

CATHAY BUSINESS CONNECT

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EXECUTIVE'S CORNER

Welcome to *Cathay Business Connect*

Cathay Bank is pleased to introduce our *Cathay Business Connect* quarterly newsletter. This newsletter will provide you, our valued business customers, with insights into financial topics of interest to you.

Whether it's the basics of small business lending or the importance of 401(k)s, our goal is to provide you with information to make informed financial decisions and to show you how we can help you reach your financial goals. If there are specific topics you would like more information on, please stop in and let us know.

As we celebrate 49 years of strength and stability, we are proud to be your trusted financial partner and look forward to continuing to serve you for many years to come. We hope you enjoy our publication. Thank you for choosing Cathay Bank!

Peter Wu, Executive Vice
Chairman of the Board and
Chief Operating Officer



We Make Running Your Small Business Simpler

Good things happen when you have a dedicated business banker working hard for you. When your business finances run efficiently and effectively, you have the freedom to focus on the big picture – whether that means differentiating your business in today's tight market or laying plans to reach the next level of business growth.

When it comes to assisting small business, Cathay Bank puts you and your business first. We provide one-on-one attention that's hard to beat. We work with you to set up a strategy to manage your business finances with services that save you money and time.

Here's a sampling of our services for small businesses:

Remote deposit allows you to scan and send checks and/or ACH data electronically. It's a fast and secure way to make deposits without making a trip to the bank, so your money starts working for you sooner.

Positive pay reduces exposure to check fraud. You can identify unauthorized transactions – including counterfeit or altered checks – before final payment.

Lockbox services streamline the process of receiving check payments. With lockbox, your accounts receivable payments are received, processed and credited by the bank – providing quick access to funds and reducing your time spent on accounts receivable.

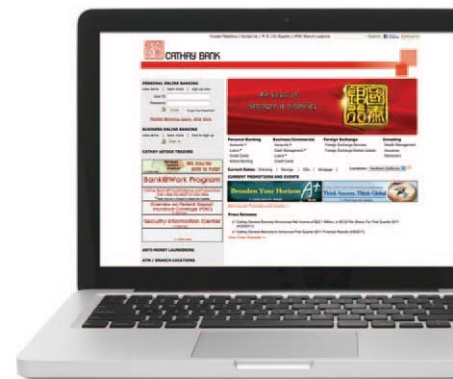
Merchant services keep your business running smoothly. We offer a wide range of payment options for your customers, which can help boost sales and profitability while also reducing your risks.

Business loans help drive your business forward. We offer loans customized to your short- and long-term needs, from commercial credit cards and business credit lines to equipment financing, SBA loans and commercial real estate loans.

Online Banking offered through Cathay Bank can help you organize your finances conveniently online. CashManagement provides a secure platform for managing all of your accounts.

SEE US FOR SOLUTIONS

You take pride in knowing your customers and their needs, and at Cathay Bank, we do the same. Our business bankers know you by name and understand your business. We are happy to meet with you to review your business accounts and find ways to simplify and save money. Stop by your local Cathay Bank Branch or give us a call at **1-800-9CATHAY (1-800-922-8429)**. We would love to help.



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BUSINESS GROWING PAINS

Small Business Loans to Grow

In 2008, when the economy dropped into the doldrums, consumers put away their wallets to wait out the lean years. But a slow, steady recovery finally heralded consumers' return to confidence in 2010. Although it's not going gangbusters, people are more inclined to purchase again. According to the Bureau of Economic Analysis, in March 2011, personal consumption expenditures increased \$60.7 billion, or 0.6% over the previous month.

If your business is buoyed by this economic change and is experiencing growth, you want to meet the demands. But maybe you don't have the funds readily available. Whether you need to expand your space, hire more employees or upgrade your technology, a small business loan might be a good option.

BANKING ON YOUR BALANCE SHEET

Before you approach lenders, here's what you need to know that will help you land that loan. The first thing a lender will review is your balance sheet. A business with a debt-to-equity ratio (sometimes called leverage ratio) between 1-to-2 and 1-to-1 is generally considered in good standing (however, different thresholds may apply in different industries). For example, if your business has \$75,000 in total debt and \$125,000 in total assets, your debt-to-equity may make the grade. Next in line of importance is to measure current assets against current liabilities, called a current ratio. A 2-to-1 ratio, where assets are twice the liabilities, is generally considered good, but a 1-to-1 ratio may be acceptable, too. Satisfactory ratios vary by industry.

Lenders will also want to look at your balance sheet from either the previous

Business Loan Checklist

Lenders need certain information to determine whether to loan money. You'll want to present your potential lender with everything necessary to get the ball rolling.

The documents you need include:

- ☑ **A business plan** that explains why you need the money and how you will spend it.
- ☑ **Cash flow projections** to show that you can repay the loan.
- ☑ **Business and personal financial statements**, including assets and expenditures, as well as past business tax returns.
- ☑ **Credit rating reports** to help determine your purchasing and payment history.
- ☑ **Repayment plan** that explains how you will repay the loan.

Low-risk businesses, whose documents prove their ability to profit and repay funds, generally will receive a loan before a high-risk company. Applicants that appear to be a high risk might get a loan, but they could pay higher interest with stricter loan terms.



quarter or for a full year. They will compare your balance sheet with a comparable business of similar size to see how you measure up. Finally, cash flow, defined as net income plus depreciation, will be scrutinized.

LET US HELP

If you're ready to expand your business, Cathay Bank is ready to help you understand what you need to take the next steps. Contact a business loan officer to find out more about how to qualify for a business loan. We can help you find one that meets your needs.

IT POLICIES AND PROCEDURES

Protect Your Business from a Security Crisis

What would you do if your company lost or leaked sensitive client information, intellectual property or access to financial accounts? In the aftermath of a security breach, you may groan and ask, “Why didn’t someone do something to protect us from this mess?”

It can happen in an instant with an unsecured laptop, a malware attack, external fraud or internal misuse of company information. And like cleaning up an oil slick, the damage can be difficult to contain. The time and resources needed to recover various assets may be daunting and expensive for any business.

THE RISKS ARE REAL

Better protection against IT threats starts with companywide policies and procedures that address the risks, including:

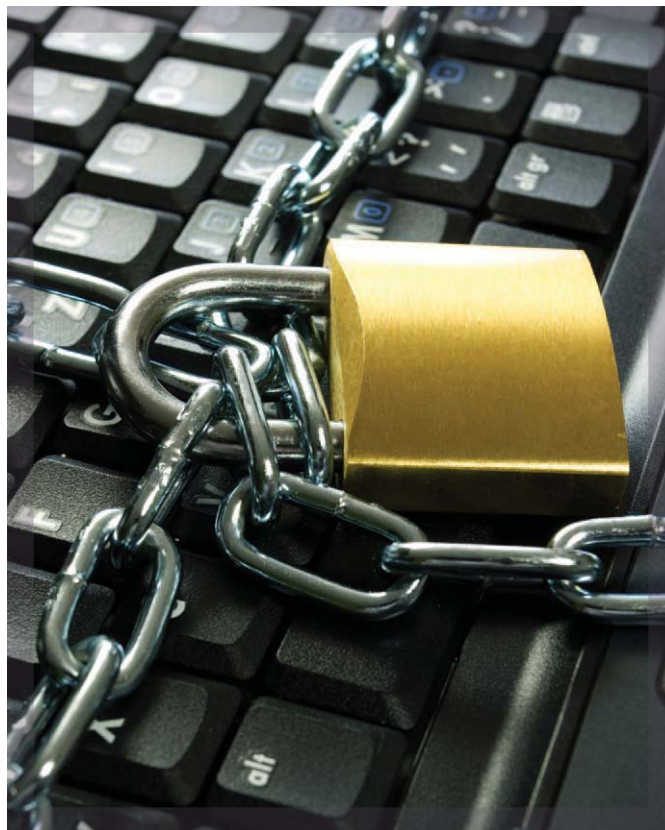
Online attacks. Define best practices for keeping systems secure with antivirus, anti-spam and antispyware software, including instructions to download and install patches to your operating system and Web browser software as soon as they are released. Consider installing Web content filtering software that restricts browsing inappropriate or risky sites.

Gaps in systems administration. Limit systems administrator access to only those who absolutely need it and create a plan to regularly monitor for unusual activity. Reserve software application downloading capabilities for systems administrators by locking down individual computers.

Weak passwords. Establish rules for strong passwords and require employees to keep passwords confidential, and to change passwords every 30 to 60 days. Disable passwords of former employees and reset logins for internal systems and vendor applications, accounts and websites when employees leave the company.

Unacceptable computer use. Establish rules for browsing the Web, using email and social media sites. Set boundaries for using thumb drives and removable devices, as well as laptops used on business trips or at home. Establish a policy for computer use that spells out the risks and consequences of unacceptable computer use.

Third-party security breach. If you outsource your IT infrastructure, ask about the security policies these service providers have in place to make sure they meet your standards.



PUT IT IN WRITING

IT security policies should address the full range of IT-related issues clearly so all employees – not just those on the technology team – understand their roles in keeping the business secure. The policy should include at minimum:

- A summary of the objectives and scope of the policy.
- Roles and responsibilities of individual employees and departments.
- Acceptable use and encryption policies.
- Risk management procedures including access controls and system backups; security awareness and training; and audits.
- Security standards for application service providers to protect against breaches in their networks that could affect yours.
- Disaster recovery.
- Compliance and monitoring procedures.
- Documentation of procedures and disciplinary actions.

WE’RE HERE TO HELP

Here at Cathay Bank, we are committed to making sure that your Online Banking is safe and secure. Visit us at our Security Information Center webpage at https://www.cathaybank.com/a_SecInfoCenter_0000.asp for information on the latest fraud schemes, guidelines for keeping your business safe, and more.

These "lucky dates" are provided for entertainment purposes only. The "lucky dates" were provided to us by a third-party source unrelated to Cathay Bank and derived mainly from the Bai He Ming Almanac, and other sources including the Internet and the Tung Shing. Cathay Bank does not endorse, sponsor or guarantee the use of this information, and makes no warranty or representation regarding the accuracy, reliability or results that may be obtained from the use of this information.

DAYS SUITABLE FOR...

Opening a Business: 開市

August: 3, 16, 29
 September: 22, 29
 October: 5, 18, 20, 24, 30

Signing Contracts: 交易

August: 3, 5, 29
 September: 22, 23, 29
 October: 5, 24

Travel: 出行

August: 3, 4, 9, 11, 16, 19, 20, 21, 25, 31
 September: 2, 4, 6, 10, 15, 16, 22, 26, 28, 29
 October: 1, 4, 15, 18, 20, 22, 23, 30

DAYS UNSUITABLE FOR...

Opening a Business: 開市

August: 1, 2, 5, 11, 13, 15, 23, 24, 26, 27, 28
 September: 6, 7, 13, 14, 15, 18, 26
 October: 4, 6, 7, 12, 15, 25, 26, 27, 28, 31

Signing Contracts: 交易

August: 2, 15, 23, 24, 26, 27, 28
 September: 7, 13, 14, 16, 21
 October: 2, 3, 19, 25, 26, 27, 28

Travel: 出行

August: 2, 5, 6, 8, 24, 26, 27, 28, 29, 30
 September: 1, 3, 9, 17, 20, 21, 23, 25, 30
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5 Tips for Renegotiating with Vendors

On this bumpy road to economic recovery, nearly every business can benefit from a reduction in operating expenses. And renegotiating supplier contracts can be a simple way to do that. Working with your vendors, rather than against them, can help both parties emerge from the recession stronger and more successful. Consider the following tips:

1. Keep it friendly. Alienating a trusted supplier can have substantial negative repercussions, so it's wise to approach negotiations with ideas that are mutually beneficial. Show a vendor that you can bring them more business, and they may be willing to drop their rates. Brainstorm ways that your business can help the vendor reduce its costs. For example, if you'd like to cut health insurance costs, offer to implement a wellness program.

2. Bring everyone together. Involve the key players on both sides – your

vendors may have ideas of their own to help minimize everyone's costs.

3. Leverage your history. For example, companies that consistently pay on time or early help their vendors' cash positions – and that may help you negotiate lower rates. If you've remained loyal to a business through several market cycles, you likely agreed to higher prices during up cycles. In tough times, that company may be willing to reciprocate by dropping prices.

4. Do your research. Arm yourself with data that backs up your requests: Study suppliers' pricing models and find out what other companies pay for the same things. Know the difference between current prices and true market value.

5. Review every contract. From office-supply vendors to coffee service and landlords to insurance providers,



no agreement is too large or small to warrant some bargaining.

Your business banker at Cathay Bank wants to help you succeed, too. Give us a call to see what additional products or services we can provide to give your business an edge.