Hope Bancorp

2019 Fourth Quarter Earnings Conference Call

Thursday, January 23, 2020

Forward Looking Statements & Additional Disclosures

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Q4 2019 Financial Highlights

Earnings & Profitability

- ✓ Net income of $43.0 million, or $0.34 per diluted common share
- ✓ Net interest margin compression of 9bps Q-o-Q in line with management guidance of 5-7bps initial impact from each 25bps reduction in Fed Funds Rate
- ✓ Noninterest expense well contained and representing a stable 1.85% of average assets

Net Income $43.0MM

Loan Production

- ✓ Record new loan originations funded of $848 million reflects well-balanced mix of loans
- ✓ CRE loans accounted for 61% of new loan production; C&I 31%; and residential mortgage 8%
- ✓ Average rate on new loans declined to 4.37%, reflecting the impact of two 25bps decreases in Fed Funds Rate in September and October 2019

Diluted EPS $0.34

Deposits

- ✓ Total deposits increased 2% Q-o-Q and continued the trend of favorable mix shift to lower-cost deposits
- ✓ Increases in noninterest bearing demand deposits, savings and MMAs, offset by decreases in higher-cost time deposits
- ✓ Cost of deposits decreased 13bps Q-o-Q and represents the first decrease since 4Q16
- ✓ CD repricing gap continues to trend positive with time deposit renewals lower than maturing rate

Gross Loans $12.3B

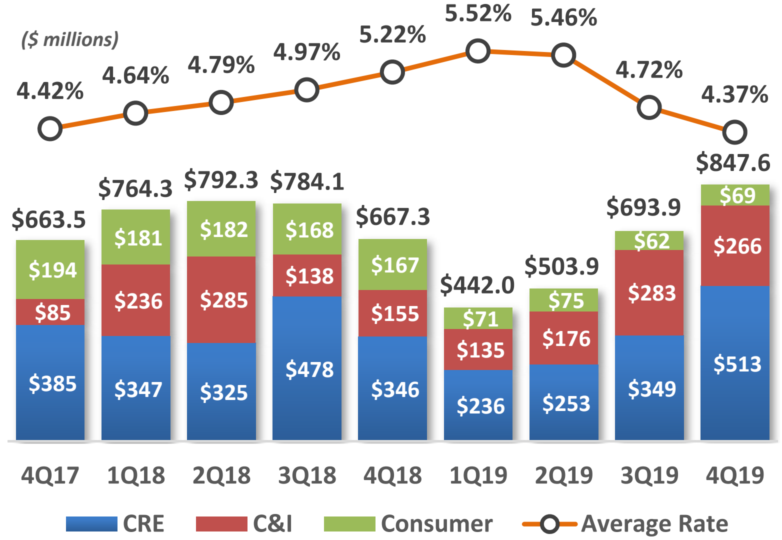
Asset Quality

- ✓ Overall asset quality remains healthy
- ✓ Total criticized loans down 2% Q-o-Q to lowest level since MOE
- ✓ Nonperforming loans increased by $20.7 million vs. 3Q19 reflecting the inflow of $10 million construction loan that was not extended and temporary delays in renewals
- ✓ Credit losses remain minimal with net charge offs of $738,000, or 2bps of average loans annualized

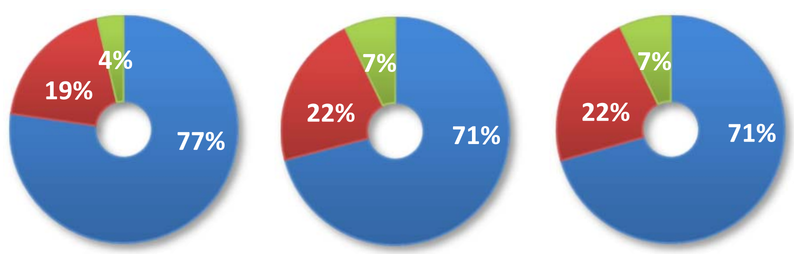
Deposits $12.5B

Loan Production & Portfolio Trends

New Loan Originations Funded



Loan Portfolio Composition



9/30/2016
(First quarter after MOE)

9/30/2019

12/31/2019

- Record new loan originations funded of **$848 million** resulting in 1.4% net loan growth, or 5.7% annualized
- Aggregate payoffs and paydowns remained at higher-than-usual levels at $668 million, versus $633 million in 3Q19
  - Largely driven by higher payoffs, reflecting competitive business environment
- Well diversified mix of loan originations representing targeted mix of higher-yielding loans
  - 61% CRE / 31% C&I / 8% Consumer
- Decrease in average rate on new loan production reflects 25bps rate cuts in September and October 2019
- CRE production of $513 million reflects modest increase in demand for CRE loans
- C&I production of $265 million reflects continued success in banking middle-market commercial borrowers
- SBA loan production of $62 million of which $46 million was 7(a)

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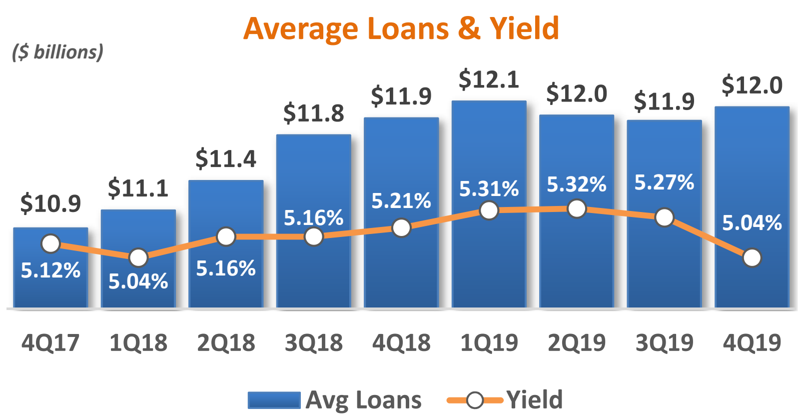
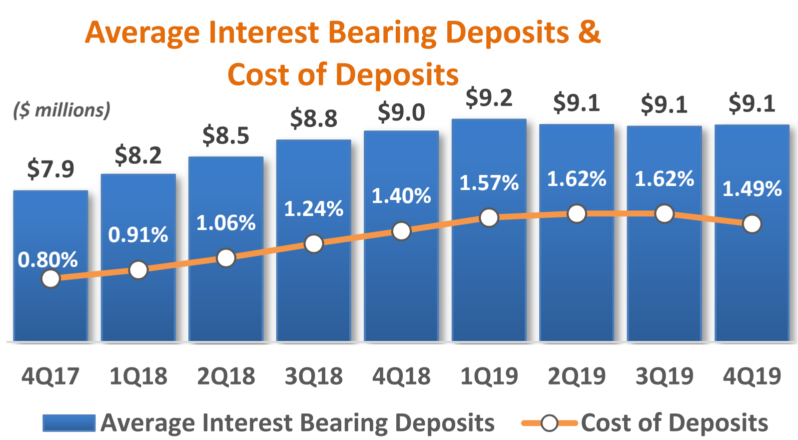
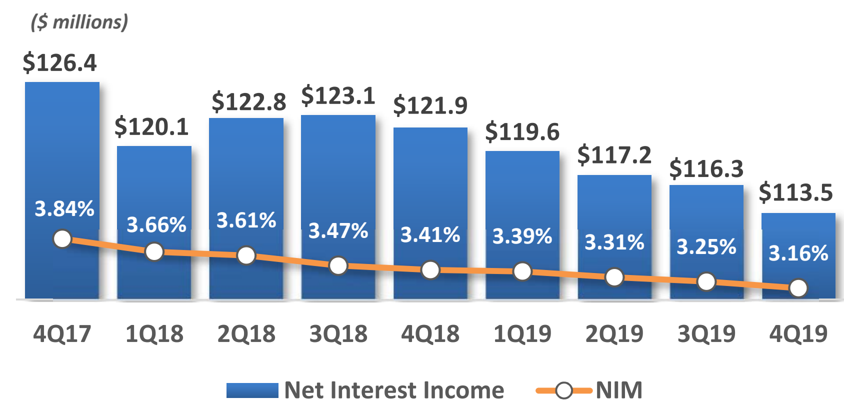
Net Interest Income and Margin

Key Net Interest Income Drivers





Net Interest Income & NIM



- 4Q19 NII decreased modestly Q-o-Q reflecting the impact of the interest rate cuts in September and October 2019
- Net interest margin compression of 9bps in line with management guidance of 5-7bps impact for each 25bps decrease in Fed Funds Rate
- Decline in loan yields driven by the repricing of variable rate loans following the September and October 2019 rate cuts, payoff of higher-yielding loans and lower rate on new originations
    - Decline in loan yields partially offset by substantial decrease in cost of deposits
- Expectation for margin compression of 2-3bps in 1Q20

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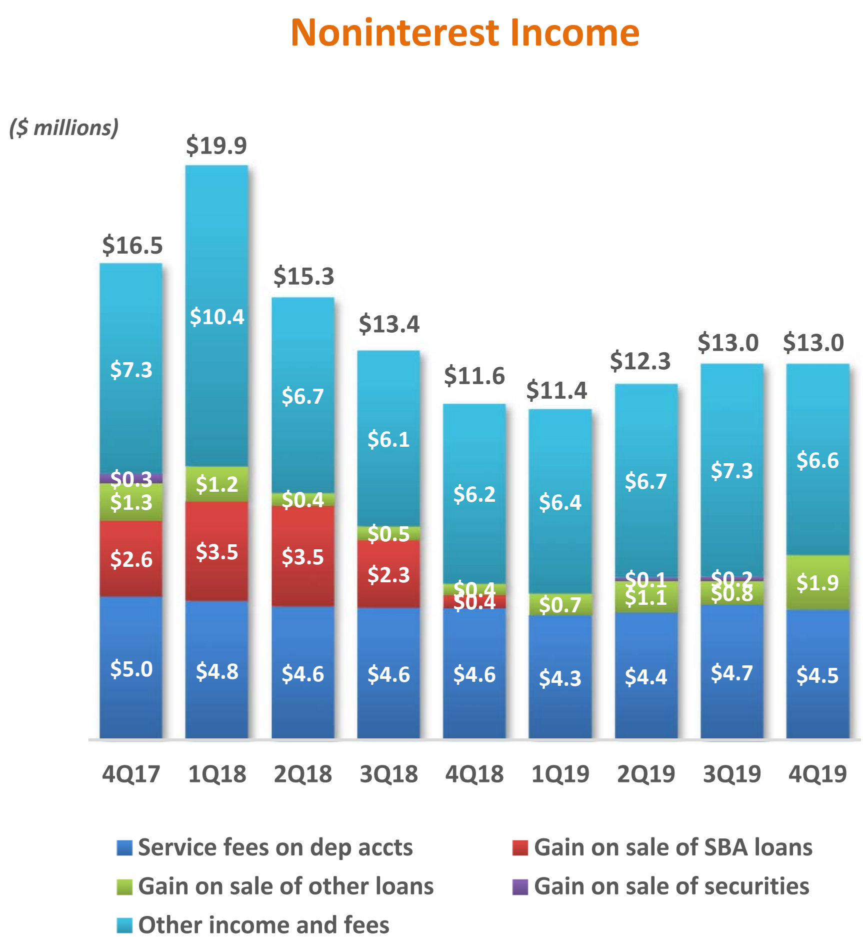
Noninterest Income



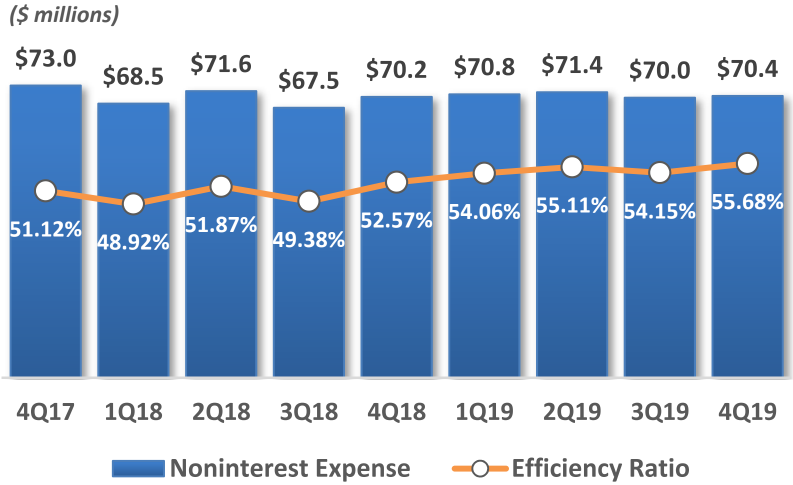
- ❑ Noninterest income stable at $13.0 million, unchanged from preceding quarter

Quarter-over-Quarter Gain-on Sale Variance

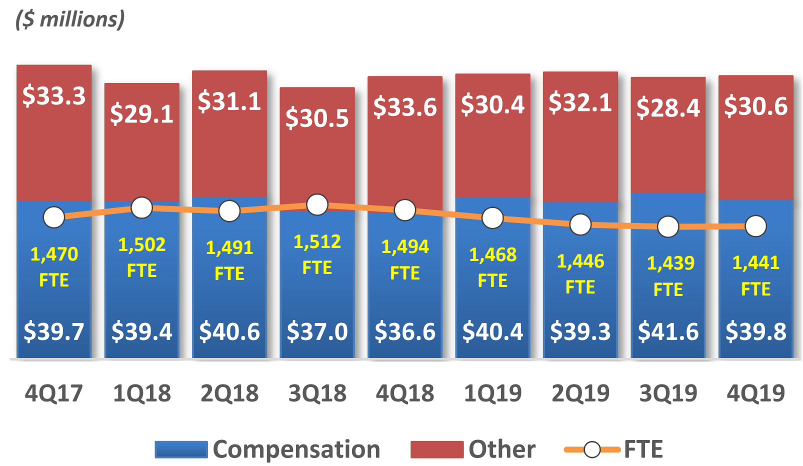
- ❑ $1.1 million increase Q-o-Q in gain on sale of other loans
  - ❑ Reflects $35.5 million total sales of mortgage loans vs. $30.9 in 3Q19
- ❑ $911,000 decrease Q-o-Q in swap fee income

Noninterest Expense and Efficiency

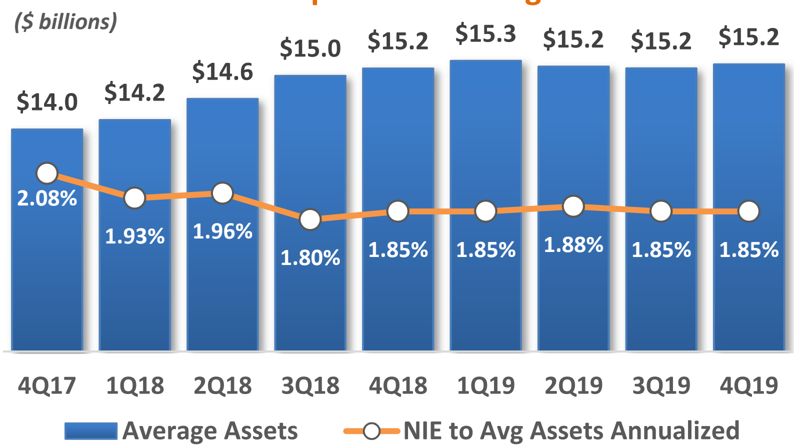
Noninterest Expense and Efficiency Ratio



Breakdown of Noninterest Expense and FTE



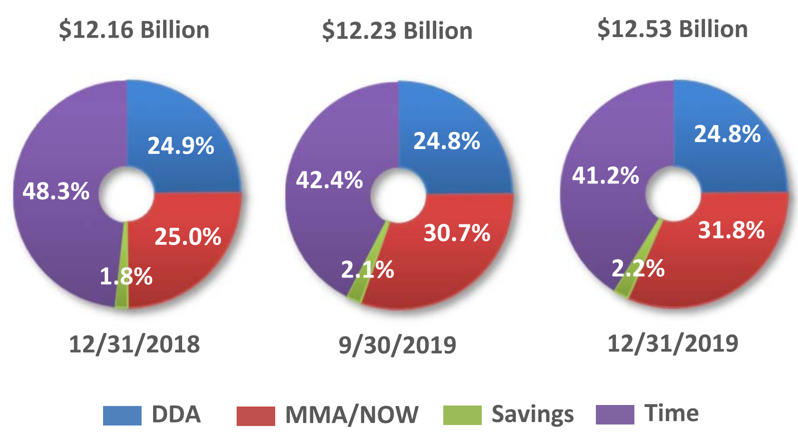
Noninterest Expense to Average Assets



- Noninterest expense increased modestly to $70.4 million in 4Q19 from $70.0 million in 3Q19
  - $772,000 FDIC assessment in 4Q19 vs. $0 in 3Q19 due to assessment credits for small banks
  - Professional fees up $707,000 Q-o-Q
  - Higher credit related costs and lower OREO credits in 4Q19 vs. 3Q19
  - $1.8 million decrease in compensation expense primarily reflects fluctuations in retirement plan and self-funded group insurance expenses
- Annualized noninterest expense to average assets stable at 1.85% in 4Q19 and 3Q19

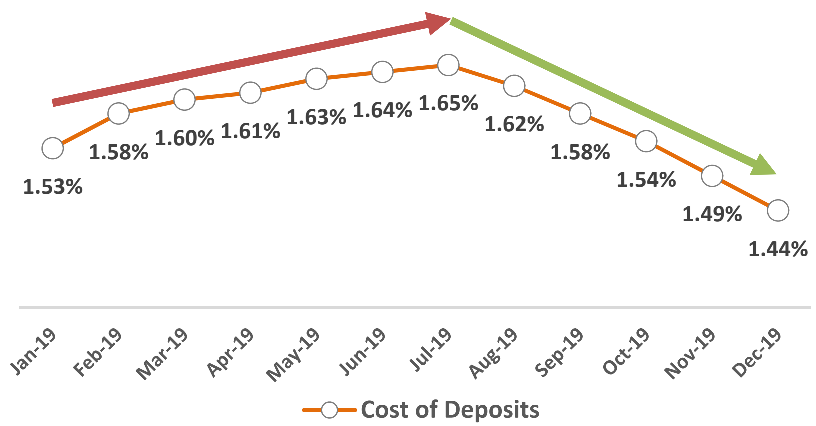
Deposit Trends

Deposit Composition

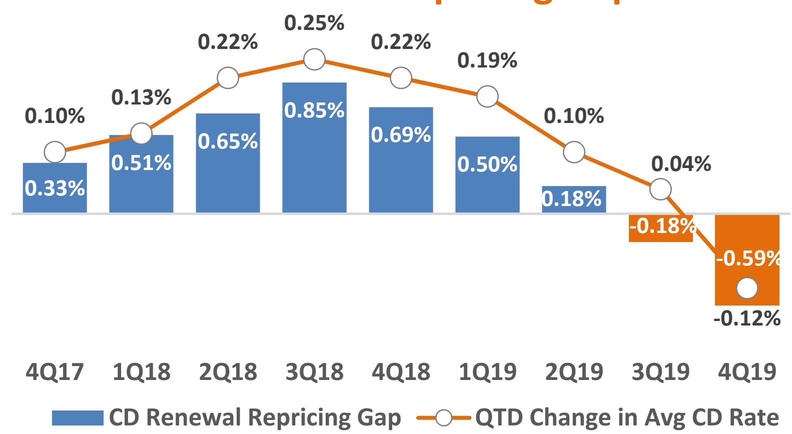


- Total end-of-period deposits increased **2%** Q-o-Q
- Favorable shift in deposit mix continued with increases in lower-cost deposits and decreases in time deposits
  - 2% increase in noninterest bearing deposits Q-o-Q
  - 6% increase in MMA & NOW balances Q-o-Q
  - 1% decreased in time deposits Q-o-Q
- Total cost of deposits decreased 13bps in 4Q19 from 3Q19 and have trended downward since the peak in July 2019
- Repricing gap on time deposit renewals continued to improve with repricing reduction of 59bps in 4Q19, in contrast with 18bps reduction in 3Q19
- Deposit gathering and cost containment strategies remain a **top priority**

Deposit Cost Trend



CD Renewal Repricing Gap



DDA = Noninterest bearing demand deposits
MMA/NOW = Money market and NOW deposits
NOW = Negotiable Order of Withdrawal

CD Renewal Repricing Gap = the difference between a CD's expiring rate and the renewal rate

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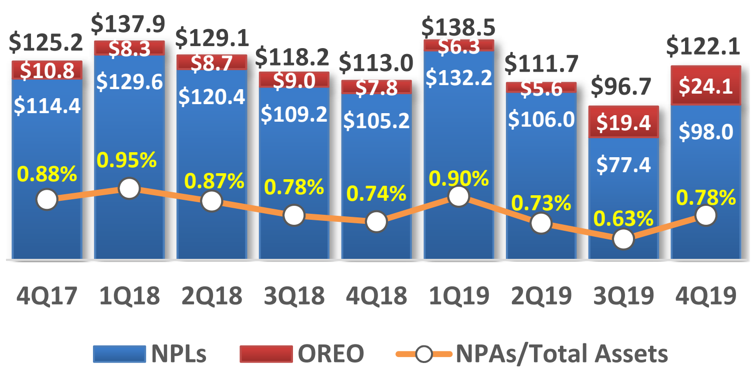
Asset Quality

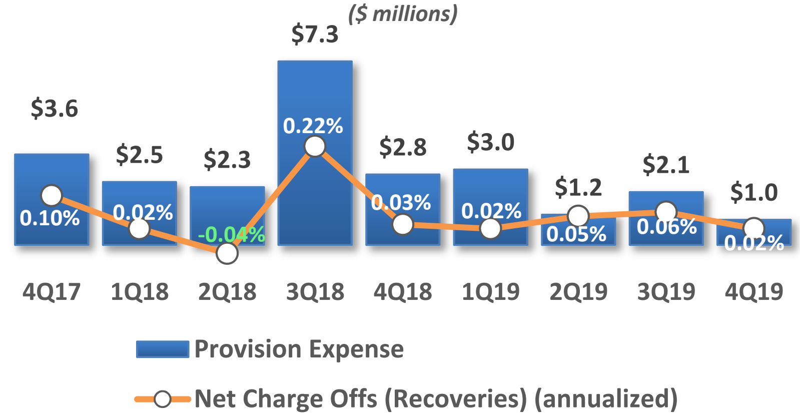
Nonperforming Assets

($ millions)



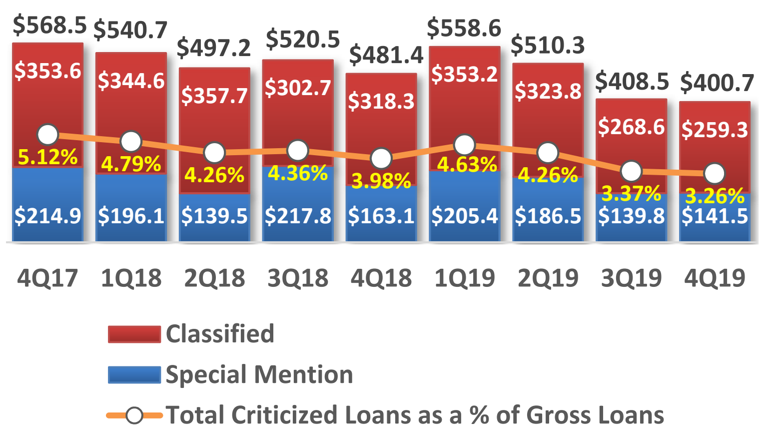
Provision Expense & Net Charge Offs

($ millions)



Criticized Loans

($ millions)



- Underlying health of broader portfolio remains solid
- Total criticized loans down 2% Q-o-Q to lowest level since MOE
- Nonperforming loans increased by $20.7 million vs. 3Q19 reflecting proactive identification and management of potentially problematic credits and a temporary delay in renewals
  - $10 million construction project moved to nonaccrual during 4Q19 is well secured with no impairment; management expects the borrower will be refinanced by another lender
- Credit losses continued to be minimal, with net charge offs of $738,000, or 2bps of average loans on an annualized basis

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Near-Term Outlook & Strategies

- **2020 Key Priorities**
  - Profitable Growth – *Better deposit cost management*
  - Profitable Growth – *Better loan yields*
  - Profitable Growth – *Better efficiencies*
  - Capital Management
- **Continuation of positive trends from 2019**
  - Favorable shift in mix of deposits to lower-cost core deposits and decreasing deposit costs
  - Early identification and management strategy to protect solid asset quality
  - Well-balanced mix of new loan production favoring higher-yielding loans and less reliant on CRE
  - Concentrated focus on expense management leading to improving efficiencies
- **Full-year loan growth guidance of low to mid-single digit organic growth for 2020 amidst strong headwinds of fierce competitive landscape and higher-than-usual payoff activity**
- **NIM guidance of 2bps - 3bps compression in 1Q20**

Committed to Building on Strong Foundation and Enhancing Long-Term Shareholder Value

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Q&A

Appendix –

Pre-Tax Acquisition Accounting Adjustments and Merger-Related Expenses

($ thousands)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Accretion of discount on acquired performing loans	$2,360	$2,166	$1,799	$2,046	$1,945
Accretion of discount on acquired credit impaired loans	4,867	5,834	6,848	5,234	5,958
Amortization of low income housing tax credits	(85)	(76)	(76)	(75)	(76)
Amortization of premium on acquired FHLB borrowings	357	1,280	—	—	—
Accretion of discount on acquired subordinated debt	(272)	(273)	(275)	(278)	(281)
Amortization of premium on acquired time deposits	—	—	—	—	—
Amortization of core deposit intangibles	(616)	(557)	(557)	(557)	(557)
Total acquisition accounting adjustments	**$6,611**	**$8,374**	**$7,739**	**$6,370**	**$6,989**