                 |            |                   |            |
| Cash and cash equivalents    | \$ 92,385       | \$ 92,385  | \$ 95,621         | \$ 95,621  |
| Securities held to maturity  | 2,182           | 2,415      | 2,196             | 2,393      |
| Loans, net                   | 416,972         | 432,604    | 423,266           | 439,134    |
| FRB stock                    | 1,377           | N/A        | 1,377             | N/A        |
| Accrued interest receivable  | 1,667           | 1,667      | 1,664             | 1,664      |
| <b>Financial liabilities</b> |                 |            |                   |            |
| Deposits                     | 442,456         | 428,527    | 453,022           | 439,093    |
| Accrued interest payable     | 677             | 677        | 752               | 752        |

The methods and assumptions used to estimate fair values are described as follows.

Carrying amount is the estimated fair value for cash and cash equivalents, time deposits in other financial institutions, accrued interest receivable and payable, demand deposits, and variable rate loans and deposits that reprice frequently and fully. Security fair values are based on market prices or dealer quotes, and if no such information is available, on the rate and term of the security and information about the issuer. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life of credit risk. Fair values for impaired loans are estimated using discounted cash flow analysis or underlying collateral values. It is not practicable to determine the fair value of FRB stock due to restrictions placed on its transferability. The fair value of off-balance sheet items is based on the current fees or cost that would be charged to enter into or terminate such arrangements and is not material.

**NOTE 5 SUBSEQUENT EVENTS**

In January 2015, the Company signed a definitive merger agreement with Cathay General Bancorp, headquartered in Los Angeles, California. Pursuant to the merger agreement, the Company will merge with and into the Cathay General Bancorp, with Cathay General Bancorp as the surviving entity.



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**ASIA BANCSHARES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**NOTE 5 SUBSEQUENT EVENTS (Continued)**

Simultaneously with the merger, Asia Bancshares' wholly owned bank subsidiary, Asia Bank, will merge with and into Cathay's wholly owned bank subsidiary, Cathay Bank, with Cathay Bank as the surviving entity after the bank merger. As a result of the bank merger, Asia Bank will cease to exist as a separate entity.

The transaction has been approved by the Boards of Directors of the Company and Cathay General Bancorp. Completion of the transaction is subject to customary closing conditions, including the receipt of required regulatory approvals and the approval of the Company's stock.

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

December 31, 2014 and 2013

|  | 2014           | 2013           |
|--|----------------|----------------|
| <b>ASSETS</b>  |                |                |
| Cash and due from banks  | \$ 65,620,943  | \$ 21,614,769  |
| Federal funds sold   | 30,000,000     | 30,000,000     |
| Total cash and cash equivalents  | 95,620,943     | 51,614,769     |
| Time deposits with other financial institutions  |                | 240,000        |
| Investment securities  |                |                |
| Held to maturity (fair value of \$2,393,344 and \$2,400,325 in 2014 and 2013)  | 2,195,611      | 2,262,291      |
| Loans, net   | 423,265,669    | 408,270,502    |
| Federal Reserve Bank ("FRB") stock   | 1,376,950      | 1,376,950      |
| Bank premises and equipment, net   | 6,040,574      | 5,787,293      |
| Interest receivable  | 1,664,538      | 1,634,121      |
| Other assets   | 3,065,775      | 3,545,181      |
| Total assets   | \$ 533,230,060 | \$ 474,731,107 |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                |                |
| Deposits   |                |                |
| Non-interest bearing   | \$ 71,639,186  | \$ 61,004,087  |
| Interest bearing   | 381,382,722    | 338,863,483    |
| Total deposits   | 453,021,908    | 399,867,570    |
| Interest payable   | 752,156        | 824,351        |
| Other liabilities  | 1,759,946      | 1,712,221      |
| Total liabilities  | 455,534,010    | 402,404,142    |
| <b>Stockholders' equity</b>  |                |                |
| Preferred stock, \$0.01 par value; 250,000 shares authorized, none issued and outstanding for 2014 and 2013          |                |                |
| Common stock, \$10 par value; 2,000,000 shares authorized, 1,460,044 shares issued and outstanding for 2014 and 2013 | 14,600,444     | 14,600,444     |
| Surplus  | 30,604,578     | 30,604,578     |
| Retained earnings  | 32,491,028     | 27,121,943     |
| Total stockholders' equity   | 77,696,050     | 72,326,965     |
| Total liabilities and stockholders' equity   | \$ 533,230,060 | \$ 474,731,107 |

See accompanying notes to consolidated financial statements.



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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2014 and 2013

|   | 2014          | 2013          |
|---|---------------|---------------|
| Interest income                                     |               |               |
| Loans, including fees                               | \$ 22,082,951 | \$ 21,591,993 |
| Investment securities                               | 102,746       | 112,270       |
| Federal funds sold                                  | 97,209        | 87,340        |
| Other   | 169,991       | 141,739       |
|   | 22,452,897    | 21,933,342    |
| Interest expense                                    |               |               |
| Deposits  | 1,896,442     | 1,821,197     |
| Net interest income                                 | 20,556,455    | 20,112,145    |
| Provision for loan losses                           | 278,000       | 789,000       |
| Net interest income after provision for loan losses | 20,278,455    | 19,323,145    |
| Other income  |               |               |
| Service charges and fees                            | 1,054,763     | 1,144,045     |
| Other   | 28,275        | 124,168       |
|   | 1,083,038     | 1,268,213     |
| Other expenses                                      |               |               |
| Salaries and benefits                               | 6,292,854     | 6,206,575     |
| Occupancy and equipment                             | 1,623,490     | 1,543,496     |
| Other   | 3,367,000     | 3,103,321     |
|   | 11,283,344    | 10,853,392    |
| Income before income taxes                          | 10,078,149    | 9,737,966     |
| Provision for income taxes                          | 4,709,064     | 4,371,134     |
| Net income  | \$ 5,369,085  | \$ 5,366,832  |
| Basic earnings per share                            | \$ 3.68       | \$ 3.68       |
| Weighted average shares outstanding                 | 1,460,044     | 1,460,044     |

See accompanying notes to consolidated financial statements.



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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

## Years ended December 31, 2014 and 2013

|                                  | Preferred<br>Stock | Common<br>Stock | Surplus       | Retained<br>Earnings | Total         |
|----------------------------------|--------------------|-----------------|---------------|----------------------|---------------|
| Balances at January 1, 2013      | \$                 | \$ 14,600,444   | \$ 30,604,578 | \$ 21,755,111        | \$ 66,960,133 |
| Net income                       |                    |                 |               | 5,366,832            | 5,366,832     |
| Balances at December 31,<br>2013 |                    | 14,600,444      | 30,604,578    | 27,121,943           | 72,326,965    |
| Net income                       |                    |                 |               | 5,369,085            | 5,369,085     |
| Balances at December 31,<br>2014 | \$                 | \$ 14,600,444   | \$ 30,604,578 | \$ 32,491,028        | \$ 77,696,050 |

See accompanying notes to consolidated financial statements.

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2014 and 2013

|  | 2014          | 2013          |
|--|---------------|---------------|
| <b>Cash flows from operating activities</b>                                      |               |               |
| Net income   | \$ 5,369,085  | \$ 5,366,832  |
| Adjustments to reconcile net income to net cash provided by operating activities |               |               |
| Depreciation and amortization  | 377,234       | 364,003       |
| Amortization and accretion of securities   | 1,813         | 2,195         |
| Net gain on sale of foreclosed assets  |               | (47,663)      |
| Provision for loan losses  | 278,000       | 789,000       |
| Changes in   |               |               |
| Interest receivable  | (30,417)      | (8,145)       |
| Other assets   | 222,651       | (985,226)     |
| Interest payable   | (72,195)      | (213,037)     |
| Other liabilities  | 304,480       | (72,496)      |
| Net cash provided by operating activities  | 6,450,651     | 5,195,463     |
| <b>Cash flows from investing activities</b>                                      |               |               |
| Held to maturity securities:   |               |               |
| Proceeds from principal payments   | 64,867        | 280,205       |
| Maturities of time deposits in other financial institutions                      | 240,000       | 240,000       |
| Proceeds from the sale of foreclosed assets                                      |               | 3,080,000     |
| Net change in loans  | (15,273,167)  | (27,621,768)  |
| Purchase of bank premises and equipment  | (630,515)     | (427,511)     |
| Net cash (used in) investing activities  | (15,598,815)  | (24,449,074)  |
| <b>Cash flows from financing activities</b>                                      |               |               |
| Net change in deposits   | 53,154,338    | 4,745,050     |
| Net cash provided by financing activities  | 53,154,338    | 4,745,050     |
| <b>Net change in cash and cash equivalents</b>                                   | 44,006,174    | (14,508,561)  |
| Cash and cash equivalents at beginning of year                                   | 51,614,769    | 66,123,330    |
| <b>Cash and cash equivalents at end of year</b>                                  | \$ 95,620,943 | \$ 51,614,769 |
| <b>Supplemental cash flow information</b>  |               |               |
| Loans transfer to foreclosed assets  | \$            | \$ 2,103,678  |
| Interest paid  | \$ 1,968,637  | \$ 2,034,234  |

|                                   |    |           |    |           |
|-----------------------------------|----|-----------|----|-----------|
| Income taxes paid, net of refunds | \$ | 5,048,000 | \$ | 5,097,425 |
|-----------------------------------|----|-----------|----|-----------|

See accompanying notes to consolidated financial statements.

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**ASIA BANCSHARES, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2014 and 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Operations and Principles of Consolidation:* The consolidated financial statements include the accounts of Asia Bancshares, Inc. (collectively, "the Company"), and its wholly owned subsidiaries, Asia Bank, N.A. (the "Bank"), Asia Real Estate Corp. ("Asia REC"), Asia Realty Corporation, and Asia Realty II Corporation. All significant intercompany accounts and transactions have been eliminated in consolidation.

Organized in 1984, the Bank, with its headquarters in Flushing, New York, is an interstate bank operating in New York and Maryland. The Bank's primary strategy is to provide banking products and services to the local Asian communities. The Bank offers traditional deposit products, including checking, savings, and time deposit accounts. In terms of credit practices, the Bank offers commercial mortgages, commercial and industrial loans, construction loans, business lines of credit, letters of credit, and Small Business Administration ("SBA") and Overseas Credit Guarantee Fund (Taiwan) ("OCGF") loans. The OCGF is a program administered by the Taiwanese government that is similar to SBA lending, whereby a portion of the Bank's loans to local businesses are guaranteed by the Taiwanese government. Consumer loans offered include residential mortgages, home improvement loans, personal loans, and overdraft protection.

*Subsequent Events:* The Bank has evaluated subsequent events for recognition and disclosure through March 24, 2015, which is the date the financial statements were available to be issued.

*Use of Estimates:* To prepare financial statements in conformity with accounting principles generally accepted in the United States of America management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

*Cash Flows:* For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds are sold for one-day periods. Net cash flows are reported for loan and deposit transactions.

*Interest-Bearing Deposits in Other Financial Institutions:* Interest-bearing deposits in other financial institution mature within three years and are carried at cost.

*Investment Securities:* The Bank is required to classify its investment security portfolio into one of three categories: trading securities, securities available for sale, and securities held to maturity. Securities classified as held to maturity are carried at amortized cost when management has the positive intent and ability to hold such securities to maturity. There are no investment securities classified as trading or available for sale.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on sales are based on the amortized cost of securities sold. Securities are written down to fair value when a decline in fair value is not temporary.

Management evaluates securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security

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ASIA BANCSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2014 and 2013

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings.

For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

*Federal Reserve Bank ("FRB") Stock:* The Bank is a member of its Regional FRB. FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on an ultimate recovery of par value. Both cash and stock dividends are reported as income.

*Loans:* Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of unearned interest, deferred loan fees and costs, and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Non-accrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. A loan is moved to non-accrual status in accordance with the Company's policy, typically after 90 days of non-payment.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

*Allowance for Loan Losses:* The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired or loans otherwise classified as substandard or doubtful.

A loan is impaired when full payment under the loan terms is not expected. Commercial and commercial real estate loans are individually evaluated for impairment. If a loan is impaired, a portion

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ASIA BANCSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2014 and 2013

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as smaller balance consumer and residential real estate loans are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

The general component covers non-classified loans and is based on historical loss experience adjusted for current factors. The current factors for which the Bank evaluates, when determining adjustments to the historical loss factors, include changes to or the strength of the Bank's underwriting and related policies and procedures, economic trends within the tri-state area, changes within the composition of the portfolio, related to either changes in underlying loan types or the underlying past due or non-accrual status within that loan type, changes in management and staff, trends within the underlying collateral values, regulatory factors, and evaluation of credit concentrations.

The following portfolio segments have been identified: Commercial, Commercial Real Estate, Construction and Land Loans, Residential Real Estate and Consumer.

*Commercial Loans:* Commercial credit is extended to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or other projects. The majority of these borrowers are customers doing business within our geographic regions. These loans are generally underwritten individually and secured with the assets of the borrower and the personal guarantee of the business owners. Commercial loans are made based primarily on the historical and projected cash flow of the borrower and the underlying collateral provided by the borrower.

*Commercial Real Estate Loans:* Commercial real estate loans, including multifamily, are subject to underwriting standards and processes similar to commercial loans. These loans are viewed primarily as cash flow loans and the repayment of these loans is largely dependent on the successful operation of the property. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market such as geographic location and property type.

*Construction and Land Loans:* Construction and land loans are primarily collateralized by the acquired land and the constructed premises. These loans require continuous attention and monitoring of the construction progress. The repayment of these loans is contingent upon the borrower's ability to complete and sell the constructed property or generate enough rental income to service the permanent debt. As a result the risk with these loans is that they are contingent upon future events whose probability at the time of origination is uncertain. Therefore these loans receive a higher risk rating than all other loan types.

*Residential Real Estate Loans:* Residential mortgage loans represent loans to consumers for the purchase or refinance of a one-to-four family residence. These loans are generally financed as one- to three-year adjustable rate mortgages, and in most cases, are extended to borrowers to finance their primary residence. Real estate market values at the time of origination directly affect the amount of credit extended and, in the event of default, subsequent changes in these values may impact the severity of losses.

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ASIA BANCSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2014 and 2013

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Consumer Loans:* Consumer loans are primarily comprised of lines of credit or closed-end loans secured by second mortgages. The maximum amount of a home equity line of credit is generally limited to 70% (with acceptable credit scores) of the appraised value of the property less the balance of the first mortgage. Consumer loans also include installment loans made directly to consumers. These loans have a specific matrix which consists of several factors including debt-to-income, type of collateral and loan-to-collateral value, credit history and relationship with the borrower.

*Other Real Estate Owned:* Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

*Bank Premises and Equipment:* Land is carried at cost. Bank premises and equipment are stated at cost less accumulated depreciation computed principally on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the useful lives of the improvements or the corresponding lease terms.

*Long-term Assets:* Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

*Income Taxes:* Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. Temporary differences are primarily the result of timing differences in depreciation expense and the allowance for loan losses. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

*Earnings Per Share:* Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. Earnings per share is restated to reflect stock dividends for all periods presented. There are no potentially dilutive securities.

*Loss Contingencies:* Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2014 and 2013

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Restrictions on Cash:* From time to time, cash on hand or on deposit with the Federal Reserve Bank is required to meet regulatory reserve and clearing requirements. However, as of year-end 2014 and 2013, no requirement was necessary.

*Fair Value of Financial Instruments:* Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

*Reclassifications:* Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no impact on prior year net income or stockholders equity.

**NOTE 2 INVESTMENT SECURITIES**

Year-end securities were as follows for December 31, 2014 and 2013:

| Held to Maturity      | Amortized Cost | Unrecognized Gains | Unrecognized Losses | Fair Value   |
|-----------------------|----------------|--------------------|---------------------|--------------|
| 2014                  |                |                    |                     |              |
| FNMA notes and bonds  | \$ 2,010,447   | \$ 176,215         | \$                  | \$ 2,186,662 |
| FHLMC notes and bonds | 185,164        | 21,518             |                     | 206,682      |
|                       | \$ 2,195,611   | \$ 197,733         | \$                  | \$ 2,393,344 |
| 2013                  |                |                    |                     |              |
| FNMA notes and bonds  | \$ 2,071,134   | \$ 119,934         | \$                  | \$ 2,191,068 |
| FHLMC notes and bonds | 191,157        | 18,100             |                     | 209,257      |
|                       | \$ 2,262,291   | \$ 138,034         | \$                  | \$ 2,400,325 |

The amortized cost and fair value of investment securities at December 31, 2014, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

|                     | Held to Maturity |              |
|---------------------|------------------|--------------|
|                     | Amortized Cost   | Fair Value   |
| Due after ten years | \$ 2,195,611     | \$ 2,393,344 |

All securities held by the Company as of December 31, 2014 and 2013, were in unrealized gain positions.

There were no sales of investment securities for the years ended December 31, 2014 and 2013.

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2014 and 2013

## NOTE 3 LOANS

A summary of loans by class at year-end follows:

|                                   | 2014           | 2013           |
|-----------------------------------|----------------|----------------|
| Commercial real estate            |                |                |
| Non owner occupied                | \$ 281,819,329 | \$ 277,956,672 |
| Owner occupied                    | 78,305,032     | 77,382,512     |
| Multifamily                       | 15,273,315     | 18,314,052     |
| Construction and land development | 2,920,820      | 252,584        |
| Residential real estate           |                |                |
| One-to-four family                | 45,044,123     | 35,826,403     |
| Commercial and industrial         | 1,998,911      | 1,098,030      |
| Consumer                          |                |                |
| Home equity                       | 3,863,159      | 3,380,348      |
| Loans to individuals              | 240,000        | 250,000        |
| Overdrafts                        | 94             | 5              |
|                                   | 429,464,783    | 414,460,606    |
| Deferred loan fees, net           | (435,184)      | (454,784)      |
| Allowance for loan losses         | (5,763,930)    | (5,735,320)    |
| Loans, net                        | \$ 423,265,669 | \$ 408,270,502 |

At year-end 2014 and 2013, certain officers and directors, and companies in which they have a beneficial interest, were indebted to the Bank in the aggregate amount of \$1,638,516 and \$1,647,663, respectively.

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2014 and 2013

## NOTE 3 LOANS (Continued)

The following table presents the activity in the allowance for loan losses by portfolio segment for the years ended 2014 and 2013:

|                                | Commercial | Commercial<br>Real Estate | Construction<br>and Land | Residential<br>Real Estate | Consumer  | Total        |
|--------------------------------|------------|---------------------------|--------------------------|----------------------------|-----------|--------------|
| December 31, 2014              |            |                           |                          |                            |           |              |
| Allowance for loan losses:     |            |                           |                          |                            |           |              |
| Beginning balance              | \$ 8,849   | \$ 5,302,119              | \$ 3,333                 | \$ 389,211                 | \$ 31,808 | \$ 5,735,320 |
| Provision for loan losses      | 12,900     | (124,748)                 | 34,028                   | 97,035                     | 258,785   | 278,000      |
| Loans charged off              | (1,850)    |                           |                          |                            | (254,467) | (256,317)    |
| Recoveries                     |            | 263                       |                          | 6,664                      |           | 6,927        |
| Total ending allowance balance | \$ 19,899  | \$ 5,177,634              | \$ 37,361                | \$ 492,910                 | \$ 36,126 | \$ 5,763,930 |
| December 31, 2013              |            |                           |                          |                            |           |              |
| Allowance for loan losses:     |            |                           |                          |                            |           |              |
| Beginning balance              | \$ 42,867  | \$ 5,135,822              | \$ 6,900                 | \$ 351,657                 | \$ 39,254 | \$ 5,576,500 |
| Provision for loan losses      | (66,081)   | 830,767                   | (3,567)                  | 35,327                     | (7,446)   | 789,000      |
| Loans charged off              |            | (664,470)                 |                          | (4,437)                    |           | (668,907)    |
| Recoveries                     | 32,063     |                           |                          | 6,664                      |           | 38,727       |
| Total ending allowance balance | \$ 8,849   | \$ 5,302,119              | \$ 3,333                 | \$ 389,211                 | \$ 31,808 | \$ 5,735,320 |

The Bank is primarily a commercial mortgage lender against collateral properties located in nineteen different counties within its identified marketing territories. Queens, Manhattan and Brooklyn, New York, are the largest concentration areas with approximately three quarters of outstanding mortgages held against properties located in those three boroughs. Loans to underlying businesses are also varied. There are twenty-five existing different types of property loans on the books with stores and apartments, retail stores and multi-use collectively approximating 38.95% of total mortgage loans at year-end 2014. Notwithstanding this geographic and property type diversity, the Bank's exposure to possible future credit loss may be adversely affected by changes in local economic and employment conditions.

*Credit Quality Indicators*

The Bank categorizes loans based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis includes all commercial real estate loans and commercial loans and also includes residential and home equity loans delinquent greater than ninety days. This analysis is performed on a rotating quarterly basis for performing non-delinquent loans. For delinquent loans analysis is performed more frequently. For performing non-delinquent residential, home equity and consumer loans the Bank classifies these as pass rated loans.





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ASIA BANCSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2014 and 2013

**NOTE 3 LOANS (Continued)**

The Bank uses an eight-point credit risk grading system that sorts loans into risk categories based on the relevant information about the financial strength of borrowers and their ability to service debt. Information evaluated includes current financial information, historical payment experience, collateral and current economic trends, among other factors. The Bank analyzes loans individually by segregating them as to perceived credit risk. This analysis is performed no less frequently than on a quarterly basis. Four pass grades are used to rate borrowers: Superior, Good, Satisfactory and Watch. Additionally, four other grades are assigned to loans that are subject to adverse criticism. They are:

*Special Mention:* Loans criticized as special mention have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Bank's credit position at some future date.

*Substandard:* Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

*Doubtful:* Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

*Loss:* Loans classified as loss are considered not collectible and of such little value that continuance on the Bank's books as bankable assets is not warranted.

As of December 31, 2014 and 2013, the Bank did not have any loans considered doubtful or loss.

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2014 and 2013

## NOTE 3 LOANS (Continued)

As of December 31, 2014 and 2013, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

|   | Pass           | Special<br>Mention | Substandard  | Total          |
|---|----------------|--------------------|--------------|----------------|
| December 31, 2014                         |                |                    |              |                |
| Commercial real estate non owner occupied | \$ 277,935,298 | \$ 3,693,423       | \$ 190,608   | \$ 281,819,329 |
| Commercial real estate owner occupied     | 72,380,421     | 4,747,756          | 1,176,855    | 78,305,032     |
| Construction and land development         | 2,920,820      |                    |              | 2,920,820      |
| Multifamily                               | 15,273,315     |                    |              | 15,273,315     |
| One-to-four family                        | 40,211,136     |                    | 4,832,987    | 45,044,123     |
| Home equity                               | 3,063,159      |                    | 800,000      | 3,863,159      |
| Commercial and industrial                 | 1,909,119      |                    | 89,792       | 1,998,911      |
| Loans to individuals                      | 240,000        |                    |              | 240,000        |
| Overdrafts                                | 94             |                    |              | 94             |
| Total                                     | \$ 413,933,362 | \$ 8,441,179       | \$ 7,090,242 | \$ 429,464,783 |

|   |                |              |              |                |
|---|----------------|--------------|--------------|----------------|
| December 31, 2013                         |                |              |              |                |
| Commercial real estate non owner occupied | \$ 273,357,194 | \$ 3,655,200 | \$ 944,278   | \$ 277,956,672 |
| Commercial real estate owner occupied     | 70,001,893     | 6,115,983    | 1,264,636    | 77,382,512     |
| Construction and land development         | 252,584        |              |              | 252,584        |
| Multifamily                               | 18,314,052     |              |              | 18,314,052     |
| One-to-four family                        | 30,729,947     |              | 5,096,456    | 35,826,403     |
| Home equity                               | 2,580,348      |              | 800,000      | 3,380,348      |
| Commercial and industrial                 | 715,283        |              | 382,747      | 1,098,030      |
| Loans to individuals                      | 250,000        |              |              | 250,000        |
| Overdrafts                                | 5              |              |              | 5              |
| Total                                     | \$ 396,201,306 | \$ 9,771,183 | \$ 8,488,117 | \$ 414,460,606 |

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2014 and 2013

## NOTE 3 LOANS (Continued)

The following table presents the aging of the recorded investment in past due loans as of December 31, 2014 and 2013, by class of loans:

|  | Loans Not<br>Past Due | 30 - 59 Days<br>Past Due | 60 - 89 Days<br>Past Due | Greater<br>Than<br>90 Days<br>Past Due<br>Accruing | 90 Days<br>Past Due<br>and on<br>Nonaccrual | Total                 |
|--|-----------------------|--------------------------|--------------------------|--|---|-----------------------|
| December 31, 2014                            |                       |                          |                          |  |   |                       |
| Commercial real estate non<br>owner occupied | \$ 281,111,767        | \$ 516,954               | \$                       | \$   | \$ 190,608                                  | \$ 281,819,329        |
| Commercial real<br>estate owner occupied     | 76,638,890            |                          | 489,287                  |  | 1,176,855                                   | 78,305,032            |
| Construction and land<br>development         | 2,920,820             |                          |                          |  |   | 2,920,820             |
| Multifamily                                  | 15,273,315            |                          |                          |  |   | 15,273,315            |
| One-to-four family                           | 40,211,136            |                          |                          |  | 4,832,987                                   | 45,044,123            |
| Home equity                                  | 3,063,159             |                          |                          |  | 800,000                                     | 3,863,159             |
| Commercial and industrial                    | 1,909,119             |                          |                          |  | 89,792                                      | 1,998,911             |
| Loans to individuals                         | 240,000               |                          |                          |  |   | 240,000               |
| Overdrafts                                   | 94                    |                          |                          |  |   | 94                    |
| <b>Total</b>                                 | <b>\$ 421,368,300</b> | <b>\$ 516,954</b>        | <b>\$ 489,287</b>        | <b>\$</b>  | <b>\$ 7,090,242</b>                         | <b>\$ 429,464,783</b> |
| December 31, 2013                            |                       |                          |                          |  |   |                       |
| Commercial real estate non<br>owner occupied | \$ 276,884,592        | \$ 127,802               | \$                       | \$   | \$ 944,278                                  | \$ 277,956,672        |
| Commercial real<br>estate owner occupied     | 74,905,923            |                          | 1,211,953                |  | 1,264,636                                   | 77,382,512            |
| Construction and land<br>development         | 252,584               |                          |                          |  |   | 252,584               |
| Multifamily                                  | 18,314,052            |                          |                          |  |   | 18,314,052            |
| One-to-four family                           | 30,729,947            |                          |                          |  | 5,096,456                                   | 35,826,403            |
| Home equity                                  | 2,580,348             |                          |                          |  | 800,000                                     | 3,380,348             |
| Commercial and industrial                    | 715,283               |                          |                          |  | 382,747                                     | 1,098,030             |
| Loans to individuals                         | 250,000               |                          |                          |  |   | 250,000               |
| Overdrafts                                   | 5                     |                          |                          |  |   | 5                     |
| <b>Total</b>                                 | <b>\$ 404,632,734</b> | <b>\$ 127,802</b>        | <b>\$ 1,211,953</b>      | <b>\$</b>  | <b>\$ 8,488,117</b>                         | <b>\$ 414,460,606</b> |

Nonaccrual loans and loans due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2014 and 2013

## NOTE 3 LOANS (Continued)

The following table represents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2014 and 2013:

|                             | Allowance for Loan Losses                      |   |                     | Loan Balances                               |   |                       |
|-----------------------------|--|---|---------------------|---|---|-----------------------|
|                             | Individually<br>Evaluated<br>for<br>Impairment | Collectively<br>Evaluated for<br>Impairment | Total               | Individually<br>Evaluated for<br>Impairment | Collectively<br>Evaluated for<br>Impairment | Total                 |
| December 31, 2014           |  |   |                     |   |   |                       |
| Commercial                  | \$   | \$ 19,899                                   | \$ 19,899           | \$  | \$ 1,998,911                                | \$ 1,998,911          |
| Commercial real estate      |  | 5,177,635                                   | 5,177,635           | 1,321,774                                   | 374,075,902                                 | 375,397,676           |
| Construction and land loans |  | 37,361                                      | 37,361              |   | 2,920,820                                   | 2,920,820             |
| Residential real estate     |  | 492,909                                     | 492,909             | 5,092,374                                   | 39,951,749                                  | 45,044,123            |
| Consumer                    |  | 36,126                                      | 36,126              | 800,000                                     | 3,303,253                                   | 4,103,253             |
| <b>Total</b>                | <b>\$</b>                                      | <b>\$ 5,763,930</b>                         | <b>\$ 5,763,930</b> | <b>\$ 7,214,148</b>                         | <b>\$ 422,250,635</b>                       | <b>\$ 429,464,783</b> |
| December 31, 2013           |  |   |                     |   |   |                       |
| Commercial                  | \$   | \$ 8,849                                    | \$ 8,849            | \$ 292,955                                  | \$ 805,075                                  | \$ 1,098,030          |
| Commercial real estate      |  | 5,302,119                                   | 5,302,119           | 2,169,278                                   | 371,483,958                                 | 373,653,236           |
| Construction and land loans |  | 3,333                                       | 3,333               |   | 252,584                                     | 252,584               |
| Residential real estate     | 7,809  | 381,402                                     | 389,211             | 5,096,456                                   | 30,729,947                                  | 35,826,403            |
| Consumer                    |  | 31,808                                      | 31,808              | 800,000                                     | 2,830,353                                   | 3,630,353             |
| <b>Total</b>                | <b>\$ 7,809</b>                                | <b>\$ 5,727,511</b>                         | <b>\$ 5,735,320</b> | <b>\$ 8,358,689</b>                         | <b>\$ 406,101,917</b>                       | <b>\$ 414,460,606</b> |

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2014 and 2013

**NOTE 3 LOANS (Continued)**

The following table presents information related to loans individually evaluated for impairment by class of loans as of years-ended 2014 and 2013:

|   | Unpaid<br>Principal<br>Balance | Recorded<br>Investment | Allowance for<br>Loan Losses<br>Allocated | Average<br>Recorded<br>Investment |
|---|--------------------------------|------------------------|---|-----------------------------------|
| <b>December 31, 2014</b>                  |                                |                        |   |                                   |
| Commercial real estate non owner occupied | \$ 182,410                     | \$ 182,410             | \$  | \$ 708,208                        |
| Commercial real estate owner occupied     | 1,139,364                      | 1,139,364              |   | 1,173,166                         |
| Construction and land development         |                                |                        |   |                                   |
| Multifamily                               |                                |                        |   |                                   |
| One-to-four family                        | 5,238,385                      | 5,092,374              |   | 5,093,901                         |
| Home equity                               | 800,000                        | 800,000                |   | 800,000                           |
| Commercial and industrial                 |                                |                        |   | 146,478                           |
| Loans to individuals                      |                                |                        |   |                                   |
| <b>Total</b>                              | <b>\$ 7,360,159</b>            | <b>\$ 7,214,148</b>    | <b>\$</b>                                 | <b>\$ 7,921,753</b>               |
| <b>December 31, 2013</b>                  |                                |                        |   |                                   |
| Commercial real estate non owner occupied | \$ 944,278                     | \$ 944,278             | \$  | \$ 2,650,106                      |
| Commercial real estate owner occupied     | 1,615,607                      | 1,225,000              |   | 1,234,315                         |
| Construction and land development         |                                |                        |   |                                   |
| Multifamily                               |                                |                        |   | 818,607                           |
| One-to-four family                        | 5,246,905                      | 5,096,456              | 7,809                                     | 5,017,955                         |
| Home equity                               | 800,000                        | 800,000                |   | 800,000                           |
| Commercial and industrial                 | 390,607                        | 292,955                |   |                                   |
| Loans to individuals                      |                                |                        |   |                                   |
| <b>Total</b>                              | <b>\$ 8,997,397</b>            | <b>\$ 8,358,689</b>    | <b>\$ 7,809</b>                           | <b>\$ 10,520,983</b>              |

|  | 2014      | 2013      |
|--|-----------|-----------|
| Interest income recognized during the time period that loans were impaired, using accrual or cash-basis method of accounting | \$ 21,949 | \$ 97,447 |

As of December 31, 2014 and 2013, the Company has a recorded investment in troubled debt restructurings of \$2,158,700 and \$2,833,646, respectively. There were no specific allowance allocations applied to these loans as of December 31, 2014 and 2013.

During the year ending December 31, 2014, there were no loans modified as troubled debt restructurings. During the year ending December 31, 2013, the terms of certain loans were modified as troubled debt restructurings. The modification of the terms of such loans

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included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction of the recorded investment in the loan.

Modifications involving a reduction of the stated interest rate of the loan were for periods up to twelve months.

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2014 and 2013

**NOTE 3 LOANS (Continued)**

The following table presents loans by class modified as troubled debt restructurings that occurred during the year ending December 31, 2013:

|   | Number<br>of Loans | Pre-Modification<br>Balance | Post-Modification<br>Balance |
|---|--------------------|-----------------------------|------------------------------|
| Commercial real estate non owner occupied | 1                  | \$ 113,753                  | \$ 110,550                   |
| Commercial real estate owner occupied     | 2                  | 1,064,150                   | 1,064,150                    |
| <b>Total</b>                              | <b>3</b>           | <b>\$ 1,177,903</b>         | <b>\$ 1,174,700</b>          |

A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms. There were no defaults in 2014 and 2013 of loans modified within the previous twelve months.

The terms of certain other loans were modified during the year ending December 31, 2014, that did not meet the definition of a troubled debt restructuring. The modification of these loans involved either a modification of the terms of a loan to borrowers who were not experiencing financial difficulties or a delay in a payment that was considered to be insignificant. These loan modifications are not considered material.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the company's internal underwriting policy.

**NOTE 4 BANK PREMISES AND EQUIPMENT**

Year-end premises and equipment were as follows:

|                                   | 2014         | 2013         |
|-----------------------------------|--------------|--------------|
| Land                              | \$ 1,301,200 | \$ 1,301,200 |
| Building                          | 7,748,028    | 7,429,787    |
| Leasehold improvements            | 271,698      | 184,053      |
| Furniture, fixtures and equipment | 798,972      | 1,103,485    |
|                                   | 10,119,898   | 10,018,525   |
| Less accumulated depreciation     | (4,079,324)  | (4,231,232)  |
|                                   | \$ 6,040,574 | \$ 5,787,293 |

Depreciation and amortization expense amounted to \$377,234 and \$364,003 in 2014 and 2013.

The Company leases its main banking location under a lease agreement with a real estate company owned by an officer of the Company, which expires on March 31, 2018. Total rental income paid to this related party approximated \$498,000 for the years ended December 31, 2014 and 2013. Additional office space is currently leased that expires in October 31, 2019. Rent expense incurred under the main banking location and additional office space leases was \$812,529 for 2014 and 2013, respectively. Rent





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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2014 and 2013

**NOTE 4 BANK PREMISES AND EQUIPMENT (Continued)**

commitments under noncancelable operating leases were as follows, before considering renewal options that generally are present.

|              |           |                  |
|--------------|-----------|------------------|
| 2015         | \$        | 832,416          |
| 2016         |           | 856,302          |
| 2017         |           | 880,894          |
| 2018         |           | 479,729          |
| 2019         |           | 293,472          |
| Thereafter   |           |                  |
| <b>Total</b> | <b>\$</b> | <b>3,342,813</b> |

**NOTE 5 INCOME TAXES**

The components of the provision for income taxes were as follows:

|                          | 2014      |                  | 2013      |                  |
|--------------------------|-----------|------------------|-----------|------------------|
| Current federal          | \$        | 3,230,805        | \$        | 2,600,421        |
| Current state and local  |           | 1,616,609        |           | 1,505,921        |
| Deferred federal         |           | (164,928)        |           | 163,066          |
| Deferred state and local |           | 26,578           |           | 101,726          |
|                          | <b>\$</b> | <b>4,709,064</b> | <b>\$</b> | <b>4,371,134</b> |

Year-end deferred tax assets and liabilities are as follows:

|                               | 2014      |                  | 2013      |                  |
|-------------------------------|-----------|------------------|-----------|------------------|
| Deferred tax assets           | \$        | 3,188,035        | \$        | 2,588,682        |
| Deferred tax liabilities      |           | (1,029,507)      |           | (568,504)        |
| <b>Net deferred tax asset</b> | <b>\$</b> | <b>2,158,528</b> | <b>\$</b> | <b>2,020,178</b> |

The effective tax rate differs from the statutory tax rate due to state and local taxes. As of December 31, 2014 and 2013, The Bank and its subsidiaries had no unrecognized tax benefits or accrued interest and penalties recorded. This is not expected to change.

In 2014, New York State enacted comprehensive tax reform provisions with significant impact on financial institutions. As a result of this legislation, beginning in 2015, the Bank will calculate its tax obligation to New York based upon the largest of a calculated income tax liability, a tax liability based upon average equity capital or a minimum filing fee. Also, effective January 1, 2015, banks under \$8 billion in total assets are permitted to claim a subtraction from New York taxable income equal to 50% of the net interest income on loans secured by residential real estate located within the state and on small business loans to customers within the state, provided the principal balance of these loans is less than \$5 million.



Table of Contents**ASIA BANCSHARES, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****December 31, 2014 and 2013****NOTE 6 DEPOSITS**

Time deposits that meet or exceed the Federal Deposit Insurance limit of \$250,000 were \$35,451,922 and \$32,089,635 at year end 2014 and 2013 respectively.

The scheduled maturities of all time deposits were as follows:

|      |    |             |
|------|----|-------------|
| 2015 | \$ | 140,022,577 |
| 2016 |    | 26,247,745  |
| 2017 |    | 8,199,365   |
| 2018 |    | 1,819,959   |
| 2019 |    | 1,022,630   |
|      | \$ | 177,312,276 |

**NOTE 7 LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES**

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include standby letters of credit and commitments to extend credit in the form of unused lines of credit. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

At December 31, 2014 and 2013, the Bank had the following financial instruments, substantially all of which were at variable rates, whose approximate contract amounts represent normal credit risk:

|                              | <b>2014</b> |            | <b>2013</b> |            |
|------------------------------|-------------|------------|-------------|------------|
| Standby letters of credit    | \$          | 256,755    | \$          | 275,490    |
| Commitments to extend credit |             | 15,606,703 |             | 14,333,023 |

Standby letters of credit represent conditional commitments issued by the Bank to guarantee the performance of a third party. The credit risk involved in issuing these letters of credit is essentially the same as the risk involved in extending loans to customers. Collateral held, if any, varies but primarily includes certificates of deposit.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Bank evaluates each customer's creditworthiness on a case-by-case basis. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Collateral held, if any, varies but primarily includes real estate.

**NOTE 8 REGULATORY MATTERS**

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2014 and 2013

**NOTE 8 REGULATORY MATTERS (Continued)**

measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the following table) of Total and Tier I capital (as defined in the regulations) to risk weighted assets (as defined), and of Tier I capital to average assets (as defined). Management believes, as of December 31, 2014 and 2013, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2014 and 2013, the most recent notification by the Office of the Comptroller of the Currency classified the Bank as well capitalized. To be categorized as well capitalized, the Bank must maintain minimum Total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the institution's category.

The Bank's actual and required capital amounts and ratios are presented below at year-end (in thousands). The Company's capital amounts are not materially different from the Bank's amounts.

|  | Actual    |        | For Capital Adequacy Purposes |       | To Be Well Capitalized Under Prompt Corrective Action Provisions |        |
|--|-----------|--------|-------------------------------|-------|--|--------|
|  | Amount    | Ratio  | Amount                        | Ratio | Amount   | Ratio  |
| <b>2014</b>                              |           |        |                               |       |  |        |
| Total capital (to risk-weighted assets)  | \$ 77,874 | 18.93% | \$ 32,909                     | 8.00% | \$ 41,136  | 10.00% |
| Tier I capital (to risk-weighted assets) | 72,724    | 17.68  | 16,454                        | 4.00  | 24,681   | 6.00   |
| Tier I capital (to average assets)       | 72,724    | 13.94  | 20,873                        | 4.00  | 26,091   | 5.00   |
| <b>2013</b>                              |           |        |                               |       |  |        |
| Total capital (to risk-weighted assets)  | \$ 72,304 | 18.05% | \$ 32,050                     | 8.00% | \$ 40,063  | 10.00% |
| Tier I capital (to risk-weighted assets) | 67,287    | 16.80  | 16,025                        | 4.00  | 24,038   | 6.00   |
| Tier I capital (to average assets)       | 67,287    | 14.19  | 18,968                        | 4.00  | 23,710   | 5.00   |

The Company's principal source of funds for dividend payments is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid by the Bank in any calendar year is limited to the current year's net profits, as defined, combined with the retained net profits of the preceding two years. As of December 31, 2014 and 2013, \$7,638,444 and \$4,080,420 was available for dividends, respectively.

**NOTE 9 EMPLOYEE BENEFIT PLAN**

The Bank has a profit sharing plan (the "Plan") for all qualified employees. The terms of the Plan call for contributions to be made by the Bank equal to 5% of each qualified employee's base salary. Qualified employees vest, over a six-year period, in the Bank's contributions. Expense recognized by the Bank related to the Plan was \$170,469 and \$173,336 for 2014 and 2013, respectively.

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ASIA BANCSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2014 and 2013

**NOTE 10 FAIR VALUE**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

*Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

*Level 2:* Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

*Level 3:* Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

*Impaired Loans:* The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

*Assets and Liabilities Measured on a Recurring Basis:* There are no assets and liabilities measured at fair value on a recurring basis at December 31, 2014 and 2013.

*Assets and Liabilities Measured on a Non-Recurring Basis*

*Impaired Loans:* There were no impaired loans measured for impairment using the fair value of the collateral for collateral dependent loans at December 31, 2014. Impaired loans measured for impairment using the fair value of the collateral for collateral dependent loans, had a book value of \$263,469, with a valuation allowance of \$7,809 at December 31, 2013. The impaired loans measured for impairment using fair value of the collateral as of December 31, 2013, consisted of one one-to-four family property which was valued using the sales comparison approach including discounts for comparable sales between 6.5% and 20%.

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## ASIA BANCSHARES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2014 and 2013

**NOTE 10 FAIR VALUE (Continued)**

The carrying amount and estimated fair value of financial instruments, excluding those shown above, (in thousands) at year end were as follows:

|   | 2014            |            | 2013            |            |
|---|-----------------|------------|-----------------|------------|
|   | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| <b>Financial assets</b>                       |                 |            |                 |            |
| Cash and cash equivalents                     | \$ 95,621       | \$ 95,621  | \$ 51,615       | \$ 51,615  |
| Time deposits in other financial institutions |                 |            | 240             | 240        |
| Securities held to maturity                   | 2,196           | 2,393      | 2,262           | 2,400      |
| Loans, net                                    | 423,266         | 439,134    | 408,271         | 412,986    |
| FRB stock                                     | 1,377           | N/A        | 1,377           | N/A        |
| Accrued interest receivable                   | 1,664           | 1,664      | 1,634           | 1,634      |
| <b>Financial liabilities</b>                  |                 |            |                 |            |
| Deposits                                      | 453,022         | 439,093    | 399,868         | 397,921    |
| Accrued interest payable                      | 752             | 752        | 824             | 824        |

The methods and assumptions used to estimate fair values are described as follows.

Carrying amount is the estimated fair value for cash and cash equivalents, time deposits in other financial institutions, accrued interest receivable and payable, demand deposits, and variable rate loans and deposits that reprice frequently and fully. Security fair values are based on market prices or dealer quotes, and if no such information is available, on the rate and term of the security and information about the issuer. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life of credit risk. Fair values for impaired loans are estimated using discounted cash flow analysis or underlying collateral values. It is not practicable to determine the fair value of FRB stock due to restrictions placed on its transferability. The fair value of off-balance sheet items is based on the current fees or cost that would be charged to enter into or terminate such arrangements and is not material.

**NOTE 11 SUBSEQUENT EVENTS**

In January 2015, the Company signed a definitive merger agreement with Cathay General Bancorp, headquartered in Los Angeles, California. Pursuant to the merger agreement, the Company will merge with and into the Cathay General Bancorp, with Cathay General Bancorp as the surviving entity.

Simultaneously with the merger, Asia Bancshares' wholly owned bank subsidiary, Asia Bank, will merge with and into Cathay's wholly owned bank subsidiary, Cathay Bank, with Cathay Bank as the surviving entity after the bank merger. As a result of the bank merger, Asia Bank will cease to exist as a separate entity.

The transaction has been approved by the Boards of Directors of the Company and Cathay General Bancorp. Completion of the transaction is subject to customary closing conditions, including the receipt of required regulatory approvals and the approval of the Company's stockholders.

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**Appendix A**

**EXECUTION VERSION**

**AGREEMENT AND PLAN OF MERGER**

**between  
CATHAY GENERAL BANCORP  
and  
ASIA BANCSHARES, INC.**

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**DATED AS OF JANUARY 20, 2015**

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**AGREEMENT AND PLAN OF MERGER**

AGREEMENT AND PLAN OF MERGER, dated as of January 20, 2015 (this "*Agreement*"), between Cathay General Bancorp, a Delaware corporation ("*Cathay*") and Asia Bancshares, Inc., a New York corporation (the "*Company*").

WITNESSETH:

WHEREAS, the parties intend that the Company shall be merged with and into Cathay (the "*Merger*"), whereupon the separate corporate existence of the Company shall cease and Cathay shall continue as the surviving company;

WHEREAS, the Board of Directors of the Company (the "*Company Board of Directors*") has (i) unanimously determined that it is in the best interests of the Company and its shareholders, and declared it advisable, to enter into this Agreement, (ii) approved the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, including the Merger and (iii) resolved to recommend adoption of this Agreement by the shareholders of the Company;

WHEREAS, the Board of Directors of Cathay has (i) unanimously determined that it is in the best interests of Cathay and its shareholders, and declared it advisable, to enter into this Agreement and (ii) approved the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, including the Merger;

WHEREAS, concurrently with the execution of this Agreement and as a condition and inducement to Cathay's willingness to enter into this Agreement, certain shareholders of the Company have entered into Voting and Support Agreements (each a "*Voting and Support Agreement*") and collectively the "*Voting and Support Agreements*") in connection with the Merger;

WHEREAS, for federal income tax purposes, it is intended that the Merger shall qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "*Code*"), and this Agreement is intended to be and is adopted as a plan of reorganization for purposes of Sections 354 and 361 of the Code; and

WHEREAS, the parties desire to make certain representations, warranties and agreements in connection with the Merger and also to prescribe certain conditions to the Merger.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained herein, and intending to be legally bound hereby, the parties agree as follows:

**ARTICLE I**

**THE MERGER**

1.1 *The Merger.* At the Effective Time, upon the terms and subject to the conditions set forth in this Agreement and in accordance with the applicable provisions of the New York Business Corporation Law (the "*NYBCL*") and the Delaware General Corporation Law (the "*DGCL*"), the Company shall merge with and into Cathay, whereupon the separate corporate existence of the Company shall cease, and Cathay shall continue its existence under the laws of the State of Delaware as the surviving corporation in the Merger (the "*Surviving Corporation*").

1.2 *Closing.* The closing of the Merger (the "*Closing*") shall take place at the offices of Wachtell, Lipton, Rosen & Katz, 51 West 52<sup>nd</sup> Street, New York, New York at 10:00 a.m., local time, on the later of (i) May 15, 2015 and (ii) the fifth (5th) Business Day after the satisfaction or waiver (to the extent permitted by applicable Law) of the conditions set forth in *Article VII* (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or

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waiver of such conditions), or at such other place, date and time as the Company and Cathay may agree in writing; *provided* that Cathay shall have a one-time option to postpone the Closing for up to 30 days beyond the date on which the Closing would otherwise occur by providing written notice to the Company not less than two Business Days prior to the anticipated Closing. Such written notice shall specify the date on which the postponed Closing shall occur. The date on which the Closing actually occurs is referred to as the "*Closing Date*."

1.3 *Effective Time.* On the Closing Date, the Company and Cathay shall file (i) with the Secretary of State of the State of New York a certificate of merger, executed in accordance with, and containing such information as is required by, the relevant provisions of the NYBCL, and (ii) with the Secretary of State of the State of Delaware a certificate of merger, executed in accordance with, and containing such information as is required by, the relevant provisions of the DGCL, in each case in order to effect the Merger (the "*Certificates of Merger*"). The Merger shall become effective at such time as the Certificates of Merger have been filed with the Secretary of State of the State of New York and Secretary of State of the State of Delaware or at such time as is agreed between the parties and specified in the Certificates of Merger in accordance with the relevant provisions of the NYBCL and the DGCL (such time is hereinafter referred to as the "*Effective Time*").

1.4 *Effects of the Merger.* The effects of the Merger shall be as provided in this Agreement and in the applicable provisions of the NYBCL and the DGCL.

1.5 *Organizational Documents of the Surviving Corporation.*

(a) At the Effective Time, the Amended and Restated Certificate of Incorporation of Cathay, as in effect immediately prior to the Effective Time, shall be the certificate of incorporation of the Surviving Corporation until thereafter amended in accordance with the provisions thereof and applicable Law.

(b) At the Effective Time, the Amended and Restated Bylaws of Cathay, as in effect immediately prior to the Effective Time, shall be the bylaws of the Surviving Corporation until thereafter amended in accordance with the provisions thereof and applicable Law.

1.6 *Directors.* The directors of Cathay immediately prior to the Effective Time shall be the directors of the Surviving Corporation and shall hold office until their respective successors are duly elected and qualified, or their earlier death, resignation or removal.

1.7 *Officers.* The officers of Cathay immediately prior to the Effective Time shall be the officers of the Surviving Corporation and shall hold office until their respective successors are duly elected and qualified, or their earlier death, resignation or removal.

1.8 *Reservation of Right to Change Structure.* Notwithstanding any other provision of this Agreement to the contrary, subject to the prior written consent of the Company (which consent shall not be unreasonably withheld, conditioned or delayed), Cathay may, at any time prior to the Effective Time, to the extent permitted by Law without a further vote of the shareholders of the Company, change the method of effecting the Merger or the making of Merger Consideration available to the Company's shareholders if, and to the extent, it deems such change to be necessary, appropriate or desirable; *provided*, however, that no such change shall alter or change the Merger Consideration or the status of the Merger as a "reorganization" within the meaning of section 368(a) of the Code.

1.9 *Bank Merger and other Subsidiary Mergers.*

(a) On the Closing Date and simultaneously with the Merger, Asia Bank, N.A., a national bank and a wholly owned Subsidiary of the Company ("*Asia Bank*"), will merge (the "*Bank Merger*") with and into Cathay Bank, a California state-chartered bank and a wholly owned Subsidiary of Cathay ("*Cathay Bank*"). Cathay Bank shall be the surviving entity in the Bank

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Merger (the "*Surviving Bank*") and, following the Bank Merger, the separate corporate existence of Asia Bank shall cease.

(b) The Bank Merger shall be implemented pursuant to an agreement and plan of merger, in substantially the form attached hereto as *Annex B* with such changes as may be mutually agreed by the Company and Cathay (the "*Bank Merger Agreement*"). Prior to the Closing (or earlier if necessary to obtain the necessary regulatory approvals for the Bank Merger): (i) the Company shall cause Asia Bank to adopt the Bank Merger Agreement, the Company, as the sole shareholder of Asia Bank, shall approve the Bank Merger Agreement, and the Company shall cause the Bank Merger Agreement to be duly executed by Asia Bank and delivered to Cathay Bank and (ii) Cathay shall cause Cathay Bank to adopt the Bank Merger Agreement, Cathay, as the sole shareholder of Cathay Bank, shall approve the Bank Merger Agreement and Cathay shall cause the Bank Merger Agreement to be duly executed by Cathay Bank and delivered to Asia Bank. The Company shall cause Asia Bank, and Cathay shall cause Cathay Bank, to execute such certificates of merger and articles of combination and such other documents and certificates as are necessary to make the Bank Merger effective simultaneously with the Effective Time (the "*Bank Merger Certificates*").

(c) At Cathay's request, the Company agrees to cooperate with Cathay and to take such actions as may be requested by Cathay to effect the merger or mergers immediately following the Closing of one or more Subsidiaries of the Company (other than Asia Bank) with the Surviving Corporation or one of its Subsidiaries; *provided*, however, that no such change shall alter or change the Merger Consideration or the status of the Merger as a "reorganization" within the meaning of section 368(a) of the Code.

1.10 *Tax Consequences.* It is intended that the Merger shall qualify as a "reorganization" within the meaning of Section 368(a) of the Code, and that this Agreement is intended to be and is adopted as a "plan of reorganization" for the purposes of Sections 354 and 361 of the Code.

## ARTICLE II

### CONVERSION OF SHARES; EXCHANGE OF CERTIFICATES

2.1 *Effect on Capital Stock.* At the Effective Time, by virtue of the Merger and without any action on the part of Cathay, the Company or the holder of any shares of Company Common Stock:

(a) *Cancellation of Certain Stock.* Each share of common stock of the Company, par value \$10 per share ("*Company Common Stock*" and each a "*Company Share*") issued and outstanding immediately prior to the Effective Time that is (i) owned by the Company or any wholly owned subsidiary of the Company or held in treasury by the Company or (ii) owned by Cathay or any of its wholly owned Subsidiaries, shall no longer be outstanding and shall automatically be cancelled and shall cease to exist (the "*Cancelled Shares*"), and no consideration shall be delivered in exchange therefor.

(b) *Conversion of Company Common Stock.*

(i) At the Effective Time, subject to the exceptions and limitations set forth in this *Article II*, each Company Share issued and outstanding immediately prior to the Effective Time (other than Cancelled Shares or Dissenting Shares), by virtue of this Agreement and without any action on the part of the holder thereof, shall be cancelled and cease to exist and be converted into the right to receive, at the election of the holder thereof as provided in *Section 2.3* hereof, either (i) that number of shares of common stock of Cathay, par value \$0.01 per share ("*Cathay Common Stock*") equal to the Exchange Ratio or (ii) an amount in cash, without interest, equal to the Per Share Cash Consideration (collectively, the "*Merger Consideration*"), subject to the limitations set forth in *Section 2.3(d)* on the aggregate number

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of shares of Cathay Common Stock issued and the aggregate amount of cash paid in exchange for all shares of Company Common Stock.

(ii) Uncertificated shares of Company Common Stock represented by book-entry form ("*Book-Entry Shares*") and each certificate that, immediately prior to the Effective Time, represented any such shares of Company Common Stock (each, a "*Certificate*") shall thereafter represent only the right to receive the Merger Consideration and the Fractional Share Cash Amount (as defined herein) into which the shares of Company Common Stock represented by such Book-Entry Share or Certificate have been converted pursuant to this *Section 2.1(b)*, as well as any dividends or other distributions to which holders of Company Common Stock become entitled in accordance with *Section 2.2(f)*.

(c) *No Fractional Shares.* No fractional shares of Cathay Common Stock shall be issued in connection with the Merger, no certificates or scrip representing fractional shares of Cathay Common Stock shall be delivered upon the conversion of Company Shares pursuant to *Section 2.1(b)*, and such fractional share interests shall not entitle the owner thereof to vote or to any other rights of a holder of shares of Cathay Common Stock. Notwithstanding any other provision of this Agreement, each holder of Company Shares converted pursuant to the Merger who would otherwise have been entitled to receive a fraction of a share of Cathay Common Stock (after aggregating all shares represented by the Certificates and Book-Entry Shares delivered by such holder) shall receive, in lieu thereof and upon surrender thereof, cash (without interest) in an amount determined by multiplying (i) the closing price of Cathay Common Stock reported on the Nasdaq Stock Exchange (the "*Nasdaq*") on the trading day immediately preceding the Closing Date, rounded to the nearest one-hundredth of a cent by (ii) the fraction of a share (after taking into account all shares of Company Common Stock held by such holder at the Effective Time and rounded to the nearest one thousandth when expressed in decimal form) of Cathay Common Stock to which such holder would otherwise be entitled (the "*Fractional Share Cash Amount*"). No such holder shall be entitled to dividends, voting rights or any other rights in respect of any fractional share of Cathay Common Stock.

(d) *Dissenting Shares.* Notwithstanding anything in this Agreement to the contrary, shares of Company Common Stock which are outstanding immediately prior to the Effective Time and as to which shareholders have given notice of their intention to assert dissenters rights in accordance with Section 623 and Section 910 of the NYBCL (such shares being referred to herein as "*Dissenting Shares*") shall not be converted into the right to receive the Merger Consideration but, instead, the holders thereof only shall be entitled to receive payment of the fair market value of such Dissenting Shares in accordance with the provisions of Sections 623 and 910 of the NYBCL; *provided, however*, that (i) if any holder of Dissenting Shares shall subsequently withdraw, with the consent of Cathay, his or her demand for payment for such shares, or (ii) if any holder of Dissenting Shares fails to establish or otherwise loses his or her entitlement to payment of the fair market value of such shares as provided in Sections 623 and 910 of the NYBCL, such holder or holders (as the case may be) shall not be entitled to receive payment of the fair market value of such shares of Company Common Stock as contemplated by Sections 623 and 910 of the NYBL, and each of such shares shall thereupon cease to be Dissenting Shares and shall be deemed to have been converted into the right to receive, as of the Effective Time, the Merger Consideration, without any interest thereon, as provided in *Section 2.1(b)* and *Section 2.3* hereof, as Undesignated Shares. Prior to the Effective Time, the Company shall give Cathay prompt notice of any demands for payment for shares of Company Common Stock pursuant to Section 623 of the NYBCL received by the Company, withdrawals of any such demands and any other documents or instruments received by the Company in connection therewith. Cathay shall have the right to participate in and direct all negotiations and proceedings with respect to any such demands. Prior to the Effective Time, the Company shall not, except with the prior written consent of Cathay,

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which consent shall not unreasonably be withheld, conditioned or delayed, make any payment with respect to, or settle or offer to settle, any such demands, or agree to do any of the foregoing.

(e) *Certain Adjustments.* If, between the date of this Agreement and the Effective Time, the outstanding shares of Company Common Stock or Cathay Common Stock shall have been changed into a different number of shares or a different class of shares by reason of any stock dividend, subdivision, reorganization, reclassification, recapitalization, stock split, reverse stock split, combination or exchange of shares, or any similar event shall have occurred, then the Merger Consideration shall be equitably adjusted, without duplication, to proportionally reflect such change; *provided* that nothing in this *Section 2.1(e)* shall be construed to permit the Company to take any action with respect to its securities that is prohibited by the terms of this Agreement.

2.2 *Exchange of Certificates.*

(a) *Exchange Fund.* Prior to the Effective Time, Cathay shall appoint a bank or trust company to act as exchange agent (the "Exchange Agent") and shall deposit, or cause to be deposited, for the benefit of the holders of Company Shares, for exchange in accordance with this *Section 2.2*, through the Exchange Agent, (i) the full number of Cathay Shares issuable pursuant to *Section 2.1(b)*, and (ii) all of the cash necessary to pay the cash portion of the Merger Consideration, and Cathay shall, after the Effective Time on the appropriate payment date, if applicable, provide or cause to be provided to the Exchange Agent any dividends or other distributions (such shares of Cathay Common Stock and cash provided to the Exchange Agent being hereinafter referred to as the "Exchange Fund"). Cathay shall make available to the Exchange Agent, for addition to the Exchange Fund, from time to time as needed, cash sufficient to pay cash in lieu of fractional shares in accordance with *Section 2.1(c)*. The Exchange Agent shall invest any cash included in the Exchange Fund as directed by Cathay pending payment thereof by the Exchange Agent to the holders of Company Shares pursuant to this *Article II*; *provided* that no investment of such deposited funds directed by Cathay in writing shall relieve Cathay or the Exchange Agent from promptly making the payments required by this *Article II*, and following any losses from any such investment, Cathay shall promptly provide additional funds to the Exchange Agent, for the benefit of the holders of Company Shares, in the amount of such losses, which additional funds will be held and disbursed in the same manner as funds initially deposited with the Exchange Agent. Cathay shall direct the Exchange Agent to hold the Exchange Fund for the benefit of the former holders of Company Shares and to make payments from the Exchange Fund in accordance with *Section 2.1(b)*. The Exchange Fund shall not be used for any purpose other than to fund payments pursuant to *Section 2.1(b)*, except as expressly provided for in this Agreement.

(b) *Procedures for Surrender.* Cathay shall direct the Exchange Agent to mail on the Mailing Date to each holder of record of a Certificate or Book-Entry Share as of the Election Form Record Date: (i) a letter of transmittal, which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of such Certificates (or affidavits of loss in lieu thereof) to the Exchange Agent, and shall otherwise be in such form and have such other provisions as Cathay may reasonably specify (the "Letter of Transmittal"); (ii) an Election Form to be completed, signed and returned to the Exchange Agent by each such holder (the "Election Form") prior to the Election Deadline; (iii) instructions for electing the Merger Consideration to be received for each Company Share and effecting the surrender of the Certificates or Book-Entry Shares in exchange for payment of the Merger Consideration. As soon as reasonably practicable after the Effective Time, Cathay shall direct the Exchange Agent to mail to each holder of record of a Certificate or Book-Entry Share as of immediately prior to the Effective Time who have not previously returned a duly executed and properly completed Letter of Transmittal, (i) a Letter of Transmittal, and (ii) instructions for effecting the surrender of the Certificates or Book-Entry Shares in exchange for payment of the Merger Consideration.



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(c) *Payment of Consideration.* Upon the later of (a) the Effective Time and (b) surrender of Certificates (or affidavits of loss in lieu thereof) for cancellation to the Exchange Agent, and delivery of a Letter of Transmittal, duly executed and properly completed, with respect to such Certificates or Book-Entry Shares, the record holder of such Certificates or Book-Entry Shares shall be entitled to receive in exchange therefor the Merger Consideration into which the Company Shares formerly represented by such Certificates or such Book-Entry Shares were converted pursuant to *Article II*, and the Certificates so surrendered shall forthwith be cancelled. The Exchange Agent shall accept such Certificates (or affidavits of loss in lieu thereof) or Book-Entry Shares upon compliance with such reasonable terms and conditions as the Exchange Agent may impose to effect an orderly exchange thereof in accordance with normal exchange practices. In the event of a transfer of ownership of Company Common Stock that is not registered in the transfer records of the Company, payment of the Merger Consideration may be made to a person other than the person in whose name the Certificate so surrendered is registered, if such Certificate shall be properly endorsed or shall otherwise be in proper form for transfer along with such other documentation as may be reasonably requested by Cathay or the Exchange Agent and the person requesting such payment shall pay to the Exchange Agent any transfer and other similar Taxes required by reason of the payment of the Merger Consideration, as applicable, to a person other than the registered holder of the Certificate so surrendered or shall establish to the satisfaction of the Surviving Corporation that such Taxes either have been paid or are not required to be paid. Payment of the Merger Consideration with respect to Book-Entry Shares shall only be made to the person in whose name such Book-Entry Shares are registered. No interest shall be paid or accrue on any cash payable upon surrender of any Certificate or Book-Entry Share.

(d) *Transfer Books; No Further Ownership Rights in Shares.* As of the Effective Time, the stock transfer books of the Company shall be closed and thereafter there shall be no further registration of transfers of Company Shares on the records of the Company. The Merger Consideration paid in accordance with the terms of this *Article II* with respect to any Company Shares shall be deemed to have been paid in full satisfaction of all rights pertaining thereto. From and after the Effective Time, the holders of Company Shares outstanding immediately prior thereto shall cease to have any rights with respect thereto except as otherwise provided for herein or by applicable Law. Subject to *Section 2.2(c)*, if, after the Effective Time, Company Certificates are presented to the Surviving Corporation for any reason, they shall be cancelled and exchanged as provided in this Agreement.

(e) *Termination of Exchange Fund; Abandoned Property; No Liability.* At any time following the first anniversary of the Effective Time (or such earlier date immediately prior to such time when the amounts would otherwise escheat to or become property of any Governmental Entity), the Surviving Corporation shall be entitled to require the Exchange Agent to deliver to it any portion of the Exchange Fund (including any interest or investment income received with respect thereto) not disbursed to holders of Company Shares, and thereafter such holders shall be entitled to look only to the Surviving Corporation (subject to abandoned property, escheat or other similar Laws) as general creditors thereof with respect to the Merger Consideration payable upon due surrender of their Company Shares and compliance with the procedures set forth in *Section 2.2*, without interest. Notwithstanding the foregoing, neither the Surviving Corporation or the Exchange Agent shall be liable to any holder of a Company Share for Merger Consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

(f) *Lost, Stolen or Destroyed Certificates.* If any Certificate shall have been lost, stolen or destroyed, the Exchange Agent or the Surviving Corporation, as applicable, shall issue in exchange therefor upon the making of an affidavit of that fact by the holder thereof, the Merger Consideration into which such Company Shares formerly represented thereby were converted pursuant to *Article II*; *provided, however*, that the Exchange Agent may, in its reasonable discretion

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and as a condition precedent to the payment of such Merger Consideration, as applicable, require the owner of such lost, stolen or destroyed Certificate to deliver a customary indemnity agreement or provide a bond in a customary amount.

2.3 *Company Election Procedures.*

(a) In accordance with *Section 2.2* hereof, the Election Form, the Letter of Transmittal, and the other materials specified in *Section 2.2(b)* hereof, shall be mailed no less than thirty-five (35) days prior to the anticipated Effective Time or on such other date as the Company and Cathay shall mutually agree ("*Mailing Date*") to each holder of record of Company Shares as of a date no earlier than five (5) Business Days prior to the Mailing Date ("*Election Form Record Date*"). Cathay shall make available one or more Election Forms and Letters of Transmittal as may be reasonably requested by all persons who become holders (or beneficial owners) of Company Common Stock after the Election Form Record Date and prior to the Election Deadline, and the Company shall provide to the Exchange Agent all information reasonably necessary for it to perform its obligations as specified herein.

(b) Each Election Form shall permit the holder to elect (an "*Election*") to receive either (i) Cathay Common Stock (a "*Stock Election*") with respect to all of such holder's Company Shares, (ii) cash (a "*Cash Election*") with respect to all of such holder's Company Shares or (iii) Cathay Common Stock with respect to a percentage of such holder's Company Shares (a "*Combination Stock Election*") and cash with respect to the remainder of such holder's Company Shares (a "*Combination Cash Election*"), subject to the provisions contained in this Agreement. Any Company Shares (other than Dissenting Shares) with respect to which the holder shall not have submitted to the Exchange Agent, an effective, properly completed Election Form prior to the Election Deadline shall be deemed to be "*Undesignated Shares*" hereunder and all shares of Company Common Stock which are outstanding immediately prior to the Effective Time and that have ceased to be Dissenting Shares shall be deemed "*Undesignated Shares*."

(c) Any Election shall have been properly made and effective with respect to the Merger only if the Exchange Agent shall have actually received a properly completed Election Form by 5:00 p.m. California time on or before the thirtieth (30th) day following the Mailing Date, or such other time and date as Cathay and the Company may mutually agree (the "*Election Deadline*"). Each Election Form shall only be deemed properly completed to the extent a valid Election is indicated for Company Shares covered by such Election Form. Any Election Form may be revoked or changed by the person submitting such Election Form at or prior to the applicable Election Deadline. In the event an Election Form is revoked prior to the applicable Election Deadline, the Company Shares represented by such Election Form shall automatically become Undesignated Shares unless and until a new Election Form is properly completed and made with respect to such shares on or before the Election Deadline, and, if such revoked Election Form was delivered to the Exchange Agent accompanied by Certificates represented by such Election Form, Cathay shall cause such Certificates to be promptly returned without charge to the person submitting the revoked Election Form upon written request to that effect from the holder who submitted such Election Form. Subject to the terms of this Agreement and of the Election Form, the Exchange Agent shall have reasonable discretion to determine whether any election, revocation, withdrawal or change has been properly or timely made and to disregard immaterial defects in the Election Forms, and any decisions of Cathay and the Company required by the Exchange Agent and made in good faith in determining such matters shall be binding and conclusive. Neither Cathay nor the Exchange Agent shall be under any obligation to notify any person of any defect in any Election Form.

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(d) For purposes of the Merger, the allocation among the holders of Company Shares of rights to receive the Per Share Stock Consideration or the Per Share Cash Consideration will be made as follows:

(i) *Number of Stock Elections is Less Than the Minimum Stock Conversion Number.* If the aggregate number of Stock Election Shares (on the basis of valid and properly completed Election Forms received by the applicable Election Deadline) is less than the Minimum Stock Conversion Number, then

(A) each Stock Election Share will, as of the Effective Time, be converted into the Per Share Stock Consideration,

(B) the Exchange Agent will allocate from among the Undesignated Shares, pro rata to the holders of Undesignated Shares in accordance with their respective numbers of Undesignated Shares, a sufficient number of Undesignated Shares so that the sum of such number and the number of Stock Election Shares equals as closely as practicable the Minimum Stock Conversion Number, and each such allocated Undesignated Share (each, a "Stock-Selected Undesignated Share") will, as of the Effective Time, be converted into the Per Share Stock Consideration; *provided* that if the sum of all Undesignated Shares and Stock Election Shares is equal to or less than the Minimum Stock Conversion Number, all Undesignated Shares will be Stock-Selected Undesignated Shares,

(C) if the sum of Stock Election Shares and Undesignated Shares is less than the Minimum Stock Conversion Number, the Exchange Agent will allocate from among the Cash Election Shares, pro rata to the holders of Cash Election Shares in accordance with their respective numbers of Cash Election Shares, a sufficient number of Cash Election Shares so that the sum of such number, the number of all Stock Election Shares and the number of all Undesignated Shares equals as closely as practicable the Minimum Stock Conversion Number, and each such allocated Cash Election Share (each, a "Converted Cash Election Share") will, as of the Effective Time, be converted into the Per Share Stock Consideration; and

(D) each Undesignated Share that is not a Stock-Selected Undesignated Share and each Cash Election Share that is not a Converted Cash Election Share will, as of the Effective Time, be converted into the right to receive the Per Share Cash Consideration.

(ii) *Number of Stock Elections is Greater Than the Maximum Stock Conversion Number.* If the aggregate number of Stock Election Shares (on the basis of valid and properly completed Election Forms received by the Election Deadline) is greater than the Maximum Stock Conversion Number, then

(A) each Cash Election Share and Undesignated Share will, as of the Effective Time, be converted into the right to receive the Per Share Cash Consideration,

(B) the Exchange Agent will allocate from among the Stock Election Shares, pro rata to the holders of Stock Election Shares in accordance with their respective numbers of Stock Election Shares, a sufficient number of Stock Election Shares ("Converted Stock Election Shares") so that the difference of (x) the number of Stock Election Shares less (y) the number of Converted Stock Election Shares equals as closely as practicable the Maximum Stock Conversion Number, and each Converted Stock Election Share will, as of the Effective Time, be converted into the right to receive the Per Share Cash Consideration, and

(C) each Stock Election Share that is not a Converted Stock Election Share will, as of the Effective Time, be converted into the Per Share Stock Consideration.

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(iii) *Number of Stock Elections is Greater than or Equal to the Minimum Stock Conversion Number and Less than or Equal to the Maximum Stock Conversion Number.* If the aggregate number of Stock Election Shares (on the basis of valid and properly completed Election Forms received by the Election Deadline) is greater than or equal to the Minimum Stock Conversion Number and less than or equal to the Maximum Stock Conversion Number, then

(A) each Stock Election Share will, as of the Effective Time, be converted into the Per Share Stock Consideration, and

(B) each Cash Election Share and Undesignated Share will, as of the Effective Time, be converted into the right to receive the Per Share Cash Consideration.

(e) The calculations required by *Section 2.3(d)* above shall be prepared by Cathay prior to the Effective Time and furnished to the Company at least two (2) Business Days prior to the Effective Time showing the manner of calculation in reasonable detail or to the extent final calculations cannot be prepared prior to the Effective Time, a preliminary calculation shall be furnished to the Company at least two (2) Business Days prior to the Effective Time showing the manner of calculation in reasonable detail. Any calculation of a portion of a share of Cathay Common Stock shall be rounded to the nearest ten-thousandth of a share, and any cash payment shall be rounded to the nearest cent.

(f) No dividends or other distributions of any kind which are declared payable to holders of record of Cathay Common Stock after the Effective Time will be paid to persons entitled to receive certificates representing such Cathay Common Stock until such persons surrender their Certificates. Upon surrender of such Certificates, the holders thereof shall be paid, without interest, any dividends or other distributions with respect to shares of Cathay Common Stock as to which the record date and payment date occurred after the Effective Time and on or before the date of surrender.

(g) All dividends or distributions, and any cash to be paid pursuant to *Section 2.1(c)* hereof in lieu of fractional shares, held by the Exchange Agent for payment or delivery to the holders of unsurrendered Certificates and unclaimed at the end of one year from the date of the Effective Time, shall (together with any interest earned thereon) at such time be paid or redelivered by the Exchange Agent to the Surviving Corporation, and after such time any holder of a Certificate who has not surrendered such Certificate to the Exchange Agent shall, subject to applicable law, only have the rights of a general creditor of the Surviving Corporation for payment or delivery by the Surviving Corporation of such dividends or distributions or cash, as the case may be. Cathay, the Company or the Exchange Agent shall be entitled to deduct and withhold from the Merger Consideration otherwise payable pursuant to this Agreement such cash amounts as Cathay, the Company or the Exchange Agent are required to deduct and withhold under the Code, or any provision of state, local or foreign law with respect to the making of such payment and Cathay, the Company or the Exchange Agent, as applicable, shall timely remit all withheld amounts to the relevant taxing authority on behalf of each such Company Shareholder. To the extent the amounts are so withheld by Cathay, the Company or the Exchange Agent, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of Company Shares in respect of whom such deduction and withholding was made by Cathay, the Company or the Exchange Agent.

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**ARTICLE III**

**REPRESENTATIONS AND WARRANTIES OF THE COMPANY**

Except as Previously Disclosed by the Company, the Company hereby represents and warrants to Cathay as stated in this *Article III*. No investigation by Cathay or its representatives shall affect or be deemed to modify or waive the representations and warranties set forth herein.

3.1 *Corporate Organization.*

(a) The Company is a corporation duly organized, validly existing and in good standing under the Laws of the State of New York, and is a bank holding company duly registered under the BHC Act. The Company has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted. The Company is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified would not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company. True and complete copies of the Organizational Documents of the Company, as amended through the date hereof have previously been Made Available by the Company to Cathay. The Organizational Documents of the Company are in full force and effect and the Company is not in violation of any of their provisions.

(b) Each Subsidiary of the Company (i) is duly organized and validly existing under the Laws of its jurisdiction of organization, (ii) is duly qualified to do business and, where such concept is recognized under applicable Law, in good standing in all jurisdictions (whether federal, state, local or foreign) where its ownership or leasing of property or the conduct of its business requires it to be so qualified and in which the failure to be so qualified would reasonably be expected to have a Material Adverse Effect on the Company and (iii) has all requisite corporate power and authority to own or lease its properties and assets and to carry on its business as now conducted. There are no restrictions on the ability of any Company Subsidiary to pay dividends or distributions except, in the case of a Subsidiary that is a regulated entity, for restrictions on dividends or distributions generally applicable to all such regulated entities. The deposit accounts of Asia Bank are insured by the FDIC through the Deposit Insurance Fund to the fullest extent permitted by Law, all premiums and assessments required to be paid in connection therewith have been paid when due, and no proceedings for the termination of such insurance are pending or threatened. *Section 3.1(b)* of the Company Disclosure Schedule sets forth a true and complete list of all Subsidiaries of the Company and any joint ventures, partnerships or similar arrangements in which the Company or its Subsidiaries has a limited liability, partnership or other equity interest (and the amount and percentage of any such interest). True and complete copies of the Organizational Documents of each Company Subsidiary, as amended through the date hereof, have previously been Made Available by the Company to Cathay. All such Organizational Documents are in full force and effect and the Company and its Subsidiaries are not in violation of any of their provisions.

3.2 *Capitalization.*

(a) The authorized capital stock of the Company consists of 2,000,000 shares of the Company Common Stock, par value \$10 per share, and 250,000 shares of preferred stock, par value \$.01 per share ("*Company Preferred Stock*"). As of November 30, 2014, (i) 1,460,044 shares of Company Common Stock were issued and outstanding (not including shares held in treasury), (ii) no shares of Company Common Stock were held in treasury and (iii) no shares of Company Preferred Stock were issued or outstanding.

(b) All of the issued and outstanding shares of Company Common Stock have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights. There

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are no outstanding subscriptions, options, warrants, puts, calls, rights, exchangeable or convertible securities or other commitments or agreements of any character relating to the issued or unissued Company Common Stock or other securities of the Company, or otherwise obligating the Company to issue, transfer, sell, purchase, redeem or otherwise acquire, any other interests or securities of the Company. There are no bonds, debentures, notes or other indebtedness that have the right to vote on any matters on which holders of Company Common Stock may vote and there are no contractual obligations of the Company or its Subsidiaries pursuant to which the Company or its Subsidiaries is or could be required to register any Company Common Stock or other equity ownership interests of the Company or its Subsidiaries or any other securities under the Securities Act.

(c) The Company owns, directly or indirectly, all of the issued and outstanding shares of capital stock or other equity ownership interests of each of the Company Subsidiaries, free and clear of any Liens, and all of such shares or equity ownership interests are duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal Liability attaching to the ownership thereof. No Company Subsidiary has or is bound by any outstanding subscriptions, options, warrants, calls, rights, commitments or agreements of any character calling for the purchase or issuance of any shares of capital stock or any other equity security of such Subsidiary or any securities representing the right to purchase or otherwise receive any shares of capital stock or any other equity security of such Subsidiary.

3.3 *Authority; No Violation.*

(a) The Company has full corporate power and authority to execute and deliver this Agreement and, subject to adoption of this Agreement by holders of two-thirds of the outstanding shares of Company Common Stock entitled to vote thereon (the "*Company Shareholder Approval*"), to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, including the Merger, have been duly and validly approved by the Board of Directors of the Company and, except for the Company Shareholder Approval, no other corporate proceedings on the part of the Company or vote of the Company's shareholders are necessary to authorize the consummation of the transactions contemplated hereby. The Company Board of Directors has unanimously (i) resolved to recommend that the Company's shareholders adopt this Agreement (the "*Company Recommendation*"), (ii) determined that this Agreement and the Merger are fair to and in the best interests of the Company's shareholders, (iii) approved this Agreement and the Merger, and (iv) directed that the adoption of this Agreement be submitted to a vote at a meeting of the Company's shareholders. This Agreement has been duly and validly executed and delivered by the Company and, assuming the Agreement constitutes the legal, valid and binding agreement of Cathay, the Agreement constitutes the legal, valid and binding agreement of the Company and is enforceable against the Company in accordance with its terms, except as such enforcement may be subject to applicable bankruptcy, reorganization, insolvency, moratorium or other similar Laws affecting creditor's rights generally and the availability of equitable relief (the "*Enforceability Exceptions*").

(b) Neither the execution and delivery of this Agreement by the Company nor the consummation by the Company of the transactions contemplated hereby, nor compliance by the Company with any of the terms or provisions hereof, will (i) violate any provision of the Organizational Documents of the Company or (ii) assuming that the consents and approvals referred to in *Section 3.4* are duly obtained, (x) violate any Law applicable to the Company or any of its Subsidiaries or any of their respective properties or assets or (y) violate, conflict with, result in a breach of any provision of or the loss of any benefit under, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required

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by, or result in the creation of any Lien upon any of the respective properties or assets of the Company or any of its Subsidiaries under, any of the terms, conditions or provisions of any Contract or other instrument or obligation to which the Company or any of its Subsidiaries is a party, or by which they or any of their respective properties or assets may be bound or affected, except (in the case of clause (ii)(y) above) for such violations, conflicts, breaches or defaults which, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on the Company.

3.4 *Consents and Approvals.* Except for (i) the filing of applications and notices, as applicable, with the Nasdaq, (ii) the filing of any required applications, filings and notices as applicable, with (A) the Federal Reserve Board, (B) the CDBO and (C) the FDIC, and approval of the foregoing applications and filings, (iii) the filing of the Certificates of Merger with the Secretary of State of New York and the Secretary of State of Delaware, (iv) the filing of the Bank Merger Certificates, (v) the filing with the SEC of the Registration Statement in which the Proxy Statement will be included as a prospectus, and declaration of effectiveness of the Registration Statement and (vi) such filings and approvals as are required to be made or obtained under the securities or "Blue Sky" laws of various states in connection with the issuance of the shares of Cathay Common Stock pursuant to this Agreement, no consents or approvals of or filings or registrations with any Governmental Entity are necessary in connection with (A) the execution and delivery by the Company of this Agreement or (B) the consummation by the Company of the Merger, the Bank Merger and the other transactions contemplated hereby.

3.5 *Reports.* The Company and each of its Subsidiaries have timely filed all reports, registrations and statements, together with any amendments required to be made with respect thereto, that they were required to file since January 1, 2011, if any, with (i) any state regulatory authority, (ii) the SEC, (iii) the Federal Reserve Board, (iv) the FDIC, (v) the OCC, (vi) the CFPB, (vii) any foreign regulatory authority and (viii) any SRO ((i) (viii), collectively "*Regulatory Agencies*"), including, without limitation, any report, registration or statement required to be filed pursuant to the Laws of the United States, any state, any foreign entity, or any Regulatory Agency, and have paid all fees and assessments due and payable in connection therewith. Except for normal examinations conducted by a Regulatory Agency in the ordinary course of the business of the Company and its Subsidiaries, no Regulatory Agency has initiated or has pending any proceeding or, to the Knowledge of Company, investigation into the business or operations of the Company or any of its Subsidiaries since January 1, 2011. There (x) is no unresolved violation, criticism, or exception by any Regulatory Agency with respect to any report or statement relating to any examinations or inspections of the Company or any of its Subsidiaries and (y) has been no formal or informal inquiries by, or disagreements or disputes with, any Regulatory Agency with respect to the business, operations, policies or procedures of the Company or any of its Subsidiaries since January 1, 2011.

3.6 *Financial Statements.*

(a) The Company has previously Made Available to Cathay accurate and complete copies of (a) (i) the Company's audited consolidated balance sheet as of December 31, 2013 and 2012 and (ii) the related audited consolidated statements of income for the fiscal years ended December 31, 2013 and 2012 ((i) and (ii), the "*Company Audited Financial Statements*") and (b) (i) the Company's unaudited consolidated balance sheet as of September 30, 2014 and the related (ii) unaudited consolidated statements of income for the nine months ended September 30, 2014 ((i) and (ii), the "*Company Unaudited Financial Statements*" and collectively with the Company Audited Financial Statements, the "*Company Financial Statements*"). The Company Financial Statements (including the related notes, where applicable) (i) have been prepared from, and are in accordance with, the books and records of the Company and its Subsidiaries, (ii) fairly present in all material respects the consolidated results of operations and consolidated financial position of the Company and its Subsidiaries for the respective fiscal periods or as of the respective dates

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therein set forth (subject in the case of unaudited statements to recurring year-end audit adjustments normal in nature and amount), (iii) complied as to form in all material respects with applicable accounting requirements, and (iv) have been prepared in accordance with GAAP consistently applied during the periods involved, except, in each case, as indicated in such statements or in the notes thereto. The Company Unaudited Financial Statements have been prepared in a manner consistent with the methodologies, assumptions, policies and practices used in the preparation of the Company Audited Financial Statements for the year ended December 31, 2013 or as of December 31, 2013, as applicable. The books and records of the Company and its Subsidiaries have been, and are being, maintained in all material respects in accordance with GAAP and any other applicable legal and accounting requirements and reflect only actual transactions. Crowe Horwath LLP has not resigned (or informed the Company that it intends to resign) or been dismissed as independent public accountants of the Company as a result of or in connection with any disagreements with the Company on a matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

(b) Neither the Company nor any of its Subsidiaries have any material Liability except for (i) those Liabilities in the amounts reflected or reserved against on the consolidated balance sheet of the Company as of September 30, 2014 (including any notes thereto) included in the Company Financial Statements, (ii) Liabilities incurred in the ordinary course of business consistent with past practice since September 30, 2014 or (iii) Liabilities incurred in connection with this Agreement and the transactions contemplated hereby. None of the Company or any of its Subsidiaries is a party to any material "off-balance sheet arrangements" as defined in Item 303(a)(4) of Regulation S-K.

(c) The Company has disclosed, based on its most recent evaluation prior to the date hereof, to the Company's outside auditors and the audit committee of the Company's Board of Directors (i) any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information, and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting. These disclosures were made in writing by management to the Company's auditors and audit committee and a copy has previously been Made Available to Cathay.

(d) Since January 1, 2011, (i) neither the Company nor any of its Subsidiaries, nor, to the Knowledge of the Company, any director, officer, auditor, accountant or representative of it or any of its Subsidiaries, have received or otherwise had or obtained knowledge of any material complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods (including with respect to loan loss reserves, write-downs, charge-offs and accruals) of the Company or any of its Subsidiaries or their respective internal accounting controls, including any material complaint, allegation, assertion or claim that the Company or any of its Subsidiaries has engaged in questionable accounting or auditing practices, procedures, or methodologies (including with respect to loan loss and other reserves, write-downs, charge-offs and accruals), and (ii) no attorney representing the Company or any of its Subsidiaries, whether or not employed by the Company or any of its Subsidiaries, has reported evidence of a material violation of securities Laws, breach of fiduciary duty or similar violation by the Company or any of its officers, directors, employees or agents to the Board of Directors of the Company or any committee thereof or to any director or officer of the Company.

3.7 *Broker's Fees.* With the exception of the engagement of Nai-Ching Sun, neither Company nor any Company Subsidiary nor any of their respective officers or directors have employed any broker, finder or financial advisor or incurred any Liability for any broker's fees, commissions or finder's fees in connection with the Merger or other transactions contemplated by this Agreement. The Company



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has Made Available to Cathay a true, correct and complete copy of the Finder's Fee Agreement, dated as of November 20, 2014 by and between Nai-Ching Sun and the Company (the "*Finder's Fee Agreement*"), which is the only engagement letter or other Contract between the Company and Nai-Ching Sun relating to the Merger and the other transactions contemplated by this Agreement.

3.8 *Absence of Certain Changes or Events.*

(a) Since December 31, 2013, no fact, change, event, occurrence, condition or development has occurred that has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Company.

(b) Since December 31, 2013 through the date hereof, (i) the Company and its Subsidiaries have carried on their respective businesses in all material respects in the ordinary course consistent with past practice and (ii) neither the Company nor its Subsidiaries has taken any action that would if taken after the date of this Agreement require Cathay's consent pursuant to *Section 5.2*.

3.9 *Legal Proceedings.*

(a) Neither the Company nor any of its Subsidiaries is a party to any, and there are no pending or, to the Company's Knowledge, threatened, material legal, administrative, arbitral or other proceedings, claims, actions or governmental or regulatory investigations of any nature against the Company or any of its Subsidiaries or any of their current or former directors or executive officers (whether or not such proceedings, claims, actions or investigations are currently being tolled).

(b) There is no material injunction, order, judgment, decree, or regulatory restriction imposed upon the Company, any of its Subsidiaries or the assets of the Company or any of its Subsidiaries (or that, upon consummation of the Merger or the Bank Merger, would apply to Cathay or any of its Subsidiaries).

3.10 *Taxes and Tax Returns.*

(a) Each of the Company and its Subsidiaries has duly and timely filed (including all applicable extensions) all material Tax Returns in all jurisdictions in which Tax Returns are required to be filed by it, and all such Tax Returns are true, correct, and complete in all material respects. Neither the Company nor any of its Subsidiaries is the beneficiary of any extension of time within which to file any Tax Return (other than extensions to file Tax Returns obtained in the ordinary course). All material Taxes of the Company and its Subsidiaries (whether or not shown on any Tax Returns) that are due have been fully and timely paid. Each of the Company and its Subsidiaries has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, creditor, shareholder, independent contractor or other third party. Neither the Company nor any of its Subsidiaries has granted any extension or waiver of the limitation period applicable to any Tax that remains in effect. The federal income Tax Returns of the Company and its Subsidiaries for all years to and including 2011 have been examined by the Internal Revenue Service (the "*IRS*") or are Tax Returns with respect to which the applicable period for assessment under applicable Law, after giving effect to extensions or waivers, has expired. Neither the Company nor any of its Subsidiaries has received written notice of assessment or proposed assessment in connection with any material amount of Taxes, and there are no threatened in writing or pending disputes, claims, audits, examinations or other proceedings regarding any Tax of the Company and its Subsidiaries or the assets of the Company and its Subsidiaries. The Company has Made Available to Cathay true and complete copies of any private letter ruling requests, opinions, closing agreements or gain recognition agreements with respect to Taxes requested or executed in the last six years. Neither the Company nor any of its Subsidiaries is a party to or is bound by any Tax sharing, allocation or indemnification agreement or arrangement (other than such an agreement or arrangement exclusively between or among the Company and its Subsidiaries). Neither the Company nor any of its Subsidiaries (A) has been a member of an affiliated

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group filing a consolidated federal income Tax Return (other than a group the common parent of which was the Company) or (B) has any Liability for the Taxes of any Person (other than the Company or any of its Subsidiaries) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Law), as a transferee or successor, by Contract or otherwise. Neither the Company nor any of its Subsidiaries has been, within the past three years or otherwise as part of a "plan (or series of related transactions)" within the meaning of Section 355(e) of the Code of which the Merger is also a part, a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of stock intending to qualify for tax-free treatment under Section 355 of the Code. Neither the Company nor any of its Subsidiaries has participated in a "reportable transaction" within the meaning of Treasury Regulation Section 1.6011-4(b)(1). At no time during the past five years has the Company been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code.

3.11 *Employee Benefit Matters.*

(a) Section 3.11(a) of the Company Disclosure Schedule lists all employee benefit plans (as defined in Section 3(3) of ERISA), whether or not subject to ERISA, and all bonus, equity option, equity purchase, restricted equity, incentive, deferred compensation, welfare, retiree welfare, retirement supplemental retirement, termination, severance, retention, change-in-control, employment or other benefit plans, programs, contracts, agreements or arrangements to or with respect to which the Company or any Subsidiary or any trade or business of the Company or any of its Subsidiaries, whether or not incorporated, all of which together with the Company would be deemed a "single employer" within the meaning of Section 4001 of ERISA (a "*Company ERISA Affiliate*"), is a party or has any current or future obligation or that are maintained, contributed to or sponsored by the Company or any of its Subsidiaries or any of their respective Company ERISA Affiliates for the benefit of any current or former employee, officer, director or independent contractor of the Company or any of its Subsidiaries or any of their respective Company ERISA Affiliates (all such plans, programs, arrangements, contracts or agreements, collectively, the "*Company Benefit Plans*").

(b) The Company has heretofore Made Available to Cathay true and complete copies of (i) such Company Benefit Plan or, in the case of any unwritten Company Benefit Plan, a description of the material terms thereof, (ii) any related trust agreements, insurance contracts or documents of any other funding arrangements, and such copies are true, correct and complete as of the date hereof, (iii) the Annual Reports (Form 5500 Series) and accompanying schedules for the each of the last two plan years, (iv) the current summary plan description and any modifications thereto, (v) the annual financial and/or actuarial reports for each of the last two years, (vi) the most recent determination letter from the IRS, and (vii) all material correspondences with a Governmental Entity.

(c) Each Company Benefit Plan has been established, operated and administered in all material respects in accordance with its terms and the requirements of all applicable Laws, including ERISA and the Code. No proceedings, claims, actions or governmental or regulatory investigations of any nature with respect to any Company Benefit Plan is pending or, to the Knowledge of the Company, threatened, other than routine and non-material claims for benefits, and, to the Knowledge of the Company, no set of circumstances exists that may give rise to any such proceedings, claims, actions or governmental or regulatory investigations against the Company Benefit Plans, any fiduciaries thereof with respect to their duties to the Company Benefit Plans or the assets of any of the trusts under any of the Company Benefit Plans. Neither the Company nor any of its Subsidiaries has taken any action to take corrective action or make a filing under any voluntary correction program of the IRS, Department of Labor, the Pension Benefit Guaranty Corporation or any other Governmental Entity with respect to any Company Benefit Plan, and neither the Company nor any of its Subsidiaries has any Knowledge of any plan defect that would qualify for correction under any such program. None of the Company Benefit Plans is under audit or investigation by the IRS, the Department of Labor, the Pension Benefit Guaranty Corporation or any other Governmental Entity.

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(d) Section 3.11(d) of the Company Disclosure Schedule identifies each Company Benefit Plan that is intended to be qualified under Section 401(a) of the Code (the "*Company Qualified Plans*"). Each Company Qualified Plan is based on a prototype plan that has received a favorable opinion or determination letter from the IRS, and no such Company Qualified Plan has been amended or modified from its corresponding prototype plan. To the Knowledge of the Company, there are no existing circumstances and, no events have occurred that could adversely affect the qualified status of any Company Qualified Plan or the related trust or increase the costs relating thereto. No trust funding any Company Benefit Plan is intended to meet the requirements of Section 501(c)(9) of the Code.

(e) Each Company Benefit Plan that is a "nonqualified deferred compensation plan" (as defined in Section 409A(d)(1) of the Code) and any award thereunder, in each case that is subject to Section 409A of the Code, has (i) since January 1, 2005, been maintained and operated, in all material respects, in good faith compliance with Section 409A of the Code and IRS Notice 2005-1 and (ii) since January 1, 2009, been, in all material respects, in documentary and operational compliance with Section 409A of the Code.

(f) None of the Company and its Subsidiaries nor any of their respective Company ERISA Affiliates has ever maintained, sponsored, contributed to or been obligated to contribute to (i) any plan that is subject to Title IV or Section 302 of ERISA or Section 412, 430 or 4971 of the Code, (ii) any "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA (a "*Multiemployer Plan*"), (iii) any plan that has two or more contributing sponsors at least two of whom are not under common control, within the meaning of Section 4063 of ERISA (a "*Multiple Employer Plan*") or (iv) any plan that provides for post-retirement medical, life insurance or other welfare-type benefits (other than as required by Section 4980B of the Code). None of the Company and its Subsidiaries nor any of their respective Company ERISA Affiliates has incurred, nor do any circumstances exist that could result in, any liability (i) under Title IV or Section 302 of ERISA, (ii) under Sections 412, 430 or 4971 of the Code, (iii) as a result of a complete or partial withdrawal (as those terms are defined in Part I of Subtitle E of Title IV of ERISA) from a Multiemployer Plan or Multiple Employer Plan, (iv) as a result of a failure to comply with the continuation coverage requirements of Section 601 *et seq.* of ERISA and Section 4980B of the Code, or (v) under corresponding or similar provisions of foreign laws.

(g) All contributions required to be made to any Company Benefit Plan under applicable Law or by any plan document or other contractual undertaking, and all premiums due or payable with respect to insurance policies funding any Company Benefit Plan, for any period through the date hereof, have been timely made or paid in full or, to the extent not required to be made or paid on or before the date hereof, have been fully reflected on the books and records of Company.

(h) None of the Company and its Subsidiaries nor any of their respective ERISA Affiliates nor any other person, including any fiduciary, has engaged in any "prohibited transaction" (as defined in Section 4975 of the Code or Section 406 of ERISA), that could subject any of the Company Benefit Plans or their related trusts, the Company, any of its Subsidiaries, any of their respective ERISA Affiliates or any person that the Company or any of its Subsidiaries has an obligation to indemnify, to any material tax or penalty imposed under Section 4975 of the Code or Section 502 of ERISA.

(i) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (either alone or in conjunction with any other event) result in, cause the vesting, exercisability or delivery of, or increase in the amount or value of, any payment, right or other benefit to any current or former employee, officer, director or other service provider of the Company or any of its Subsidiaries, or result in any limitation on the right of the Company or any of its Subsidiaries to amend, merge, terminate or receive a reversion of

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assets from any Company Benefit Plan or related trust. Without limiting the generality of the foregoing, no amount paid or payable (whether in cash, in property, or in the form of benefits) by the Company or any of its Subsidiaries in connection with the transactions contemplated hereby (either solely as a result thereof or as a result of such transactions in conjunction with any other event) will be an "excess parachute payment" within the meaning of Section 280G of the Code. Neither the Company nor any of its Subsidiaries maintains or contributes to a rabbi trust or similar funding vehicle, and the transactions contemplated by this Agreement will not cause or require the Company or any of its affiliates to establish or make any contribution to a rabbi trust or similar funding vehicle. No Company Benefit Plan provides for the gross-up or reimbursement of Taxes under Section 4999 or 409A of the Code, or otherwise. The Company has Made Available to Cathay true, correct and complete copies of Section 280G calculations (whether or not final) with respect to any disqualified individual in connection with the transactions contemplated hereby.

(j) Since January 1, 2011, there has been no pending or, to the Company's Knowledge, threatened material labor grievances or material unfair labor practice claims or charges against the Company or any of its Subsidiaries, or any strikes or other material labor disputes against the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries are party to or bound by any collective bargaining or similar agreement with any labor organization, or work rules or practices agreed to with any labor organization or employee association applicable to employees of the Company or any of its Subsidiaries and, to the Knowledge of the Company, there are no organizing efforts by any union or other group seeking to represent any employees of the Company or any of its Subsidiaries.

(k) The Company and its Subsidiaries have complied in all material respects with all applicable Laws regarding (i) employment, including employment practices, employee classification, labor relations, health and safety, wages, hours and terms and conditions of employment and fair labor standards and (ii) the payment and withholding of Taxes and other amounts in respect of their employment of current and former employees, officers, directors or other service providers of the Company and its Subsidiaries, and none of the Company or any of its Subsidiaries is liable for arrears of wages, taxes, penalties or other sums for failure to comply with such applicable Laws.

3.12 *Compliance with Applicable Law.*

(a) The Company and each of its Subsidiaries hold, and have at all times since January 1, 2011, held, all material licenses, franchises, permits and authorizations ("*Permits*") necessary for the lawful conduct of their respective businesses and ownership of their respective properties, rights and assets under and pursuant to each (and have paid all fees and assessments due and payable in connection therewith), and, to the Knowledge of the Company, no suspension or cancellation of any such Permit is threatened. Since January 1, 2011, the Company and each of its Subsidiaries have complied in all material respects with and are not in material default or violation under any applicable Law relating to the Company or any of its Subsidiaries, including without limitation all Laws related to data protection or privacy, the USA PATRIOT Act, the Bank Secrecy Act, the Equal Credit Opportunity Act and Regulation B, the Fair Housing Act, the Community Reinvestment Act, the Fair Credit Reporting Act, the Truth in Lending Act and Regulation Z, the Home Mortgage Disclosure Act, the Fair Debt Collection Practices Act, the Electronic Fund Transfer Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, any regulations promulgated by the Consumer Financial Protection Bureau, the Interagency Policy Statement on Retail Sales of Nondeposit Investment Products, the SAFE Mortgage Licensing Act of 2008, the Real Estate Settlement Procedures Act and Regulation X, and any other Law relating to bank secrecy, discriminatory lending, financing or leasing practices, money laundering prevention, Sections 23A and 23B of the Federal Reserve Act, the Sarbanes-Oxley Act.

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(b) Without limitation, since January 1, 2011, none of the Company, or its Subsidiaries, or any director, officer, employee, agent or other Person acting on behalf of the Company or any of its Subsidiaries has, directly or indirectly, (i) used any funds of the Company or any of its Subsidiaries for unlawful contributions, unlawful gifts, unlawful entertainment or other expenses relating to political activity; (ii) made any unlawful payment to foreign or domestic governmental officials or employees or to foreign or domestic political parties or campaigns from funds of the Company or any of its Subsidiaries; (iii) violated any provision that would result in the violation of the Foreign Corrupt Practices Act of 1977, as amended, or any similar Law; (iv) established or maintained any unlawful fund of monies or other assets of the Company or any of its Subsidiaries; (v) made any fraudulent entry on the books or records of the Company or any of its Subsidiaries; (vi) made any unlawful bribe, unlawful rebate, unlawful payoff, unlawful influence payment, unlawful kickback or other unlawful payment to any Person, private or public, regardless of form, whether in money, property or services, to obtain favorable treatment in securing business to obtain special concessions for the Company or any of its Subsidiaries, to pay for favorable treatment for business secured or to pay for special concessions already obtained for the Company or any of its Subsidiaries or (vii) is currently subject to any United States sanctions administered by the Office of Foreign Assets Control of the United States Treasury Department.

(c) Since January 1, 2011, the Company and each of its Subsidiaries has properly administered all accounts for which the Company or any of its Subsidiaries acts as a fiduciary, including accounts for which the Company or any of its Subsidiaries serves as a trustee, agent, custodian, personal representative, guardian, conservator or investment adviser, in accordance with the terms of the governing documents and applicable Law in all material respects, and none of the Company or any of its Subsidiaries has received notice of any failure to properly administer any accounts for which it acts as a fiduciary. Since January 1, 2011, none of the Company or any of its Subsidiaries, or any director, officer, or employee of the Company or its Subsidiaries, has committed any breach of trust with respect to any such fiduciary account, and the accountings for each such fiduciary account are true and correct and accurately reflect the assets of such fiduciary account.

(d) As of December 31, 2013, each of the Company and Asia Bank is "well-capitalized" (as that term is defined in the relevant regulation of the institution's primary federal bank regulator), and the institution's rating under the Community Reinvestment Act of 1997 is no less than "satisfactory."

3.13 *Certain Contracts.* &n