CATHAY GENERAL BANCORP, INC. & CATHAY BANK

DODD-FRANK ACT STRESS TEST
RESULTS DISCLOSURE

JUNE 26, 2015

Overview

Cathay General Bancorp is a corporation that was organized in 1990 under the laws of the State of Delaware ("Bancorp"). We are the holding company of Cathay Bank, a California state-chartered commercial bank ("Cathay Bank" or the "Bank"), seven limited partnerships investing in affordable housing investments in which the Bank is the sole limited partner, and GBC Venture Capital, Inc. We also own 100% of the common stock of five statutory business trusts created for the purpose of issuing capital securities. We are regulated as a bank holding company by the Board of Governors of the Federal Reserve System ("Federal Reserve"). Cathay Bank is regulated as a California commercial bank by the California Department of Business Oversight ("DBO") and the Federal Deposit Insurance Corporation ("FDIC"). In this disclosure, the term "Bancorp" refers to Cathay General Bancorp and the term "Bank" refers to Cathay Bank. The terms "Company," "we," "us," and "our" refer to Bancorp and the Bank collectively.

Bancorp and the Bank are required to conduct annual stress testing pursuant to the requirements of 12 CFR Part 252 and 12 CFR Part 325, respectively (known as the Dodd-Frank Act Stress Test or "DFAST"). The Company conducted the 2015 severely adverse scenario stress test using the severely adverse economic scenario provided by the Board of Governors of the Federal Reserve in the 2015 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule.

The Company's capital ratios are projected to significantly exceed the regulatory minimums for adequately capitalized financial institutions throughout the nine quarter hypothetical Supervisory Severely Adverse Scenario.

Supervisory Severely Adverse Scenario

The Supervisory Severely Adverse Scenario is characterized by a deep and prolonged recession in which the unemployment rate increases by four percentage points from its level in the third quarter of 2014, peaking at 10 percent in the middle of 2016. In terms of both the peak level reached by the unemployment rate and its total increase, this shock is of a similar magnitude to those experienced in severe U.S. contractions during the past half century. By the end of 2015, the level of real GDP is approximately 4½ percent lower than its level in the third quarter of 2014; it begins to recover thereafter. Despite this decline in real activity, higher oil prices cause the annualized rate of change in the CPI to reach 4¼ percent in the near term, before subsequently falling back. Short-term interest rates remain near zero through 2017; long-term Treasury yields drop to 1 percent in the fourth quarter of 2014 and then edge up slowly over the remainder of the scenario period. Spreads on investment-grade corporate bonds jump from about 170 basis points to 500 basis points at their peak. As a result, despite lower long-term Treasury yields, corporate financial conditions tighten significantly in 2015 and the yield on investment-grade corporate bonds is higher than the baseline until the fourth quarter of 2016. Mortgage rates also increase over the course of 2015, driven by some widening in spreads. Consistent with these developments, asset prices contract sharply in the scenario. Equity prices fall by approximately 60 percent from the third quarter of 2014 through the fourth quarter of 2015, and equity market volatility increases sharply. House prices decline by approximately 25 percent during the scenario period relative to their level in the third quarter of 2014, while commercial real estate prices are more than 30 percent lower at

their trough. The international component of the severely adverse scenario features severe recessions in the euro area, the United Kingdom, and Japan; and below-trend growth in developing Asia. Economic activity is assumed to weaken materially for two quarters in developing Asia before rebounding strongly. Reflecting flight-to-safety capital flows associated with the scenario's global recession, the U.S. dollar is assumed to appreciate strongly against the currencies of developing Asia.

Risk Types and Summary of Methodologies

Identification of key risks is a core component of our capital planning and stress testing framework. In developing the DFAST methodology, significant risks were assessed including, but not limited to, the following risk types:

- **Interest Rate Risk** – Interest rate risk is the risk to earnings or capital that arises from the movement in interest rates. Components of interest rate risk include repricing risk caused by the differences between the timing of rate changes and the timing of cash flows, basis risk caused by the change in relationships between yield curves, yield curve risk caused by changing rate relationships across a spectrum of maturities, and option risk caused by interest rate related options embedded in bank products.
- **Market Risk** – Market risk is the risk to earnings or capital that arises from movements in equity values and other market-based values. Interest rate risk, though a component of market risk, is broken out as a separate category above.
- **Operational Risk** – Operational risk is the risk to earnings or capital that arises from operational problems such as inadequate or failed information systems, breaches in internal control, fraud, legal matters, human error, or unforeseen catastrophes that result in unexpected losses. Operational risk also includes the risk of failure to comply with rules and regulation, or compliance risk, and reputational risk.
- **Model Risk** – Model risk is the risk to earnings or capital that arises from the reliance on model results in decision making.
- **Credit Risk** – Credit risk is the risk to earnings or capital that arises from a borrower's inability to perform under the terms of its loan agreement, or from the inability of issuers of debt securities to meet debt obligations.

We uses a variety of modeling techniques that utilize the Supervisory Severely Adverse Scenario macroeconomic variables to forecast pre-provision net revenue ("PPNR"), credit losses and pre-tax net income. The models include a combination of statistical econometric models as well as models based on our historical performance during times of economic stress. The models undergo a robust set of model risk management procedures, including review and challenge by the Board of Directors, Risk Committee of the Board, and members of executive and senior management. The models are also subject to third party validation and internal audit examination. The results of credit loss models, the most significant driver of severely adverse scenario losses, are also compared to challenger model results as an additional check on the quality of model outputs. A summary of the methodologies used in the 2015 DFAST are described below.

Pre-provision net revenue

Pre-provision net revenue is forecasted by modeling net interest income, non-interest income and non-interest expense. Net interest income is modeled using a dynamic interest income simulation tool. Loan and deposit balances are forecasted using a combination of econometric and other modeling techniques and, along with forecasted interest rates based on the hypothetical Supervisory Severely Adverse Scenario interest rate variables provided by the Federal Reserve, serve as the basis for modeling net interest income. Prepayment behavior is modeled using a combination of external and internal models, and is used to forecast cash flows and repricing behavior. Non-accrual loan balances are forecasted using statistical models for purposes of calculating interest income on loans. Non-interest income and non-interest expense are modeled based on a variety of techniques, including econometric models where feasible and appropriate, as well as management forecasts based on historical performance and expectations of performance under the hypothetical Supervisory Severely Adverse Scenario.

Credit models

Credit loss models were developed using both econometric models and models based on historical loan loss experience. In certain cases where projections were not in-line with expectations, management overlays were applied to the results of the econometric models. Forecasted loan losses under the Supervisory Severely Adverse Scenario are consistent with management expectation and are directionally in-line with the severity of the Supervisory Severely Adverse Scenario and the results of challenger models. The Company models the allowance for loan and lease losses ("ALLL") using an econometric modeling approach.

The projected results using the methodologies described above are used to forecast risk weighted assets and capital ratios for the nine quarter forecast horizon. The instructions for the preparation of Dodd-Frank Act Stress Testing require the use of risk-based capital rules in effect during the forecasted time period. Accordingly, we have used the Basel I capital rules in the calculation of forecasted capital ratios for Q4 2014, and Basel III rules from Q1 2015 to Q4 2016.

Summary of Results

The results of the Company's annual DFAST stress testing under the hypothetical Supervisory Severely Adverse Scenario are summarized in the tables below. It is important to note that these results are based on a hypothetical severely adverse economic scenario that is more severe than management's expectations and do not represent management's current forecast of actual future events. The results have been prepared using capital action rules prescribed by the Dodd-Frank Act Stress Testing rule. These rules require the Company to assume the following capital actions:

- Common stock dividends in the fourth quarter of 2014 are equal to the amount of actual dividends that were paid in the fourth quarter of 2014.
- Common stock dividends in the first quarter of 2015 through the fourth quarter of 2016 are equal to the average of actual common stock dividends paid in the first quarter of 2014 through the fourth quarter of 2014.

These rules require the Company to assume certain capital actions that may not represent the most likely course of action management would take in a severe economic downturn, and there are no other capital actions included in the forecasts. Capital positions are forecasted for each quarter of the forecast horizon by adding current quarter income, less forecasted dividends, to prior quarter ending capital under the prescribed approach. The Company has elected to exclude accumulated other comprehensive income for purposes of calculating regulatory capital under the Basel III approach.

Bancorp's capital ratios are projected to significantly exceed the regulatory minimums for adequately capitalized financial institutions under the hypothetical Supervisory Severely Adverse Scenario. Under this scenario, Common equity tier 1 capital ratio decreases by 200 basis points from 13.5% at September 30, 2014 to 11.5% at December 31, 2016.

Cathay General Bancorp Actual Q3 2014 Capital Ratios and Projected Stressed Capital Ratios under the Supervisory Severely Adverse Scenario

	Actual	Stressed capital ratios	
	Q3 2014	Ending	Minimum
Common equity tier 1 capital ratio (%)[1]	13.5	11.5	11.5
Tier 1 risk-based capital ratio (%)	14.7	12.6	12.6
Total risk-based capital ratio (%)	16.0	13.9	13.9
Tier 1 leverage ratio (%)	12.7	10.7	10.7

[1]Actual Q3 2014 Common equity tier 1 capital ratio is presented under the Basel III rules as adopted by the Federal Reserve.

The Bank's capital ratios are similar to Bancorp's and are generally subject to the same risks. The primary difference between the Bank's capital ratios and Bancorp's capital ratios is from $119 million of trust preferred securities issued by Bancorp, and the related interest expense. The Bank's capital ratios are projected to significantly exceed the regulatory minimums for adequately capitalized institutions under the Supervisory Severely Adverse Scenario.

Cathay Bank Actual Q3 2014 Capital Ratios and Projected Stressed Capital Ratios under the Supervisory Severely Adverse Scenario

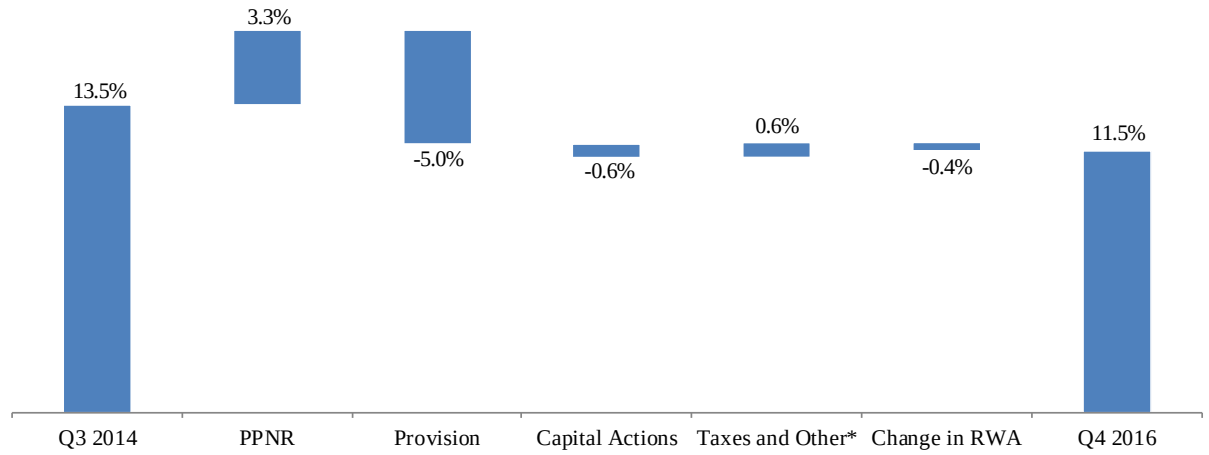
	Actual	Stressed capital ratios	
	Q3 2014	Ending	Minimum
Common equity tier 1 capital ratio (%)[1]	14.4	12.1	12.1
Tier 1 risk-based capital ratio (%)	14.4	12.1	12.1
Total risk-based capital ratio (%)	15.6	13.4	13.4
Tier 1 leverage ratio (%)	12.4	10.3	10.3

[1]Actual Q3 2014 Common equity tier 1 capital ratio is presented under the Basel III rules as adopted by the Federal Reserve.

The primary cause for the decrease in capital ratios is the projected nine quarter cumulative loan loss provision of $471 million, exceeding projected pre-provision net revenue of $313 million. Of the $471 million of loan loss provision, $351 million is as a result of projected charge offs and $120 million is as a result of projected additional ALLL needed at the end of each quarter in the nine quarter DFAST horizon. Other significant causes for the decrease in regulatory capital include an increase to risk weighted assets of $258 million from $9.357 billion at September 30, 2014 (Basel I) to $9.615 billion at December 31,

2016 (Basel III), and $38 million of regulatory disallowed deferred tax assets from net operating loss carry forwards in the Supervisory Severely Adverse Scenario.

Explanation of Significant Changes to Common Equity Tier 1 Capital Ratio Under the Supervisory Severely Adverse Scenario



* Includes regualtory disallowed deferred tax assets.

Cathay General Bancorp projected net revenue, losses and net income before taxes from Q4 2014 through Q4 2016 under the Supervisory Severely Adverse Scenario

	Dollars in millions	Percentage of Average Assets %[1]
Pre-provision net revenue[2]	313	2.7%
Other revenue/(expense)	-	
Less:		
Provision	471	4.1%
Realized net losses on securities AFS	1	
Other losses/gains	-	
Equals:		
Net income/(loss) before taxes	-158	-1.4%

[1] Average assets is the nine quarter average of total assets.

[2] Pre-provision net revenue includes losses from operational risk events and other real estate owned expenses.

Important Cautionary Note

These stress test results present certain projected financial measures for Bancorp and the Bank under the hypothetical scenario, models and assumptions that are described above. The economic and financial scenario is more severe than management's expectations, and the results do not represent management's current forecast of actual future results. Investors should not rely on the stress test results as being indicative of expected future results.

These disclosures include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. These forward-looking statements include projections under a hypothetical scenario incorporating a set of assumed economic and financial conditions prescribed by our federal banking regulators. Such statements speak as of the date hereof, and we have no intention to update these statements or to publicly announce any revision of any of these forward-looking statements to reflect future developments or events. Our actual financial results will be influenced by future economic and financial conditions and other factors, including those described in our Annual Report on Form 10-K for the year ended December 31, 2014 (Item 1A in particular), and other reports and registration statements filed with the Securities and Exchange Commission from time to time.