Hope Bancorp

2018 Fourth Quarter and Full-Year Earnings Conference Call

Wednesday, January 23, 2019

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Q4 2018 Financial Highlights

Solid Profitability	✓ Net income of $44.4 million, or $0.35 per diluted common share, versus $46.4 million, or $0.36 per diluted common share for preceding Q3 ✓ Results reflect discontinuation of SBA loans to secondary market, a $1.7 million restructuring charge, a non-cash incremental income tax expense of $442,000 related to finalization of revaluation of DTA due to enactment of Tax Act, and a $453,000 net reduction in fair value of equity investments ✓ Net interest margin compression moderated, down 6ps Q-o-Q to 3.41% driven by higher deposit costs partially offset by 5bps increase in average loan yields ✓ Noninterest expense, excluding restructuring expense, stable at 1.81% of average assets, versus 1.80% in Q3 2018
Well-Diversified Loan Growth	✓ New loan originations funded of $667 million led to loan growth of $171 million, or 6% annualized ✓ Full-year loan growth of 9% exceeded targeted loan growth of 6% to 8% for 2018 ✓ Average rate on new loans trended higher for each product type; overall 5.22% average rate on new loans, up 25bps from Q3 2018 ✓ CRE loans accounted for 52% of new loan production; C&I 23%; and residential mortgage 25%
Record Deposits	✓ Record deposits of $12.16 billion, up 1% Q-o-Q ✓ Growth in higher-rate time deposits results in 16bps increase deposit costs ✓ Noninterest bearing demand deposits account for 25% of total deposits
Improved Credit Quality	✓ Nonaccrual loans decreased 5% Q-o-Q, continuing the stable to improving trend for 2018 ✓ Total criticized loans declined by $39 million ✓ Net charge offs of $872,000, or 3bps of average loans annualized
Other Events	✓ Completed $50 million stock repurchase program, reducing shares outstanding by 3,436,757 shares

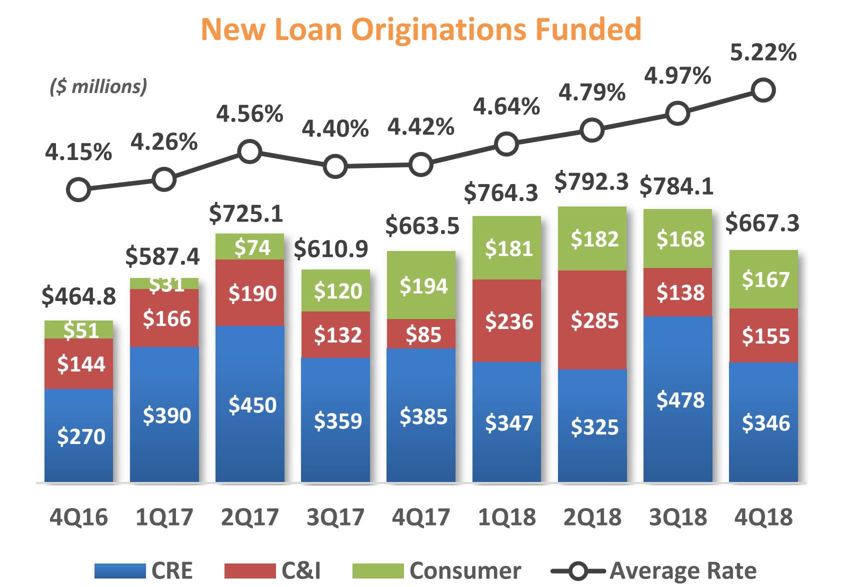
Net Income
$44.4MM

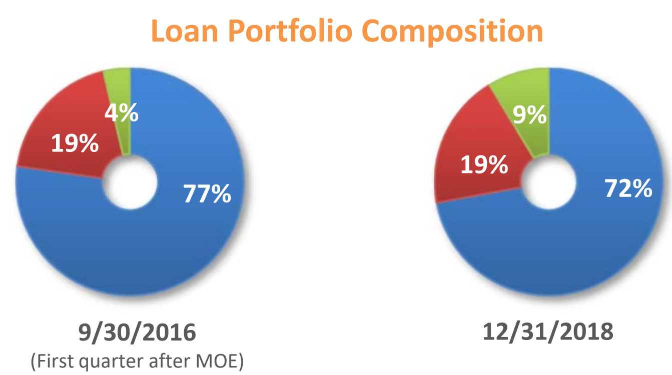
Diluted EPS
$0.35

Record Loans
$12.1B

Record Deposits
$12.2B

Loan Production & Portfolio Trends

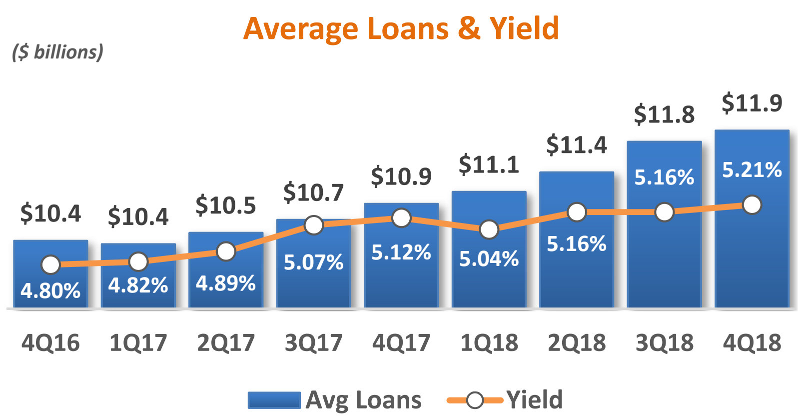


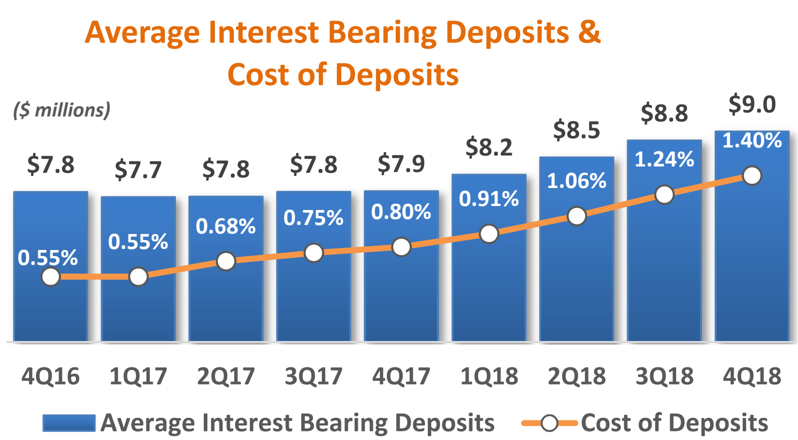


- New loan originations funded of **$667 million**; new loan commitments of $687 million
- Total end-of-period loans receivable increased **$171 million** or **1% Q-o-Q** and **6% annualized**
- Full-year loan growth of 9% exceeded targeted loan growth of 6% to 8% for 2018
- Average rate on new loans increased 25bps to 5.22% and trended higher for each product type
- Well diversified mix of loan originations with
  - 52% CRE
  - 23% C&I
  - 25% Consumer
- C&I production of $155 million reflects success in banking middle-market commercial borrowers
- SBA loan production of $82 million of which $45 million was 7(a)
- Residential mortgage originations of $163 million – *most of which was retained in the loan portfolio*
  - Shifting focus to originating mortgage loans for sale

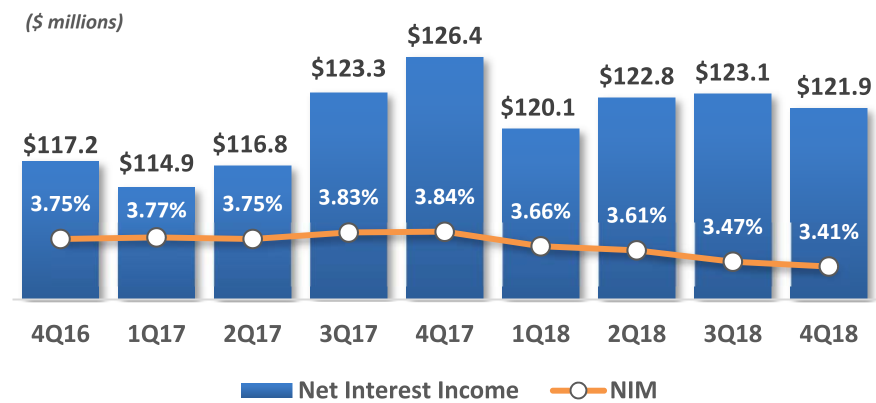
Net Interest Income and Margin

Key Net Interest Income Drivers





Net Interest Income & NIM



- ❑ 4Q18 NII decreased by $1.3 million Q-o-Q largely reflecting $1.0 million reduction in accretion income
- ❑ Net interest margin compression moderated and declined 6bps to 3.41%
- ❑ Excluding purchase accounting adjustments of $6.6 million, average core yield on loans increased 8bps to 4.97% due to repricing of variable rate portfolio and higher yields of new loan production
- ❑ Assuming no interest rate hikes, NIM expected to compress modestly through Q2 before returning to margin expansion in the second half of 2019

PAA = Purchase accounting adjustments

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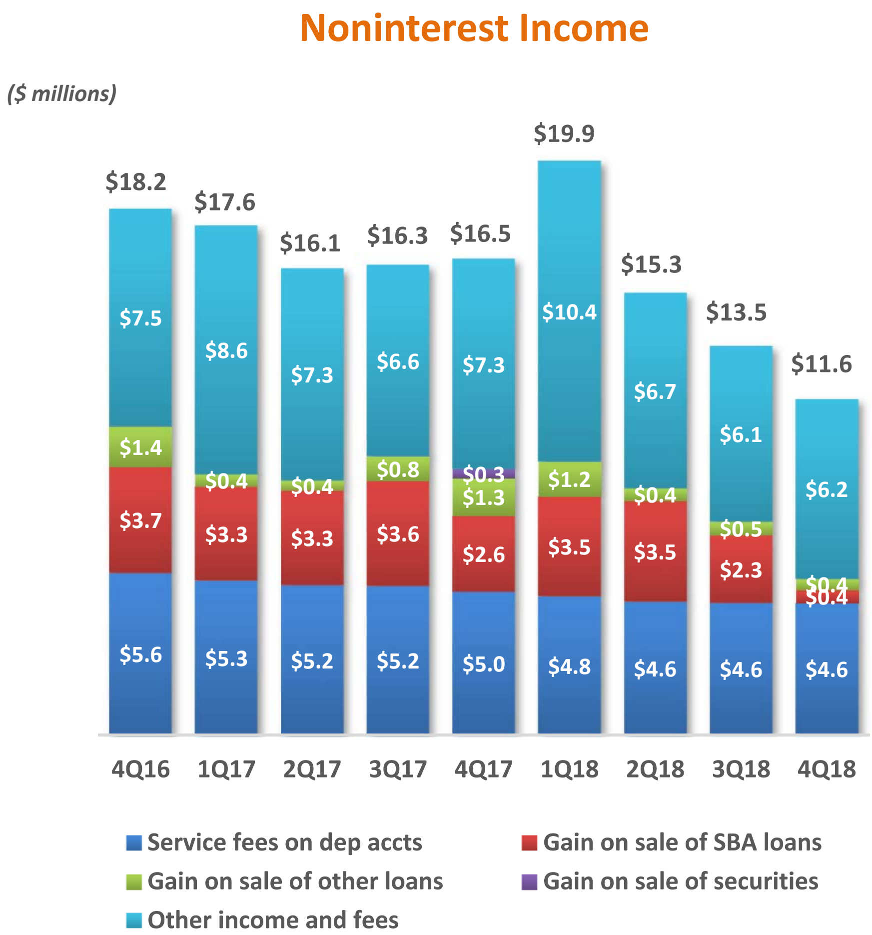
Noninterest Income



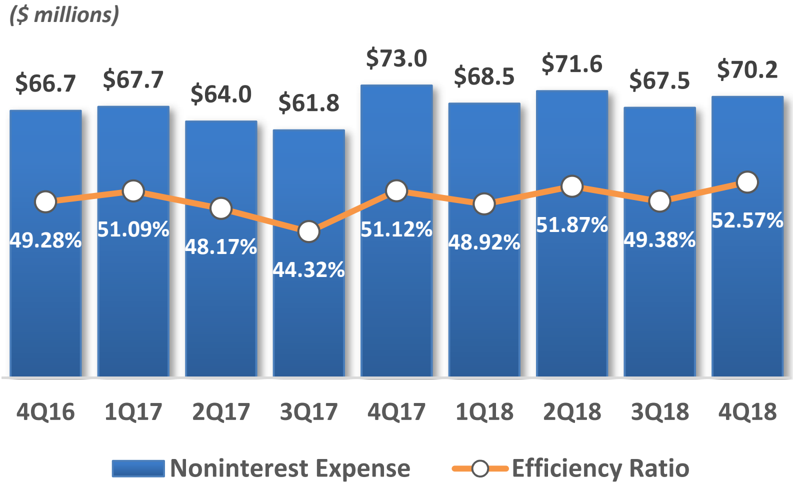
- ❑ Total noninterest income decreased $1.8 million or 14% Q-o-Q to $11.6 million
  - ❑ Due to $1.9 million decrease in SBA net gain-on-sale

Quarter-over-Quarter Difference

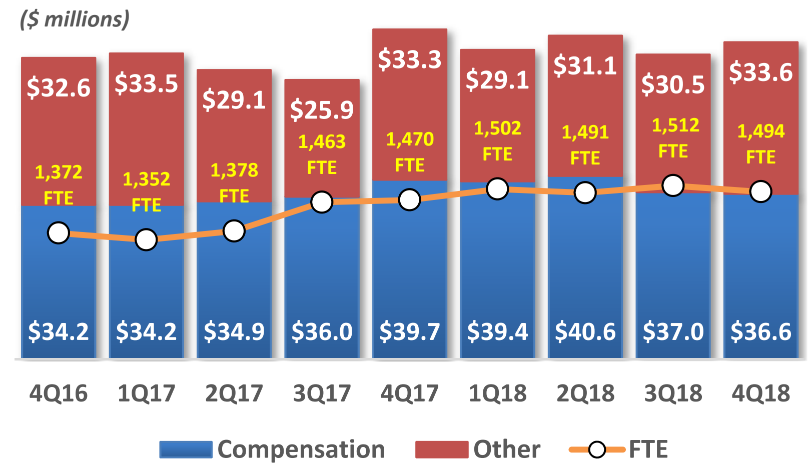
- ❑ Net gain-on-sale of SBA loans declined 81% due to the discontinuation of SBA loans sales to the secondary market
  - – Faster prepayment speeds reduced duration, significantly driving down the premiums offered in the secondary market
- ❑ Net gain-on-sale of mortgage loans of $381,000, down from $477,000 in preceding Q3
- ❑ Other noninterest income and fees includes a $453,000 net reduction in the fair value of equity investments, versus $1.6 million in preceding Q3

Noninterest Expense and Efficiency

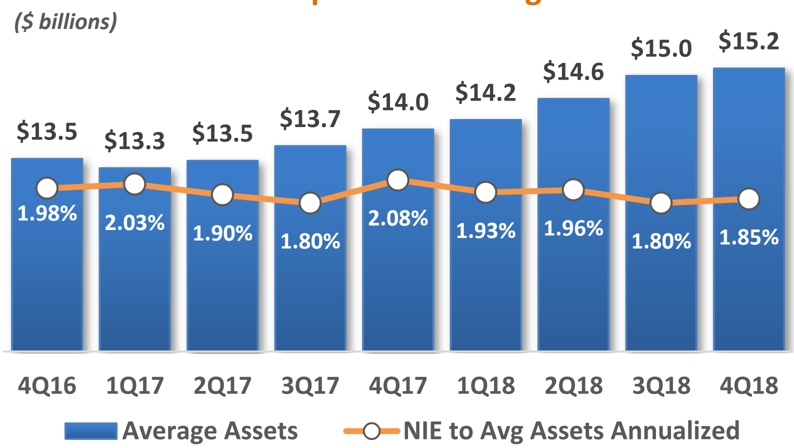
Noninterest Expense and Efficiency Ratio



Breakdown of Noninterest Expense and FTE



Noninterest Expense to Average Assets



- Noninterest expense increased by $2.7 million from Q3 2018
  - $1.7 million branch restructuring expense
  - $ 806,000 increase in professional fees
  - Litigation settlement fees
  - Partially offset by $382,000 decrease in FDIC assessment
- Excluding the $1.7 million branch restructuring charge:
  - Efficiency ratio was 51.32%
  - Noninterest expense to average assets annualized stable at 1.81%

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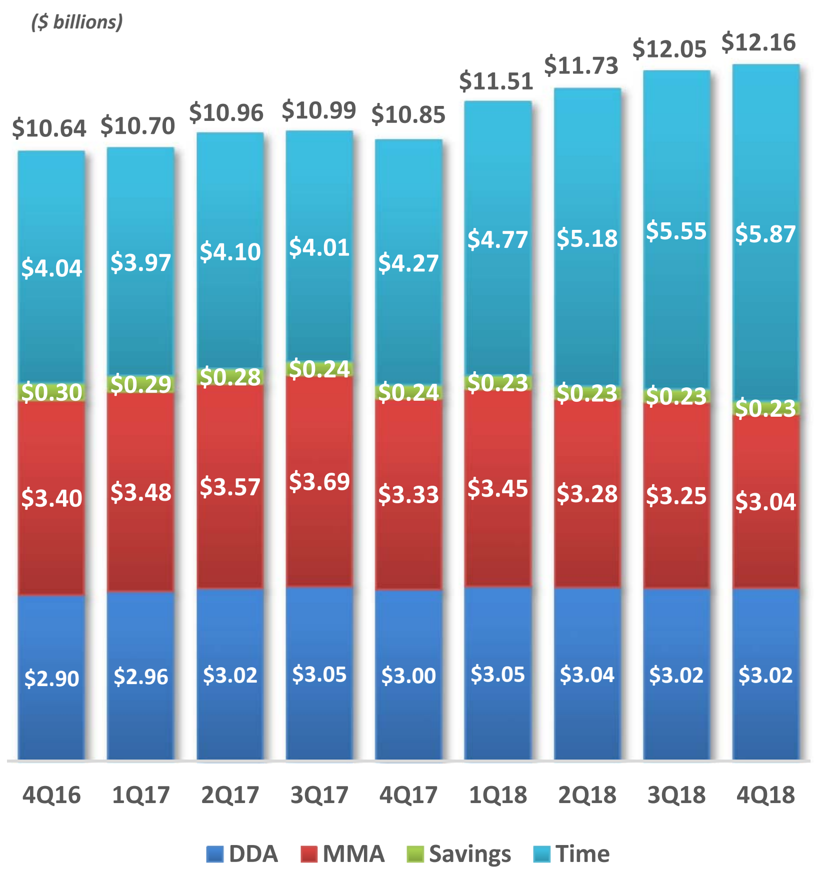
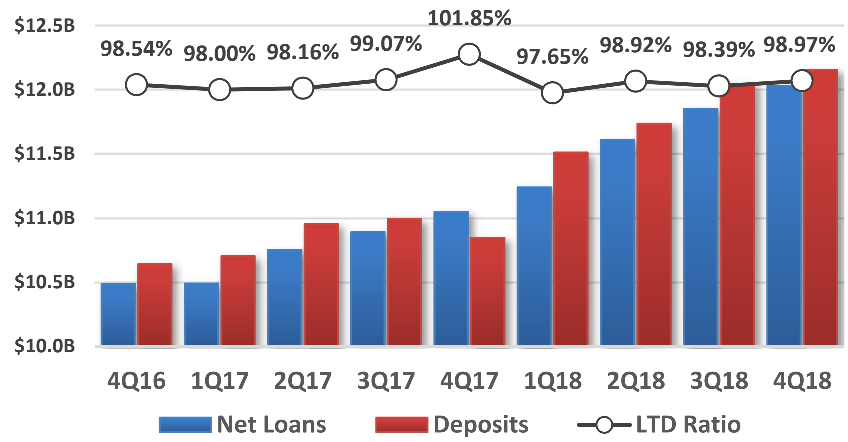
Deposit Growth Trends

Deposit Composition



- ❑ Total end-of-period deposits increased **1%** Q-o-Q to a record **$12.16 billion**
- ❑ Growth in higher-rate time deposits resulted in 16bps increased deposit costs
- ❑ Deposit gathering and cost containment strategies a **top priority**

Net Loans to Deposits



DDA = Noninterest bearing demand deposits
MMA = Money market account deposits

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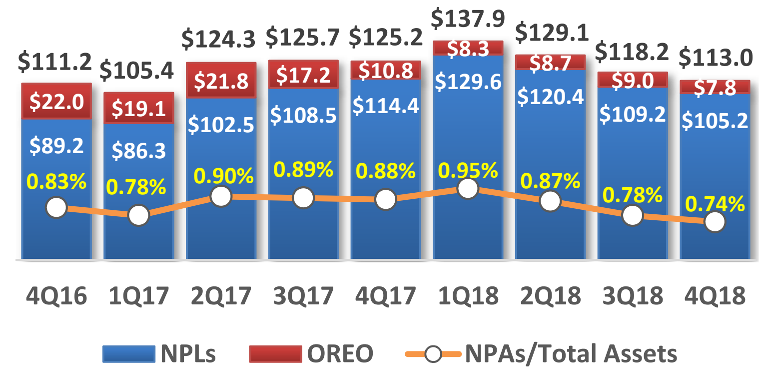
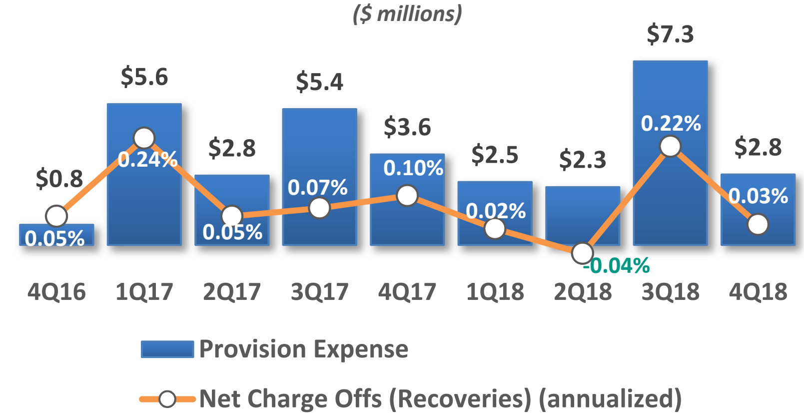
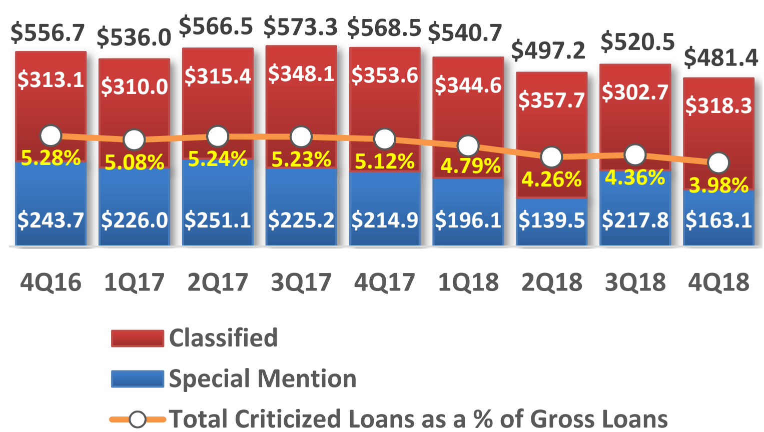
Asset Quality





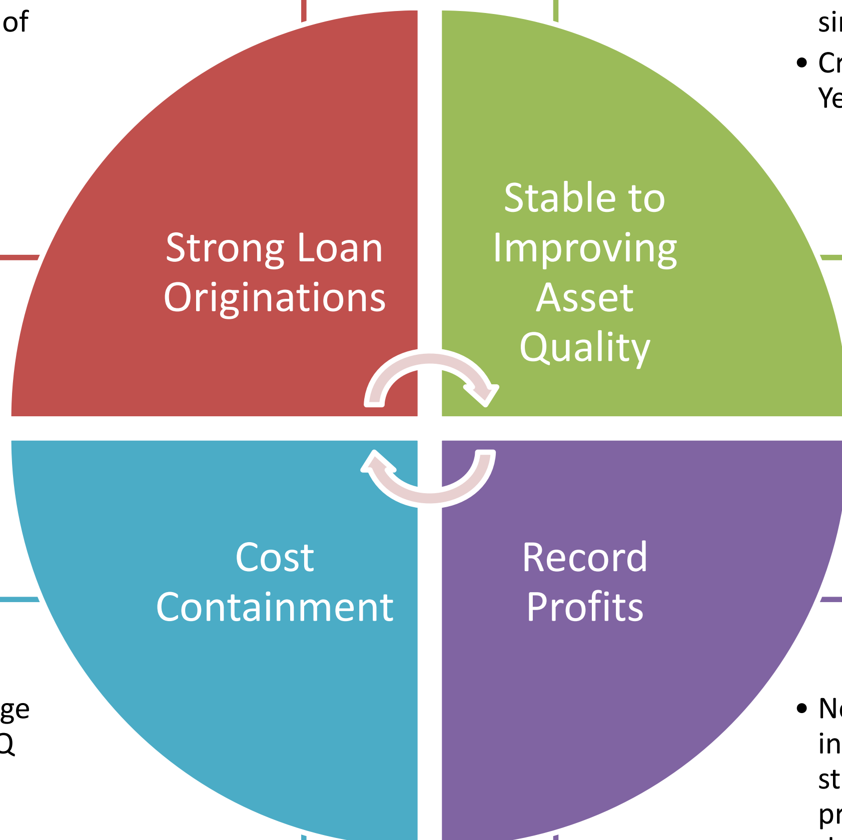


- Generally improved asset quality trends
  - Nonaccrual loans decreased 5% Q-o-Q
  - Nonperforming assets declined 4% Q-o-Q
  - Nonperforming assets/total assets improved to 0.74%
  - Total criticized loans decreased $39 million Q-o-Q
  - Y-o-Y, total criticized loans decreased 15% to 3.98% of gross receivables
- Minimal net charge offs of $872,000, or 3bps of average loans on an annualized basis
- $2.8 million provision more than covered net charge offs and increased allowance to total loans receivable ratio as of 12/31/2018 to 0.77%

A Summary Review of 2018

- A **record $3.01** billion in new loans to support the financial needs of our customers

- Reductions in nonaccrual loans since the first quarter of the year
- Criticized loan balances down 15% Year-over-Year



- Noninterest expenses to average assets improved to 1.85% in 4Q 2018 from 2.08% in 4Q 2017

- Notwithstanding significant investments designed to strengthen the long-term prospects of our organization, delivered **record net income of $189.6 million**

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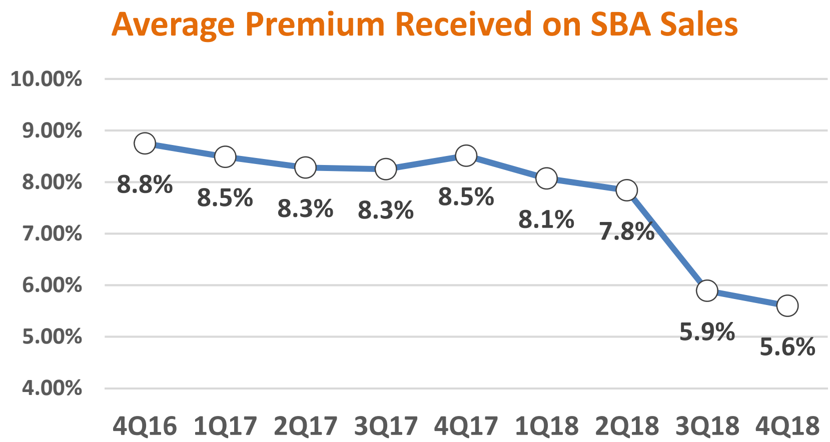
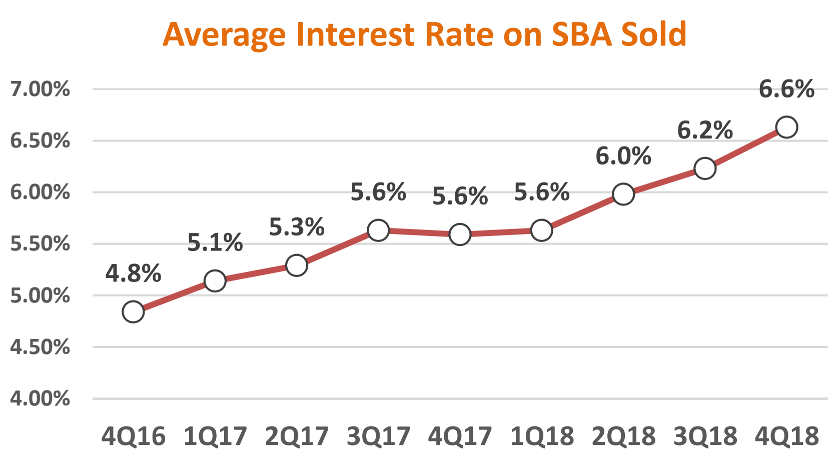
2019 Key Priorities

Profitable Growth – ***Better Deposit Cost Management***	•New TMS leadership actively engaging front line to build new core deposit relationships •Targeting existing commercial customers rich in deposits •Rebuilding online banking platform •Redesigned frontline incentive compensation programs dependent on core deposit gathering results
Profitable Growth – ***Better Loan Yields***	•Shifting focus of residential mortgage originations to sellable loans and may sell portions of existing portfolio, resulting in stable to potentially decreased consumer portfolio •Preference for higher-yielding variable rate C&I and SBA originations •Growth in loan portfolio closely tied to core deposit growth
Profitable Growth – ***Better Efficiencies***	•Tightly managing expenses and improving operating efficiencies •Branch rationalization plan to provide $1.9 million in annualized cost saves partially beginning in Q2 2019 •Continuing to look at all areas of operations to identify additional opportunities to enhance cost structure
Capital Management	•Committed to enhancing shareholder returns while maintaining strong capital ratios that support continued growth for the long term

Appendix
SBA Retention





- **Rationale for retaining SBA loans**
  - Premium rates on SBA loans sold has gone down significantly from 8.8% in Q4 2016 to 5.6% in Q4 2018
  - Meanwhile average interest rate on SBA loans sold increased from 4.8% in Q4 2016 to 6.6% in Q4 2018
  - Minimal credit cost and credit risk by retaining SBA loans as sellable portion is guaranteed
  - Retaining SBA loans will help improve net interest income and net interest margin due to higher-yielding rates on SBA loans

- **Impact of retaining SBA loans**
  (assuming $50M retained each quarter)
  - Near term net gain on sale will be sacrificed for approximately 7 quarters at which point interest income will offset any loss of gain on sales
  - Estimated $850,000 additional interest income each quarter from retained SBA loans
  - Estimated 1.2 bps positive impact to NIM each quarter

- **The Company retains the option to re-evaluate SBA retention strategy when premiums increase significantly**

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Q&A