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**Policy on Affiliate Transactions – East West Bancorp, Inc.**

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**I. STATEMENT OF NEED AND DEFINITION**

The Board of Directors is formulating this policy to provide a statement regarding the identification of affiliates, the recognition of common affiliate transactions, and the proper handling and documentation of acceptable affiliate activities. A breakdown in procedures may lead to violations of certain statutes such as Section 23A of the Federal Reserve Act and Regulation W issued thereunder, and also to misrepresentation of financial reports, thus incurring a violation of 12 USC 161 and of securities laws, as well as Internal Revenue Service tax laws. Failure to maintain adequate documentation and/or controls also may result in a cease and desist order under 12 USC 1818, civil money penalties or suspension, or removal of responsible directors.

**II. PURPOSE**

The general purpose of this policy is to provide senior management with a systematic approach to discern an affiliate, for approved types of affiliate transactions, and for proper documentation of such transactions.

**III. GENERAL AND SPECIFIC GOALS**

The goals of the affiliate transaction policy are in accord with East West Bancorp's (the Company) overall business plans and objectives. The following summarize the general and specific goals that pertain to affiliate transactions:

**A. General Goals**

1. To ensure that all transactions with, or for the benefit of, any affiliate are on terms and conditions that are acceptable and within safe and sound banking practices.
2. To approve guidelines used in defining types of affiliate transactions, adequacy of documentation, and to decide on appropriate levels of approval authority.
3. To delegate this authority to the General Counsel.

**B. Specific Goals**

1. Require specific documentation or detailed agreements covering recurring and nonrecurring affiliate transactions.
2. Require that all transactions be handled at fair market value, properly collateralized if required, and represent a bookable asset.

3. Management fees, if any, charged to affiliates by the holding company or between affiliates will be paid on a timely basis and will be calculated in a consistent and uniform manner, and will be based on:
  - Reimbursement of cost,
  - Cost plus a reasonable profit (limited to certain types of transactions), or
  - Fair market value

All charges will be calculated in a consistent and uniform manner.

4. Timing and amount of tax payments between affiliates will be such that neither East West Bank or any subsidiary thereof overpays its share of taxes to the Company and does not pay any taxes so as to create an extension of credit by East West Bank or any affiliate of East West Bank to the Company or its subsidiary, other than as may be permitted under Section 23A of the Federal Reserve Act and Regulation W issued thereunder.
5. Overall expense control of inter-affiliate services, transactions, etc.
6. Compliance with regulatory requirements, including laws and regulations.

#### **IV. POLICY ELEMENTS**

##### **Authority**

The Board of Directors delegates the duties of analyzing and reviewing affiliate transactions to the General Counsel.

##### **Definitions**

“Affiliate” shall have the same meaning as defined in Section 23A of the Federal Reserve Act and under Regulation W.

“Covered transaction” means any sale, purchase, lease, or loan of any assets, any provisions of services, and any other covered transaction as defined in Section 23A of the Federal Reserve Act or Regulation W.

Examples of nonrecurring transactions include:

- Sales of equipment between affiliates
- Loan participations
- Leases of equipment or real estate between affiliates

- Sale of real estate between affiliates
- Execution of contracted services over a period of time to an affiliate
- Providing of services by one affiliate to another, without contract

Recurring transaction examples include contracts or leases between affiliates for goods and services such as:

- Data processing services
- Accounting services
- Supplies, e.g., office or maintenance supplies
- Audit or compliance department files
- Management fees

In addition, the payment of fees or moneys to the holding company in the form of tax payments, dividends, special assessment fees, compensating balances, and the like are covered by this policy and should be properly documented.

### **Management Fees**

Management fees paid between affiliates for services performed generally include management advice, personnel services, loan quality review, data processing, marketing, supply administration, investment advice, accounting and financial services, trust services, and audit services. If fees are to be assessed, an affiliate must be providing a specific, identifiable service.

A management fee is intended to offset the actual or proportionate expense incurred by the affiliate performing, or paying for, the service. Fees charged should be reasonable and justifiable and should be based on the fair market value of services provided. Where there is no market established for a particular service, management fees are based on the actual cost plus a reasonable profit.

Fees for services should be billed and paid as they are received, just as they would be with an unaffiliated servicer. Prepayments should not be made significantly in advance of services rendered. In general, payments are made when the service is rendered by the affiliate. However, for those services provided on a continually recurring basis, quarterly installments of management fees are payable by affiliates based on each entity's actual expenses for the previous quarter.

Where an affiliate (such as the parent bank holding company) is providing specific services to another affiliate on an ongoing basis, an agreement between the entities should be entered detailing the services provided, fees charged and how they were calculated, and the timing of payments. Management of each entity is responsible for ensuring that basic business

principles common to an “arm’s length” transaction are applied and that the actual practice between affiliates and the management fee agreement are consistent.

A management fee agreement required under this policy should be signed by an authorized representative of each participating affiliate and, at a minimum, should include:

- A description of the specific services to be performed
- The method of calculating the management fee for each service
- The method and timing of payment for the services performed
- Provisions for any instances of reimbursement between affiliates

### **Special Cost Allocation Considerations**

In certain instances, costs or expenses for a series of transactions are not readily identifiable for each participating affiliate. Allocation methods should be based on a best estimate of cost per transaction, or on volume or asset size, etc., which represent a reasonable allocation of expense. Costs cannot be assessed on an unreasonable assignment such as the ability to pay.

### **Documentation**

All affiliate-covered transactions should be documented where appropriate to provide the following:

- Date of transaction
- Description of transaction
- Detail of method(s) used to calculate value of transaction
- Frequency of charges, if recurring
- Date of approvals
- Information regarding cost justifications, appraisals, etc., used in arriving at the value of the transaction

### **Tax Allocation**

The Company shall enter into a tax sharing arrangement with East West Bank and any other bank subsidiaries it may acquire regarding the filing of consolidated tax returns.

The Company is an agent for the Bank with respect to all matters related to consolidated tax returns and refund claims. If the Company receives a tax refund from a taxing authority, these funds are obtained as agent for the Bank. Any tax refund attributable to income earned, taxes paid, and losses incurred by the Bank is the property of and owned by the Bank. The Company shall forward promptly the amounts held in trust to the Bank.

**Audit/Compliance Reviews**

The audit department/compliance division will be responsible for conducting periodic reviews of affiliate transactions.