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ASSET/LIABILITY COMMITTEE (ALCO) CHARTER

Board ALCO Review – December 18, 2019

Joint Board Approval – December 19, 2019

**BANK OF HOPE & HOPE BANCORP, INC.
TREASURY/INVESTMENT DEPARTMENT**

ALCO CHARTER

**ALCO Review: 12/18/2019
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I. Purpose of the Committee

The Asset/Liability Committee of the Board (ALCO) has been established by the Board of Directors of **Bank** (the “Bank”) and **Bancorp, Inc.** (the “Company”) to assist the Board of Directors by assessing the adequacy and monitoring the implementation, of the Bank and the Company’s Asset / Liability Management Policy (the “ALM Policy”) and related procedures. The ALM Policy will include specific policies and procedures relating to (i) interest rate risk, (ii) market/investment risk, (iii) liquidity risk, (iv) credit risk, and (v) capital risk.

II. Membership of the Committee

The ALCO will consist of at least three (3) directors. The members of the ALCO will be appointed annually by the Board of Directors. The Board of Directors will designate a chair of the Committee.

III. Committee Meetings and Operations

The ALCO will meet at the call of the Chair, and the Committee shall convene at least one meeting each quarter and more frequently, as needed. The actions of the Committee require a quorum. A presence of a majority of the Committee members shall constitute a quorum. The action of a majority of those present at a meeting at which a quorum is attained shall be the act of the Committee.

IV. Duties, Responsibilities, and Authority of the Committee

In carrying out its mission, the ALCO will have the duties, responsibilities, and authority set forth in this Charter. The Charter is intended to serve as a guide for the ALCO, with the understanding that the ALCO may carry out additional functions and adopt such other policies and procedures as may be appropriate in light of changing business, legislative, regulatory and other conditions. The ALCO will also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time.

The ALCO will oversee the implementation of an effective process for managing the Bank’s interest rate, liquidity, and similar market risks relating to the Bank’s balance sheet and associated activities, including the adoption from time to time of policies, risk limits and capital levels. In fulfilling its responsibilities, the Committee will ensure the development of an appropriate ALM Policy for the Company. The Joint ALM Policy will, among other things, set forth the Company’s asset and liability management general policy relating to liquidity, interest rate risk management, capital management, investments, hedging and the use of derivatives, and will implement any additional policies and procedures relating to asset and liability management as may be consistent with the Joint ALM Policy. The ALCO will review and discuss the Joint ALM Policy with management, and after taking into consideration any matters that the ALCO may deem advisable and appropriate, including management

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recommendations, the ALCO will annually approve the Joint ALM Policy. The ALCO may also approve exceptions to the Joint ALM Policy to address specific conditions or circumstances that may arise from time to time.

In fulfilling its responsibilities, the ALCO will review and approve, at least annually, the following policies, which shall be prepared and implemented by the management:

Investment Policy	Foreign Exchange (FX) Policy
Joint Liquidity & Funding Policy	BOLI Policy
Joint Interest Rate Risk (IRR) Policy	Derivatives & Hedging Policy
Joint Capital & Dividend Policy	BIC Policy
Joint Asset-Liability Management (ALM) Policy	Corporate Banking Group (CBG) Deposit Policy
Regulation F Policy	

The assets and liabilities of the Bank shall be managed in order to maximize shareholder value, to enhance profitability and increase capital, and to protect the Bank from any excessive financial risks arising from changes in interest rates. The following are some of the key risks that must be managed by the ALCO Committee. These objectives shall be pursued within the framework of the Bank's policies.

Liquidity Risk

- Monitor the liquidity position of the Bank and the Company, and liquidity management activities undertaken by the Bank and the Company, including wholesale funding activities, contingency funding and any other relevant liquidity measurements the ALCO deems advisable or appropriate.
- Approve liquidity risk tolerances by reviewing how the Bank's inability to meet its obligations when they become due may affect the Bank's earnings, capital, and operations.

Interest Rate Risk

- Monitor the management of interest rate risk activities and the Company's overall interest rate risk profile, the sensitivity of the Company's earnings under varying interest rate scenarios and potential changes in market interest rates.
- Monitor trends in the economy in general and interest rates in particular with a view toward limiting any potential adverse impact on the Company's earning.

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- Approve interest rate risk tolerances by reviewing how movements in interest rates may adversely affect the Bank's earnings and capital using the Bank's projected earnings and capital as benchmark.

Capital Risk

- Monitor the capital position of the Bank and the Company, and the capital management activities undertaken by the Bank and the Company to ensure that capital levels are maintained in accordance with regulatory requirements and management directives.
- Review and approve payment of dividends from the Bank to the Holding Company and from the Holding Company to shareholders.

Market Risk (Investments & Derivatives)

- Monitor management's investment activities such as purchase, sale, exchange and other disposition of the investments of the Bank, including review of management reports concerning current equity and debt security investment positions.
- Monitor compliance with both external regulations and ALM Policy governing the Bank's investments and categories of investments, including requirements relating to composition, diversification, credit risk and yield.
- Review the status of the securities and derivatives portfolios, including performance, appreciation or depreciation, quality, maturity profile and any actions taken by management with respect thereto.
- Review and determine whether to approve the holdings of investment securities (including prudent investments) and that are subject to the ALCO's authority to approve under the ALM Policy or Board of Directors resolutions.
- Review significant financial risk exposures facing the Bank generally, and in its investment and derivatives portfolios in particular, and the steps management is taking to monitor and control such exposures.
- Monitor compliance with the provisions of the ALM Policy and applicable standards relating to the management of counterparty credit risk, including, but not limited to, reviewing limits on counterparty exposure and reviewing limits on individual transactions based on risk.
- Approve objectives for the composition of on- and off- balance sheet positions

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- Review and approve procedures and systems the management has established to implement the Board's objectives and limits for each portfolio, taking into account applicable laws, regulations, and current accounting standards for each part of the portfolio.

Other Risks

- Monitor management of the Bank's treasury functions, including its operations and funds management processes.
- Review ALM Policy limits relating to interest rate risk, liquidity and capital levels.
- Monitor compliance with both external regulations and the ALM Policy with respect to the asset and liability management processes of the Bank and the Company.
- Delegate specific authority to the Bank's Chief Financial Officer or other appropriate members of management.
- Monitor the bank's bank-owned life insurance program, including oversight of the program's investment performance, risk management, and internal controls.
- Review the scope and results of internal audit reports assessing the implementation of the Bank's investment and asset/liability management policies and the effectiveness of the Bank's monitoring systems.

V. Reporting of Committee Activities to the Board of Directors

The Chair for the ALCO will report its activities and its recommendations for action to the Board of Directors of the Bank and/or of the Company, depending on requirement of an action, at its next meeting subsequent to that of the Committee. Minutes of the meetings of the ALCO will be submitted to the Board of Directors at a subsequent meeting of the Board of Directors.

VI. Review of Committee Charter

The ALCO will review and reassess the adequacy of the Charter, at least annually. The Board will review and approve the ALCO Charter as recommended by the ALCO.