



CATHAY GENERAL  
BANCORP

**CORPORATE GOVERNANCE GUIDELINES**  
**OF**  
**CATHAY GENERAL BANCORP**

**As adopted March 15, 2012, and amended February 16, 2017**

The following Corporate Governance Guidelines have been adopted by the Board of Directors (the “Board”) of Cathay General Bancorp (the “Company”) to assist the Board in the exercise of its responsibilities and to best secure the interests of the Company and its stockholders. These guidelines reflect the Board’s commitment to monitor the effectiveness of policy and decision making both at the Board and management level, with a view to enhancing long-term stockholder value.

## **ROLE AND STRUCTURE OF THE BOARD**

### **Role of the Board**

The Board governs and provides oversight over the business and affairs of the Company. Directors are expected to be engaged and actively participate in the oversight process and spend the time and effort necessary to properly discharge their responsibilities. Accordingly, directors are expected to regularly attend meetings of the Board and committees on which they sit, and to review materials distributed in advance for such meetings. Directors are also invited and strongly encouraged to attend the Company’s annual meetings of stockholders.

### **Leadership of the Board**

The Board does not require the separation of the offices of the Chairman of the Board and the Chief Executive Officer. The Board shall be free to choose a Chairman of the Board in any way that it deems best for the Company at any given time.

In the event that the Chairman of the Board is an employee, or not independent, an independent director shall be elected annually by the independent directors to serve as the Lead Independent Director. The election shall be held at the first executive session of the independent directors after the Company’s annual meeting of stockholders. The elected Lead Independent Director shall serve until the next annual election is held.

The primary responsibilities of the Lead Independent Director are to (a) chair meetings of the independent directors in executive session, (b) facilitate communications between other members of the Board and the Chairman of the Board and/or the Chief Executive Officer, and (c) otherwise consult with the Chairman of the Board and/or the Chief Executive Officer on matters relating to corporate governance and Board performance.

### **Size of the Board**

The Company’s Bylaws provide that the Board shall consist of not fewer than three or greater than 25 members, the number of which may be changed from time to time by resolution of the Board. The size of the Board is currently established at 12 directors. However, the size of the Board may be changed from time to time depending upon the needs of the Board and the availability of qualified candidates.

## **Nominees for Director**

The Board is responsible for nominating candidates for election to the Board by the stockholders and for filling vacancies on the Board. The Nomination and Governance Committee identifies and evaluates candidates for Board membership and makes recommendations to the Board regarding such candidates. The Nomination and Governance Committee will consider candidates properly recommended by stockholders.

## **Board Membership Criteria**

The Board and the Nomination and Governance Committee consider potential nominees based on criteria developed by them in the context of the perceived needs of the Board at that time. The Board and the Nomination and Governance Committee must also take into account that at least a majority of the Board must be independent directors, and that the members of the Audit Committee and the Compensation Committee must meet certain other requirements for service on those Committees. Nominees must also be acceptable to banking regulators.

## **Election of Directors**

The Board has adopted a “majority voting” standard for uncontested elections, whereby directors will be elected by a majority of votes cast. If an incumbent director fails to receive the requisite vote, that director must promptly tender his or her offer to resign from the Board. The Nomination and Governance Committee will then make a recommendation to the Board regarding whether to accept the resignation, and the Board will make its determination. If the Board determines to reject the director’s offer to resign, it will publicly disclose the rationale behind its decision within 90 days after the certification of the election results.

## **Independence of the Board**

The Board shall be comprised of a majority of directors who, in the opinion of the Board, qualify as an “independent director” under the listing standards of The Nasdaq Stock Market LLC. An “independent director” means a person other than (a) an executive officer or employee of the Company or its subsidiaries or (b) any other individual having a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board will determine affirmatively that no such relationships exist.

## **Stock Ownership**

Directors should hold shares of the Company’s common stock with a value equal to two (2) times the amount of the annual retainer paid to directors, calculated using the annual retainer as of the later of the date these guidelines were adopted and the date the director is elected to the Board. Directors should achieve such holding within five years of joining the Board, or, in the case of directors serving at the time these guidelines were adopted, within five years of the date of adoption of these guidelines.

The Chief Executive Officer of the Company shall hold shares of the Company's common stock with a value of no less than three (3) times the amount of his/her annual base salary (as such base salary shall increase from time to time). During the period in which the Chief Executive Officer is acquiring the necessary stock ownership as set forth herein, he/she shall not be permitted to sell, assign, transfer, or pledge any stock in the Company, including, but not limited to any restricted stock units, stock options or any other purchased or acquired stock in the Company.

### **Director Tenure**

The Board is divided into three classes having staggered terms of three years each. Accordingly, about one-third of the directors stand for election at each annual meeting of stockholders for a term of three years. Directors elected by the Board to fill a vacancy are placed into the class having the term of the prior director, unless the vacancy is caused by an increase in the number of directors. The Board believes that the evaluation and nomination process will ensure that the Company has a properly constituted and functioning Board, and therefore does not impose arbitrary limits on the number of terms a director may serve.

### **Director Compensation**

Except as otherwise determined by the Board, a director who is also an officer or employee of the Company shall not receive additional compensation for such service as a director. The Compensation Committee may from time to time recommend changes in nonmanagement director compensation for a decision by the Board. Directors may receive compensation in the form of director fees, committee fees, committee chair fees, and equity awards for service on the Board and committees.

### **Communications to the Board**

Stockholders may send communications to the Board or any individual director by mail addressed to: Board of Directors, Cathay General Bancorp, 9650 Flair Drive, El Monte, CA 91731. Communications addressed to the Board will be reviewed by the Assistant Secretary of the Company and directed to the Secretary, Chairman of the Board, or Lead Independent Director, if any, as appropriate for further review and distribution to certain or all members of the Board. Communications addressed to individual directors will be forwarded directly to them.

### **Self-Evaluation by the Board**

The Board will conduct an evaluation of itself and its committees at least every three years.

### **Board Access to Management and Outside Advisors**

Directors shall have access to the Company's management and, as appropriate, to the Company's outside advisors. They shall coordinate such access through the Chairman of the

Board or the Chief Executive Officer to assure that this access is not distracting to the business operations of the Company.

### **Board Interaction with Third Parties**

The Board believes that management generally should speak for the Company. Each director shall refer all inquiries from institutional investors, analysts, the press, or customers to the Chief Executive Officer or a designee for response.

### **Board Orientation and Continuing Education**

The Company shall familiarize new directors with, among other things, the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, conflicts policies, code of business conduct and ethics, corporate governance guidelines, principal officers, internal auditors, and independent auditors. Directors are encouraged to participate in continuing educational programs in order to maintain the necessary level of expertise to perform their responsibilities as directors.

## **BOARD MEETINGS**

### **Agendas for Board Meetings**

The Chairman of the Board shall establish the agendas for Board meetings. Any director may suggest inclusion of items on the agenda and raise at any Board meeting subjects that are not specifically on the agenda for that meeting.

### **Board Materials**

Information and materials that are important to the Board's understanding of the agenda items and other topics to be considered at a Board meeting should, to the extent practicable, be distributed sufficiently in advance of the meeting to permit prior review by the directors. Sensitive subject matters may be discussed at the meeting without written materials being distributed in advance or at the meeting. Similarly, matters may be discussed at a meeting called on short notice in the event of a pressing need without written material being made available.

### **Attendance of Management Personnel**

The Board encourages the Chief Executive Officer to invite members of management from time to time to Board meetings to (a) provide management insight into items being discussed by the Board; (b) make presentations to the Board; and (c) facilitate contact with the Board. Attendance of such management personnel at Board meetings is at the discretion of the Board.

## **Executive Sessions**

The independent directors shall meet in executive session without any other directors or members of management on a regularly scheduled basis, but no less than four times a year, in February, May, August, and November. The Lead Independent Director shall preside at such executive sessions or, if there is no Lead Independent Director, the independent directors shall designate one of the independent directors to preside.

## **BOARD COMMITTEES**

### **Designation of Board Committees**

The Company shall have at least the following five standing committees: Audit Committee, Compensation Committee, Investment Committee, Nomination and Governance Committee, and Risk Committee. The purpose and responsibilities for each of these committees shall be outlined in committee charters adopted by the Board. The Board may, from time to time, form new committees, reallocate responsibilities among committees, or disband committees depending on the circumstances. In addition, the Board may determine to form *ad hoc* committees from time to time, and determine the composition and scope of duties of such committees.

### **Independence of Board Committees**

The Audit Committee, Compensation Committee, and Nomination and Governance Committee shall each be composed entirely of independent directors satisfying applicable legal, regulatory, and stock exchange requirements necessary for assignment to any such committee.

### **Committee Assignments**

The Board shall annually review the Committee assignments and shall be responsible for appointing members to the committees on an annual basis. The chair of each committee may be appointed by the Board or by the members of the committee, as provided in the charters of such committee.

### **Committee Meetings**

Each committee may establish its own rules and procedures for the conduct of its meetings. Each committee shall meet as provided by such rules and procedures and will also meet at the call of its chair or any two members of such committee. The chair of each committee will determine the agendas for meetings, giving consideration to recommendations of management and other committee or Board members.

## **LEADERSHIP DEVELOPMENT**

### **Evaluation of Executive Officers**

The Compensation Committee, with the input of the Board, shall evaluate annually the performance of the Company's executive officers (including the Chief Executive Officer) in connection with the determination of the salary, bonus, incentive awards, and other compensation of such executive officers.

### **Succession Planning**

The Board shall plan for the succession to the position of the Chief Executive Officer. To assist the Board, the Chief Executive Officer shall periodically discuss with the Board succession planning for all senior officers of the Company with an assessment of senior managers and their potential to succeed the Chief Executive Officer and other senior officers. The Nomination and Governance Committee shall assist the Board in reviewing the Company's senior management development and succession planning.