

**CATHAY GENERAL BANCORP**  
**EXCESSIVE AND LUXURY EXPENDITURE POLICY**

This Excessive and Luxury Expenditure Policy (the “Policy”) fulfills the requirements under the American Recovery and Reinvestment Act of 2009 (“ARRA”) which was signed into law on February 17, 2009. ARRA requires each recipient of funds under the Capital Purchase Program (“CPP”) of the Troubled Assets Relief Program (“TARP”) to have in place a company-wide policy regarding excessive or luxury expenditures, as identified by the Secretary of the Department of the United States. Cathay General Bancorp and its subsidiaries (the “Company”), prohibit excessive or luxury expenditures on any of the following to the extent such expenditures are not reasonable expenditures for staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of the Company’s business operations: (1) entertainment and events; (2) office or facility renovations; (3) aviation or other transportation services and (4) other similar items, activities or events for which the Company may reasonably anticipate incurring expenses, or reimbursing an employee for incurring expenses (each a “Covered Activity” and collectively known as “Covered Activities”). All employees of the Company are required to adhere to the Policy.

**Entertainment and Events:**

Entertainment is defined as an activity that an employee or executive would use corporate funds for and which relates to business development purposes for current customers or prospective customers or which further enhances the Company’s marketing efforts. Our expectation is that all expenses incurred by the Company would be for Company purposes, and used to create goodwill with customers and prospective customers and drive business to the Company. Occasional events such as taking customers or prospects on trips, playing golf, eating dinner, taking them to other events the customer/prospect would find pleasurable is a necessary part of the Company’s marketing efforts and is not considered “luxury” or a violation of the Policy. These expenses should be documented and detailed as to the benefit derived by the Company and should be approved in accordance with the Company’s existing expense approval process and should be reasonable in cost and scope relative to the benefit expected to be derived by the Company.

Any entertainment or events that are not with a customer or prospective customer are considered employee events. If not previously approved through our normal budgeting process, such entertainment or events must be approved in accordance with the Company's SPM 110 - Business Expense Reimbursement policy ("SPM 110") and should be reasonable in cost and scope, and, if otherwise required by this policy, by the Chief Executive Officer.

Conferences:

The Company encourages its employees to attend conferences that present appropriate educational opportunities. These conferences should be related to the financial services industry, or otherwise approved by the employee’s immediate supervisor and have a direct correlation to the employees’ respective jobs. At times it may be appropriate that a spouse would travel to

these conferences with Company attendees. Typically these conferences are sponsored by vendors, banking associations, or other industry related entities.

#### Holiday Parties:

We feel that holiday parties for our employees are part of an employee appreciation process. Holiday parties should be local in geographic nature, reasonable in cost and scope, and should be approved in accordance with the Company's normal budgeting process.

#### Board Retreats

Board retreats should only be used for educational and development purposes, and should be reasonable in cost and scope, and looked at in the same view and discretion as all other Company expenses. Board education is a vital part of maintaining, and keeping a dynamic director base, and this policy should not limit any Board retreat that is reasonable and focused on strategic planning or education.

#### **Office or Facility Renovations:**

Renovations of facilities and office spaces should be relative to the approved current strategic plan, and tracked within the capital expenditure policy of the Company. An exception to this can be allowed if management must deal with an emergency situation, such as an act of nature, and the expenditure is necessary to make the facility operational for use.

#### **Aviation and Other Transportation Services:**

Transportation for Company staff to outlying locations, including bank locations, conferences, business development purposes and merger and acquisition research, should be chosen using reasonable care, and lowest cost available options should be used whenever reasonably possible and shall be in accordance with SPM 110. The accounting department will maintain, when appropriate, an analysis of trips to determine which mode of transportation is the most appropriate for the Company staff. Modes of transportation to be used for the analysis, for example, may consist of vehicle and commercial air service. A determination of transportation analysis will factor in cost, efficiency, and timeliness of travel.

#### **Other Similar Items, Activities or Events**

To the extent other expenditures are incurred which are similar in nature to the foregoing expenses, such expenditures shall be in accordance with SPM 110 and should be previously approved as part of the normal budgeting process or in accordance with the procedures set forth below and should otherwise be reasonable in cost and scope.

### **Prior Approval**

Any expenditure related to a Covered Activity that is not otherwise subject to SPM 110 or another existing Company policy, is required to be submitted for approval to the Company's Chief Executive Officer in advance of the anticipated incurring of said expense unless previously approved. Prior approval is not required in the case of an emergency Office or Facility Renovation as discussed above, but such emergency expense must be submitted to the Company's Chief Executive Officer as soon thereafter as possible for review. Any expenditure related to a Covered Activity that is not otherwise subject to SPM 110 or another existing Company policy and proposed by the Company's Chief Executive Officer is required to be submitted for approval to the Company's Board of Directors in advance of the anticipated incurring of said expense.

The Company's Chief Executive Officer shall have the ultimate authority to decide whether or not the expenditure is reasonable, except, in the case of expenditures proposed to be incurred on behalf of the Chief Executive Officer, in which case the Company's Board of Directors shall have the ultimate authority to decide whether or not the expenditure is reasonable. If the expenditure is found to be reasonable the Chief Executive Officer will direct the Company to pay for the expenditure.

### **Violations**

Any violations of this policy shall be promptly reported to the Company's Executive Compensation Committee. Any employees found to have violated this policy will be subject to appropriate discipline in accordance with the Company's policies and procedures including, without limitation, the Company's SPM 010 - Code of Conduct and the Company's SPM 119 - Counseling and Disciplinary Action policy, which may include an action by the Company to recover funds that were disbursed in violation of this policy.

### **Review**

The Board of Directors shall review and approve this Excessive and Luxury Expenditures Policy at least annually.

### **Access to Policy**

This Excessive and Luxury Expenditures Policy shall be provided to the United States Department of the Treasury ("U.S. Treasury") and the primary federal bank regulatory agency of the Company. In addition, this policy shall be posted on the Company's corporate website. If the Board of Directors makes any material amendments to this policy, within 90 days of the adoption of such amendments, this policy, as amended, shall be provided to the U.S. Treasury and the Company's primary federal bank regulatory agency, and such amended policy shall be posted on the Company's corporate website.

## **CEO and CFO Certification**

The CEO and CFO of the Company are required to certify annually or more frequently if required by the U.S. Treasury or the Special Master for TARP Executive Compensation of the U.S. Treasury that the approval of any expenditure requiring the prior approval of any Senior Executive Officer, any executive officer of a substantially similar level of responsibility, or the Company's board of directors (or any committee of such board of directors) was properly obtained with respect to such expenditure.

The terms of this policy are meant to comply with the requirements of ARRA (and the guidance thereunder) and any ambiguity or conflict will be resolved in favor of the requirements instituted under ARRA.