



# Davidson Deep Dive – West Coast Bank Tour

August 23, 2018  
Los Angeles, California

# Forward Looking Statements & Additional Disclosures

*This presentation may contain statements regarding future events or the future financial performance of the Company that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to, among other things, expectations regarding the business environment in which we operate, projections of future performance, perceived opportunities in the market, impact of the revaluation on the Company's 2017 fourth quarter results and the anticipated impact of the Tax Act on the Company's future earnings and statements regarding our business strategies, objectives and vision. Forward-looking statements include, but are not limited to, statements preceded by, followed by or that include the words "will," "believes," "expects," "anticipates," "intends," "plans," "estimates" or similar expressions. With respect to any such forward-looking statements, the Company claims the protection provided for in the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties. The Company's actual results, performance or achievements may differ significantly from the results, performance or achievements expressed or implied in any forward-looking statements. The risks and uncertainties include, but are not limited to: possible deterioration in economic conditions in our areas of operation; interest rate risk associated with volatile interest rates and related asset-liability matching risk; liquidity risks; risk of significant non-earning assets, and net credit losses that could occur, particularly in times of weak economic conditions or times of rising interest rates; and regulatory risks associated with current and future regulations. For additional information concerning these and other risk factors, see the Company's most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q. The Company does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect the occurrence of events or circumstances after the date of such statements except as required by law.*

# Company Profile Today

## ☐ Only super regional Korean-American bank in the nation

- 3<sup>rd</sup> largest Asian-American bank in the U.S.<sup>1</sup>
- 6<sup>th</sup> largest bank headquartered in Los Angeles<sup>1</sup>
- 86<sup>th</sup> largest financial institution in the U.S.<sup>2</sup>
- Top 10 SBA lender in the country by volume<sup>3</sup>
- Only Korean-American bank with presence in Korea
- Only Korean-American bank (formerly known as BBCN Bank) ever to be listed on Forbes' list of "Best Banks in America"

2013 ■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018

(Six Years in a Row)

Hope Bancorp, Inc. <i>(as of 6/30/2018)</i>	
Total Assets	\$14.9 billion
Loans Receivable	\$11.6 billion
Total Deposits	\$11.7 billion



## ☐ Leading national presence with full-service branch operations in 9 states

*(strategically located in high density Asian-American communities)*

- Presence in 2 additional states with specialized Loan Production Offices

## ☐ Seasoned and experienced management and board

## ☐ Diversified financial institution with comprehensive product offering

## ☐ Publicly traded on Nasdaq since 1998



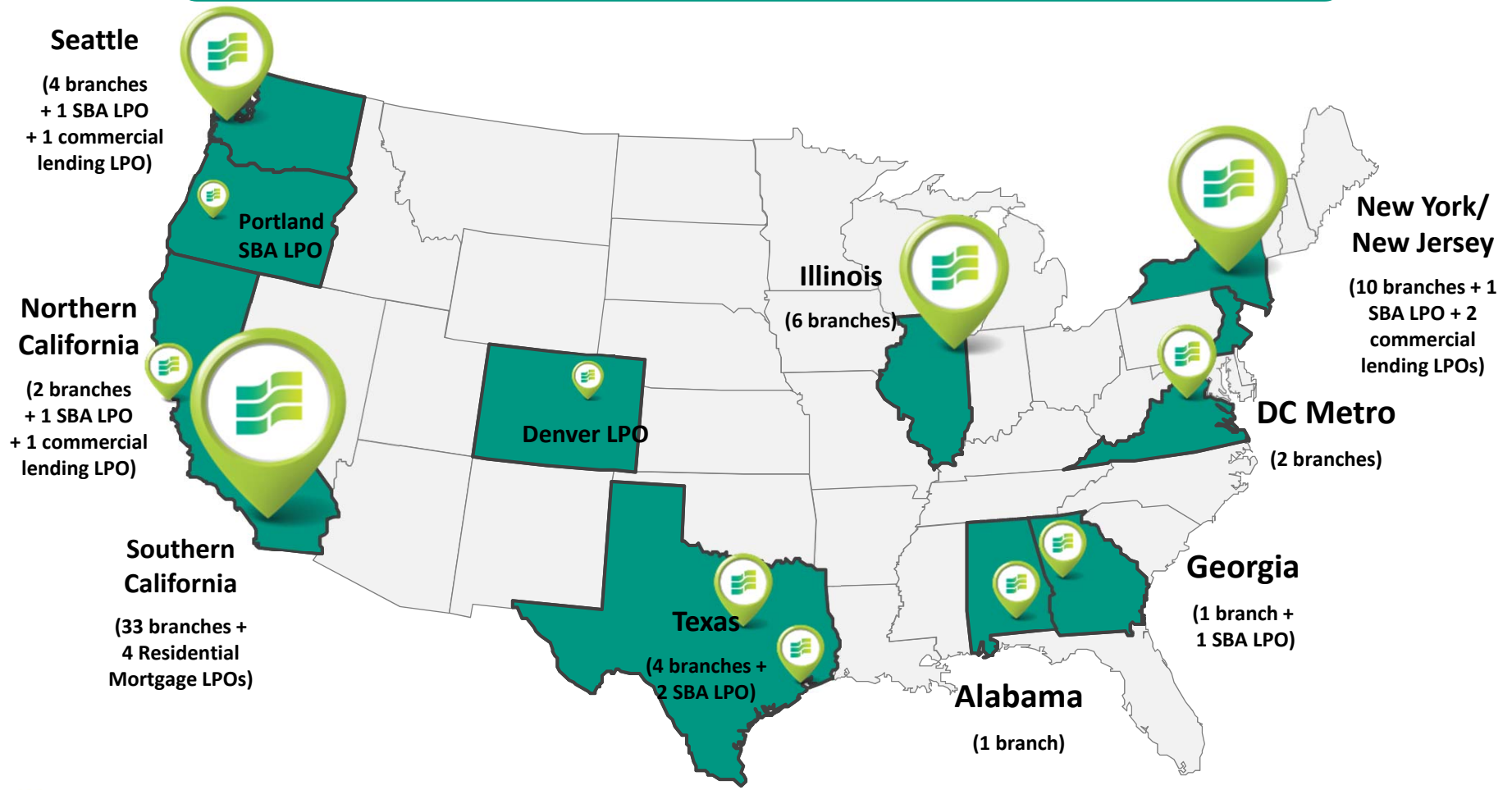
1 Source: S&P Global (formerly SNL)

2 Source: Federal Reserve Statistical Release as of March 31, 2018; Insured U.S.-chartered commercial banks ranked by consolidated assets

3 Source: SBA national lender rankings as of June 30, 2018

# National Geographic Presence

Nationwide footprint with meaningful presence, providing full banking services to the largest Asian-American communities in the U.S.



# *Transformation to a* **Diversified Financial Institution**



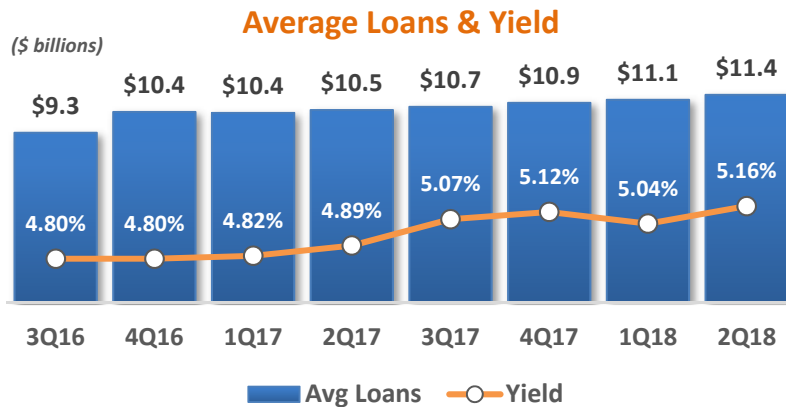


# Q2 2018 Financial Highlights

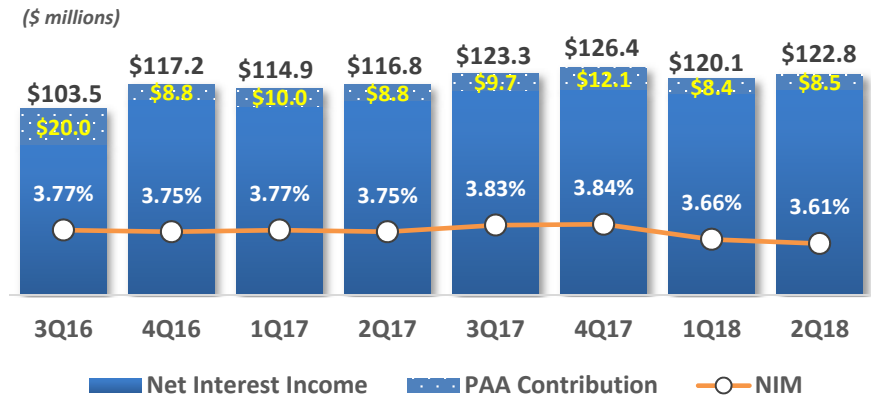
<p><b>Solid Profitability</b></p>	<ul style="list-style-type: none"> <li>✓ Net income of \$47.5 million reflects 17% increase versus prior-year Q2</li> <li>✓ EPS \$0.36 per diluted common share up 20% over Q2 2017</li> <li>✓ Net income decline Q-o-Q due to positive impact in Q1 2018 from increase in an equity investment</li> <li>✓ Excluding 4bps impact from recently issued convertible debt interest expense, net interest margin Q-o-Q relatively stable at 3.61% as strong loan growth and higher loan yields largely offset higher cost of deposits</li> <li>✓ ROA of 1.30% and ROE of 9.89%</li> </ul>	<p><b>Net Income</b> <b>\$47.5MM</b></p>
<p><b>Well-Diversified Loan Growth</b></p>	<ul style="list-style-type: none"> <li>✓ Record new loan originations funded of \$792 million</li> <li>✓ Net loan growth of \$379 million, or 13% annualized</li> <li>✓ YTD loan growth of 5%; on track to meet or exceed the higher end of targeted loan growth of 6% to 8% for 2018</li> <li>✓ Average rate on new loans trended higher for each product type; overall 4.79% average rate on new loans</li> <li>✓ Loan portfolio growth: 0% CRE, 14% C&amp;I and 15% consumer Q-o-Q</li> </ul>	<p><b>Diluted EPS</b> <b>\$0.36</b></p>
<p><b>Record Deposits</b></p>	<ul style="list-style-type: none"> <li>✓ Record deposits of \$11.73 billion, up 2% Q-o-Q</li> <li>✓ Noninterest bearing demand deposits account for 26% of total deposits</li> </ul>	<p><b>Record Loans</b> <b>\$11.7B</b></p>
<p><b>Improving Credit</b></p>	<ul style="list-style-type: none"> <li>✓ Improved asset quality trends with nonperforming loans down 7% linked quarter</li> <li>✓ Total loss experience continues to be very low with net recoveries of \$1.1 million</li> </ul>	<p><b>Record Deposits</b></p>
<p><b>Other Events</b></p>	<ul style="list-style-type: none"> <li>✓ Completed \$217.5 million convertible senior notes offering</li> <li>✓ \$100 million buyback authorized; repurchased \$79 million of common stock at average price of \$18.10, reducing common shares outstanding by 4.4 million</li> </ul>	<p><b>\$11.7B</b></p>

# Net Interest Income and Margin

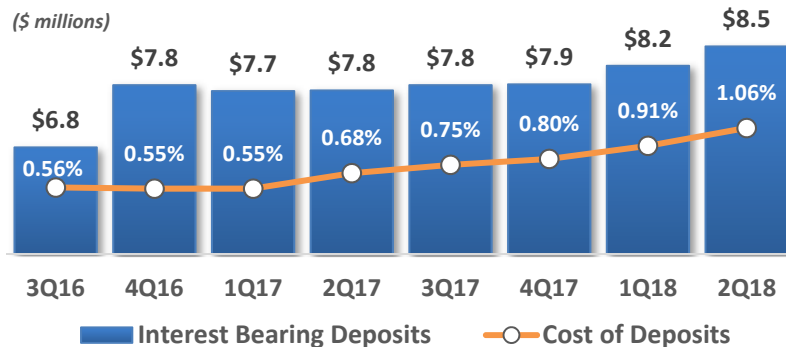
## Key Net Interest Income Drivers



## Net Interest Income & NIM



## Interest Bearing Deposits & Cost of Deposits

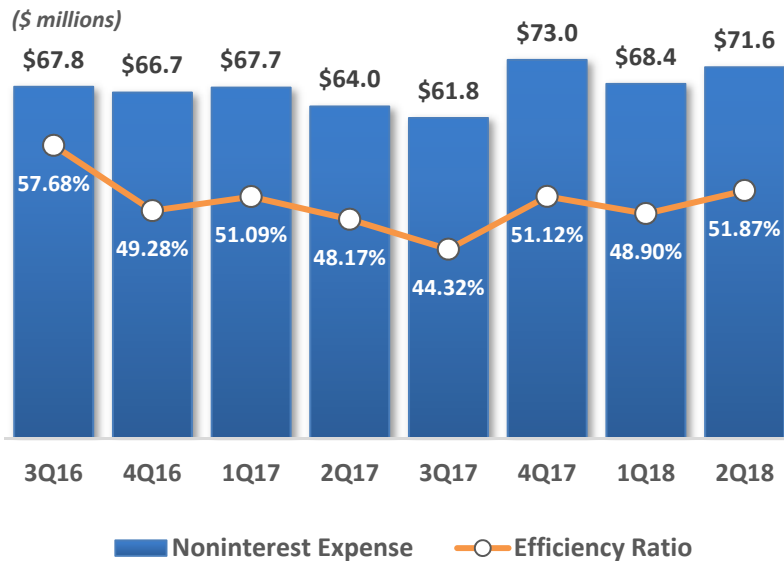


- 2Q18 NII increase of \$2.8 million reflects higher level of earning assets and higher yields
- Excluding 4 bps impact due to convertible debt interest expense, 2Q18 NIM relatively stable
  - Increase in volume and yield on earning assets largely offset the impact of higher deposit costs
- Anticipates relatively stable NIM for 3Q18 with loan growth and increasing loan yields largely offsetting higher deposit costs and convertible debt interest expense

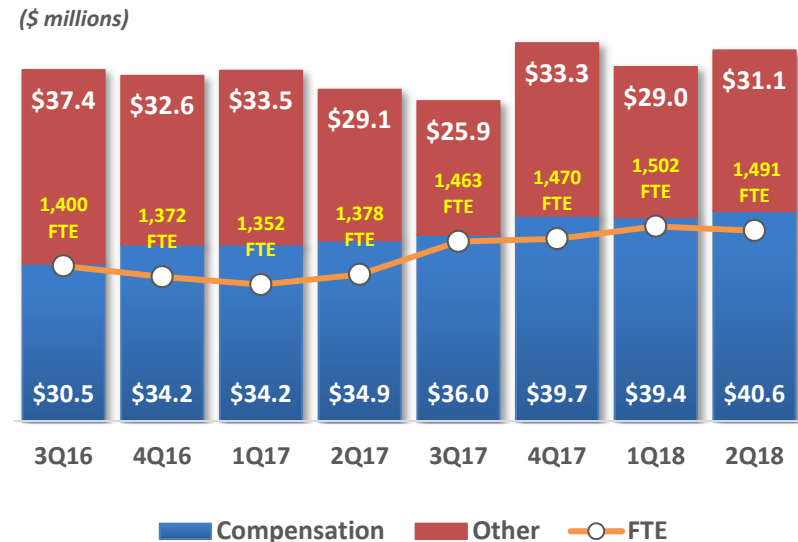
PAA = Purchase accounting adjustments

# Noninterest Expense and Efficiency

## Noninterest Expense and Efficiency Ratio



## Breakdown of Noninterest Expense and FTE

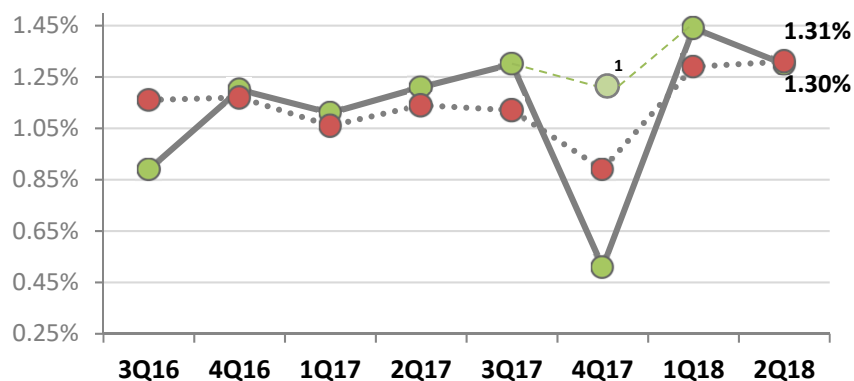


- ❑ Noninterest expense increase \$3.2 million from 1Q18
  - \$1.2 million increase in compensation expense driven by
    - Full quarter impact of employees added in 1Q18
    - Higher group insurance costs
  - \$1.4 million increase in professional fees driven by investments in IT and Risk infrastructure
- ❑ Efficiency ratio guidance updated to low 50s for second half of 2018

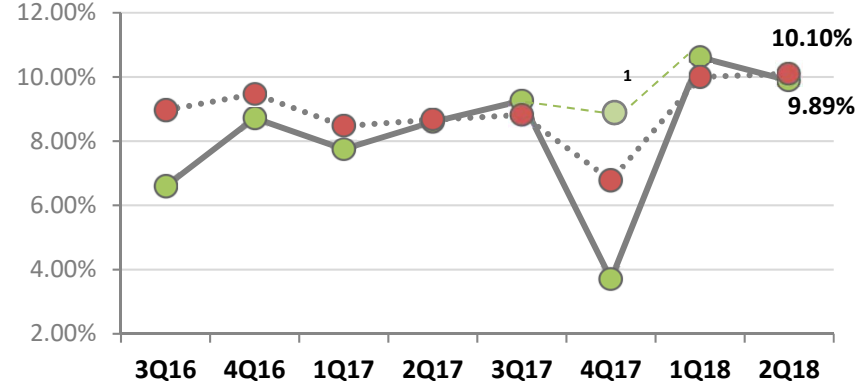


# Profitability Measurements

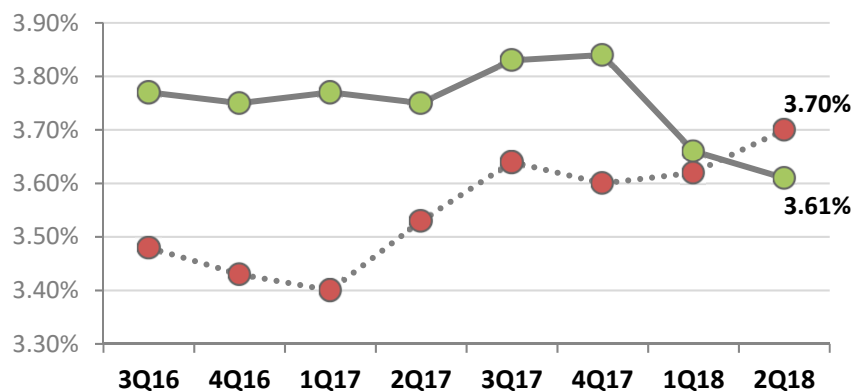
## ROAA



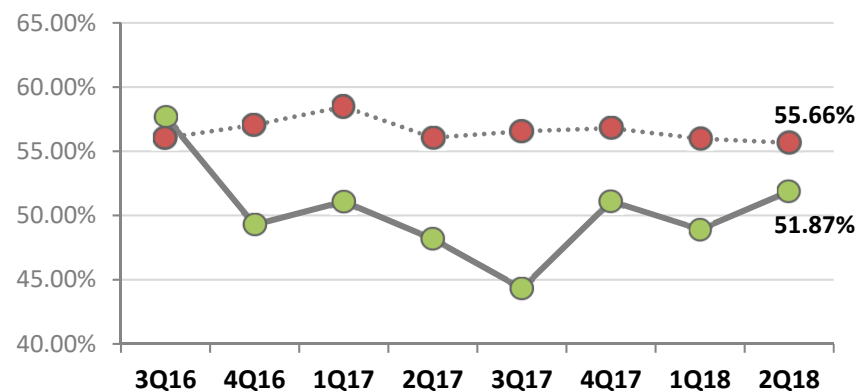
## ROAE



## Net Interest Margin



## Efficiency Ratio



Note: Peer Group includes U.S. commercial banks with total assets between 70% and 200% of Bank of Hope as of 12/31/17, excluding banks with extremely aberrant balance sheet structures and banks in Alaska, Hawaii & Puerto Rico.

Source: S&P Global

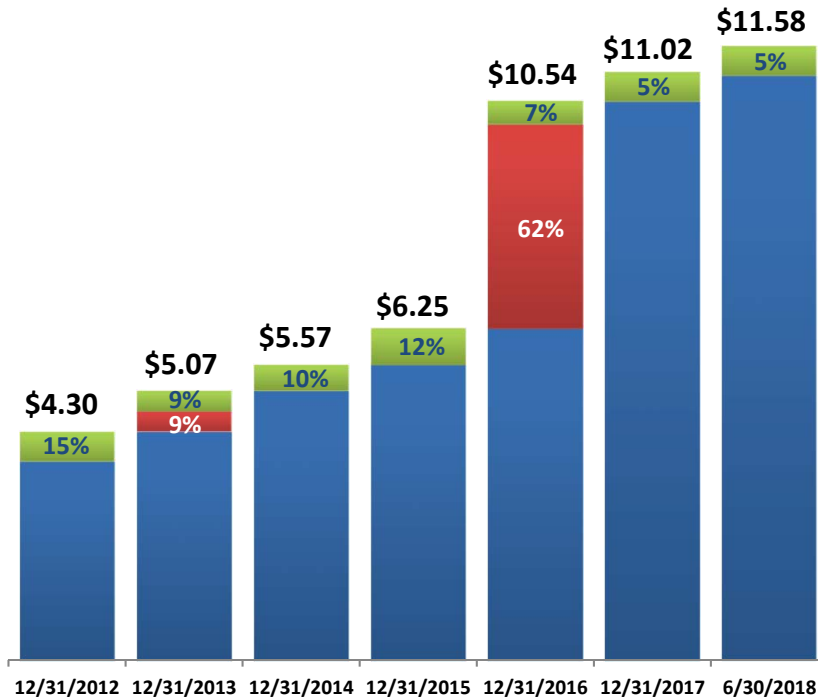
<sup>1</sup> ROAA and ROAE excluding tax reform adjustments are non-GAAP financial measures. See the reconciliation of the GAAP to non-GAAP financial measures in Appendix slide 26.

# Solid History of Organic Loan Growth

- *Supplemented by Strategic Growth* -

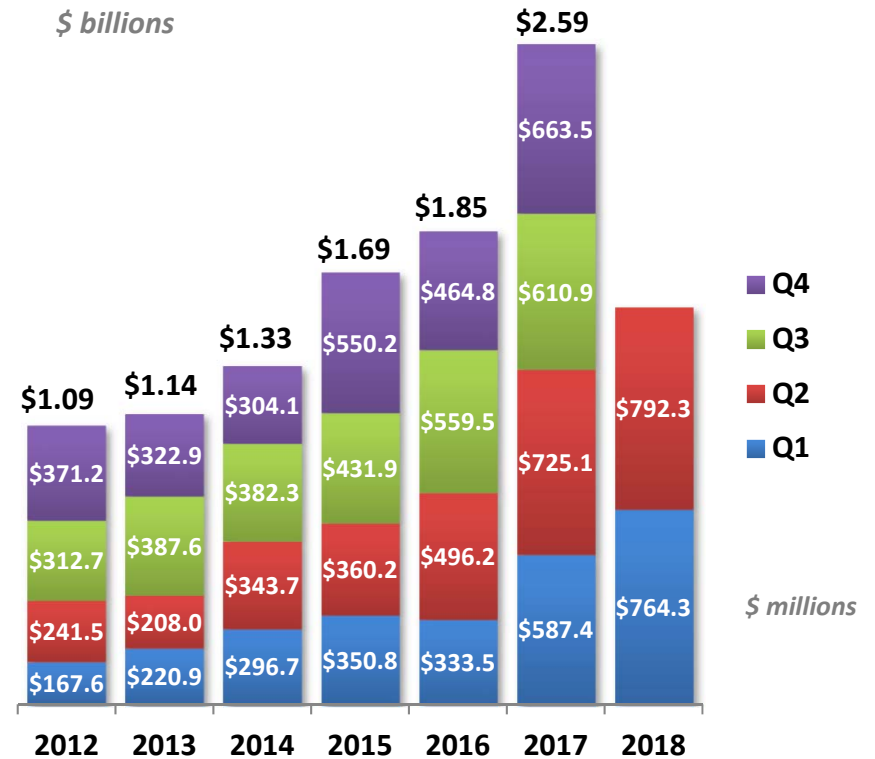
## Loans Receivable

\$ billions



## New Loan Originations

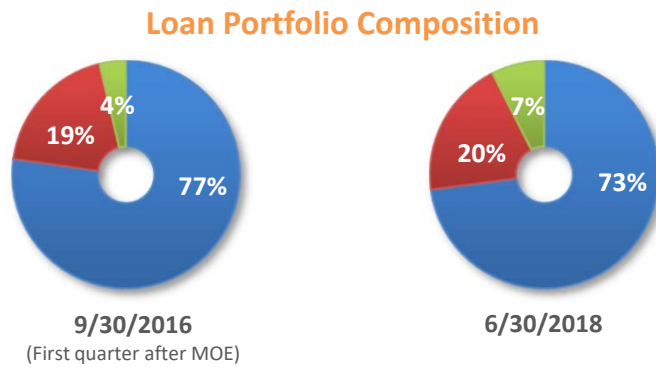
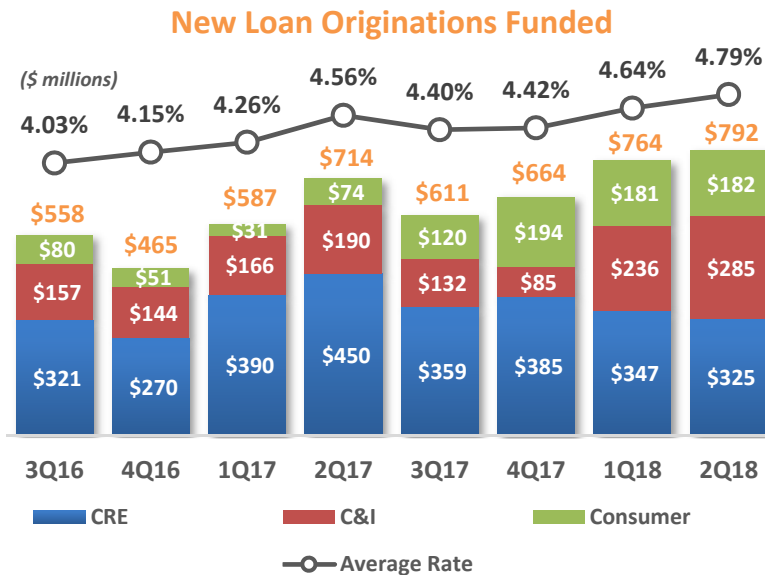
\$ billions



\$ millions

Note: Effective 3Q 2017, new loan originations includes disbursements of construction loans previously committed to in another quarter but funded in the current quarter.

# Loan Production & Portfolio Trends

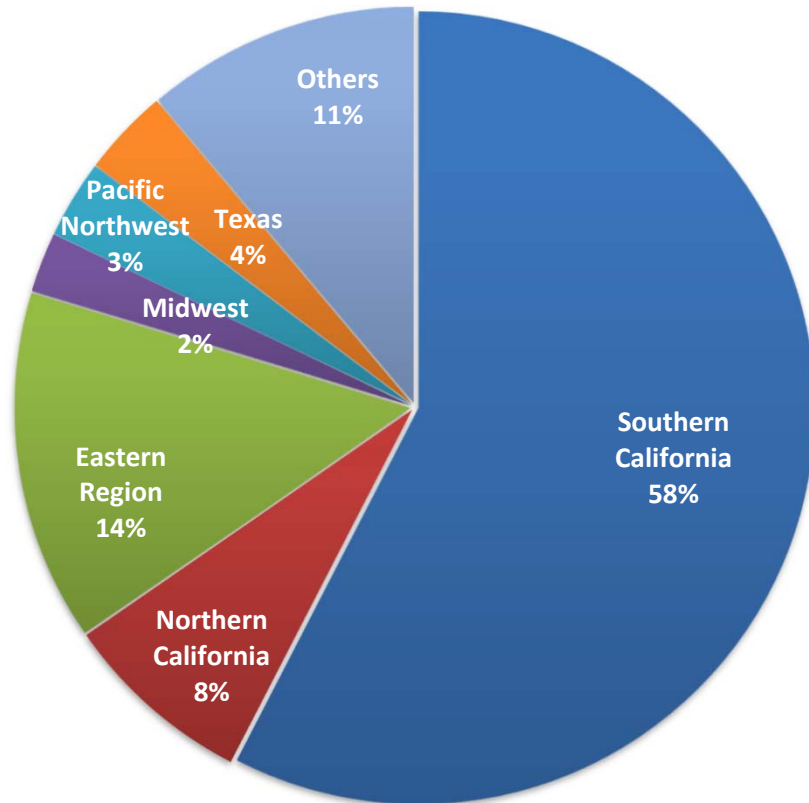


- ❑ Total end-of-period loans receivable increased **\$379.0 million** or **3% Q-o-Q** and **13% annualized**
- ❑ YTD loan growth of 5%; on track to meet or exceed the higher end of targeted loan growth of 6% to 8% for 2018
- ❑ **Record** new loan originations funded of **\$792 million**; new loan commitments of \$920 million
- ❑ Well diversified mix of loan originations with 41% CRE, 36% C&I and 23% Consumer
- ❑ \$2.74 billion total C&I commitments at 6/30/2018 and 55% utilization vs. 48% Q-o-Q
  - 7 bps increase in utilization reflects strong C&I origination volumes in Q2 and utilization of a large, new warehouse line that closed at end of 1Q18 with no disbursements as of 3/31/2018
- ❑ SBA loan production of \$87.0 million of which \$65.8 million was 7(a)
- ❑ Average rate on new loans increased 15bps to 4.79% and trended higher for each product type
- ❑ Loan portfolio growth Q-o-Q:
  - CRE: +0%
  - C&I: +14%
  - Consumer: +15%

# Loan Portfolio by Region

**\$11.67 Billion**

(as of 06/30/2018)



## Southern California

- **1986**: Founded by Los Angeles-based Korean-American investors

## Northern California

- **1997**: Expanded de novo into Northern California; Acquired Asiana Bank in 2003

## Eastern Region

- **1998**: Expanded into New York/New Jersey through multiple acquisitions

## Midwest

- **2004**: Expanded into Chicago through branch acquisition; Acquired Foster Bank in 2013

## Pacific Northwest

- **2005**: Expanded de novo into Seattle; Acquired Pacific International Bank in 2013

## Southwest and Southeast

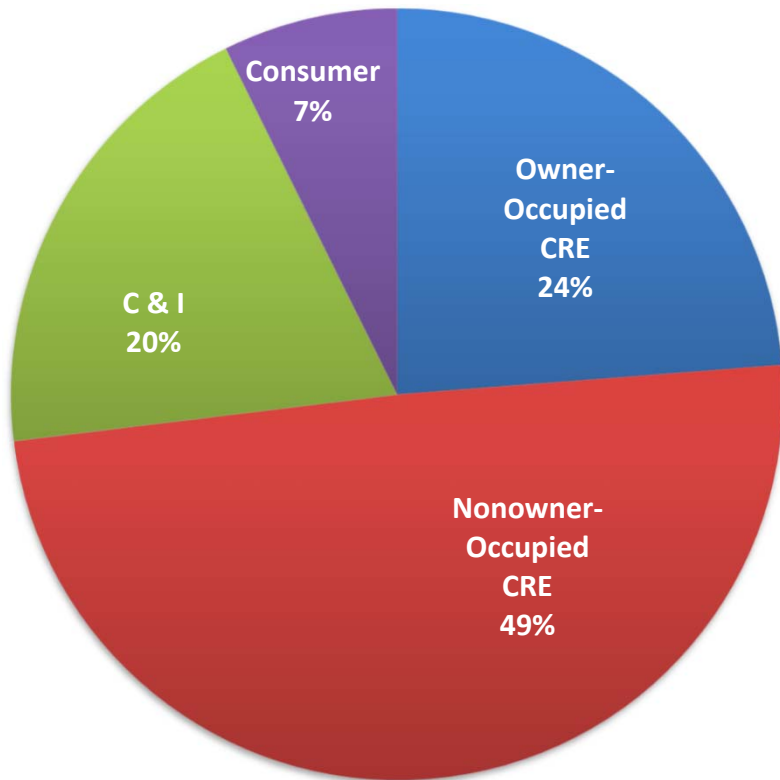
- **2016**: Expanded into Texas, Georgia and Alabama through merger with Wilshire Bancorp

*Diverse national footprint spreads credit risk and provides greater growth opportunities*

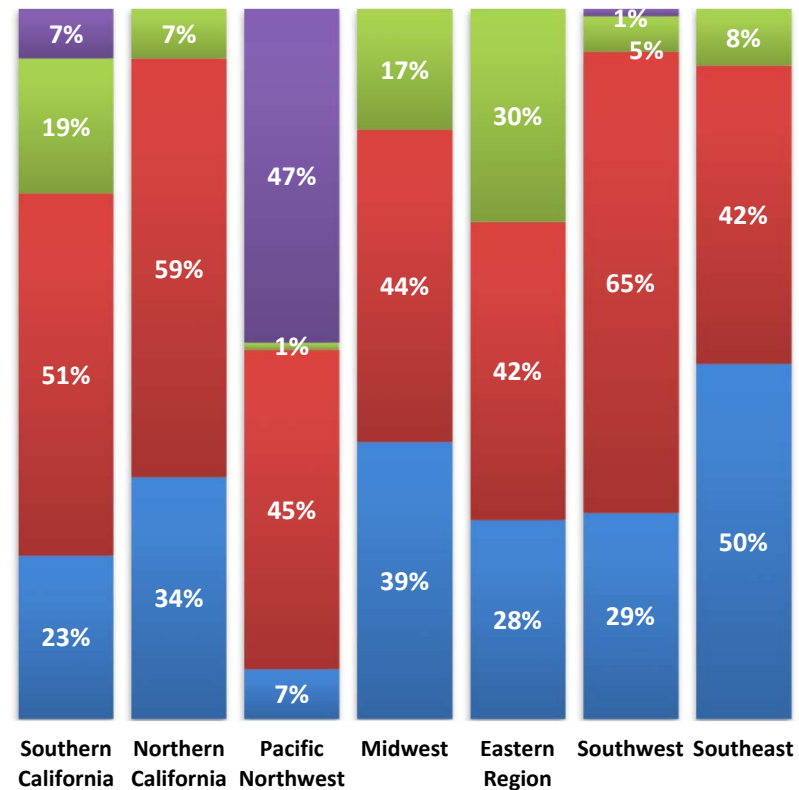
# Loan Portfolio Composition

**\$11.67 Billion Total Portfolio**

*(as of 06/30/2018)*



**Portfolio Composition by Region**

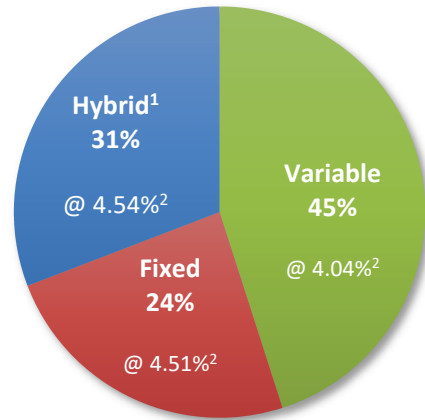


**\$8,341    \$346    \$503    \$188    \$1,994    \$261    \$29**  
(\$ Millions)

# Loan Portfolio Rate Mix

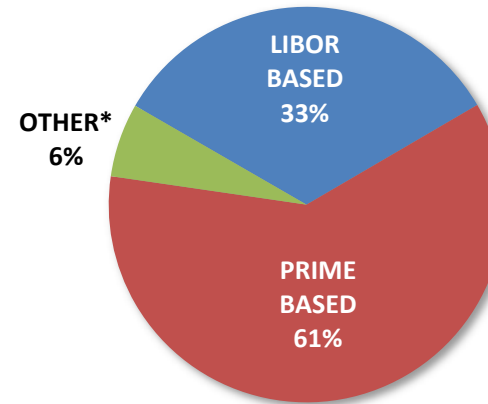
as of 06/30/2018

## Loan Portfolio Fixed / Variable Breakdown



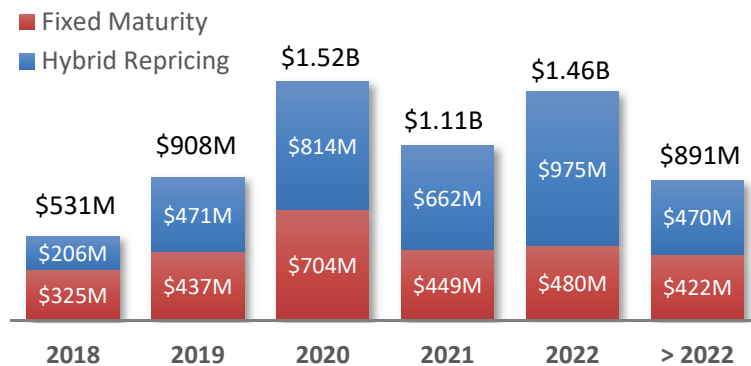
- 1 Hybrid loans have fixed interest rates for a specified period and then convert to variable interest rates (fixed as of 06/30/2018)
- 2 The weighted average rate as presented excludes loan discount accretion

## Variable Rate Loan Base Index



- \* Other consists of loans with no interest rates or indexes based on FHLB, FRB, and US Treasury rates

## Maturity and Repricing Schedule



## Distribution by Loan Type

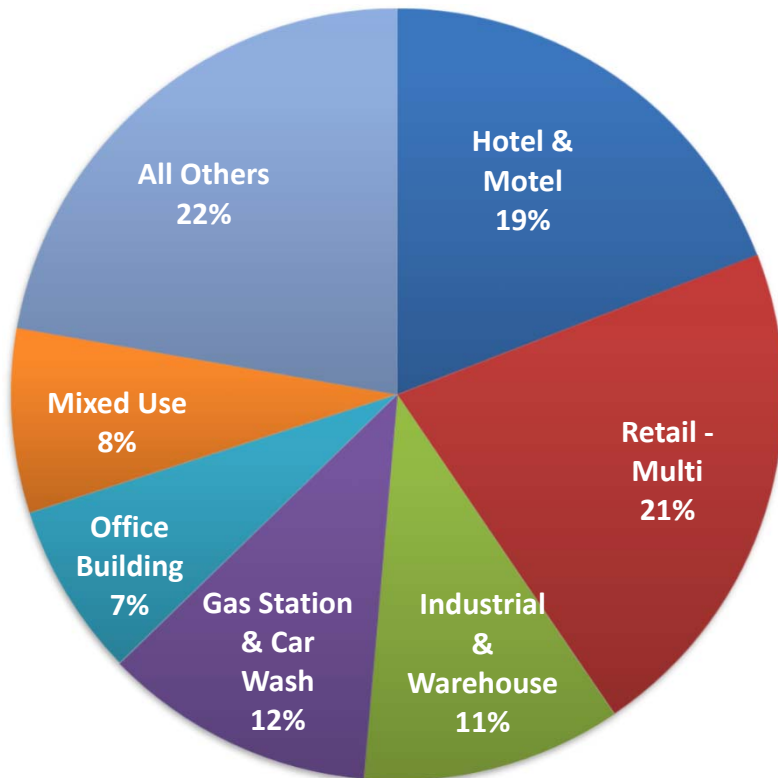
Loan Type	Outstanding (\$ millions)	Avg Size (\$ thousands)	Avg Yield
CRE	\$8,512.7	\$1,415.9	4.81%
C&I	\$2,287.5	\$443.0	4.95%
Other (Consumer)	\$872.6	\$507.0	3.70%
<b>Total Loans Outstanding</b>	<b>\$11,672.8</b>		



# CRE Portfolio

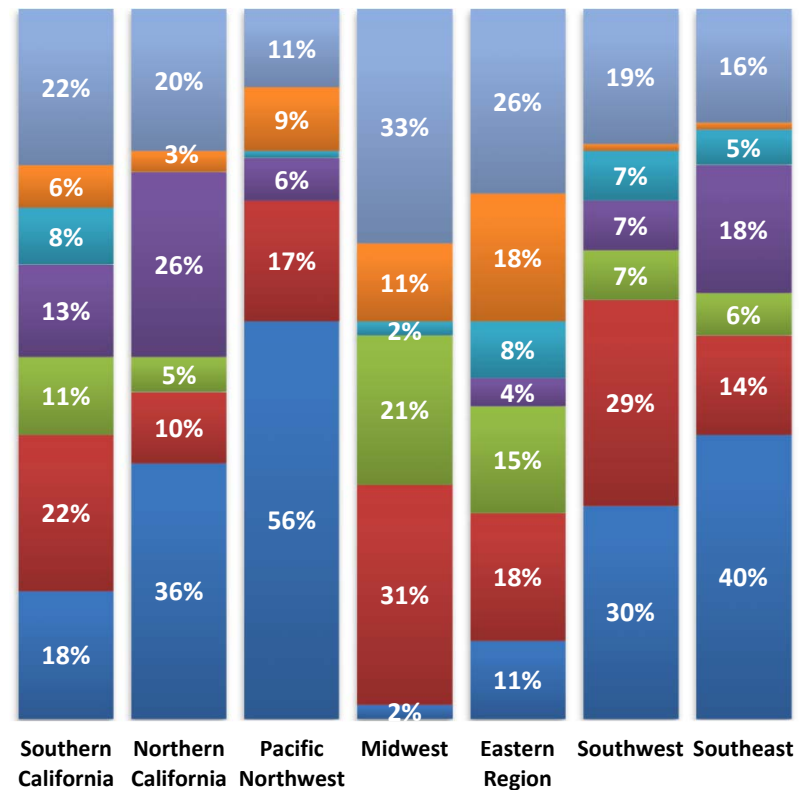
as of 06/30/2018

## \$8.51 Billion Total Portfolio by Property Type



Note: All Others includes property types representing less than 7% of total CRE portfolio, including: Retail-Single, Church, Residential, Golf Course and Other smaller segments.

## Property Type by Region

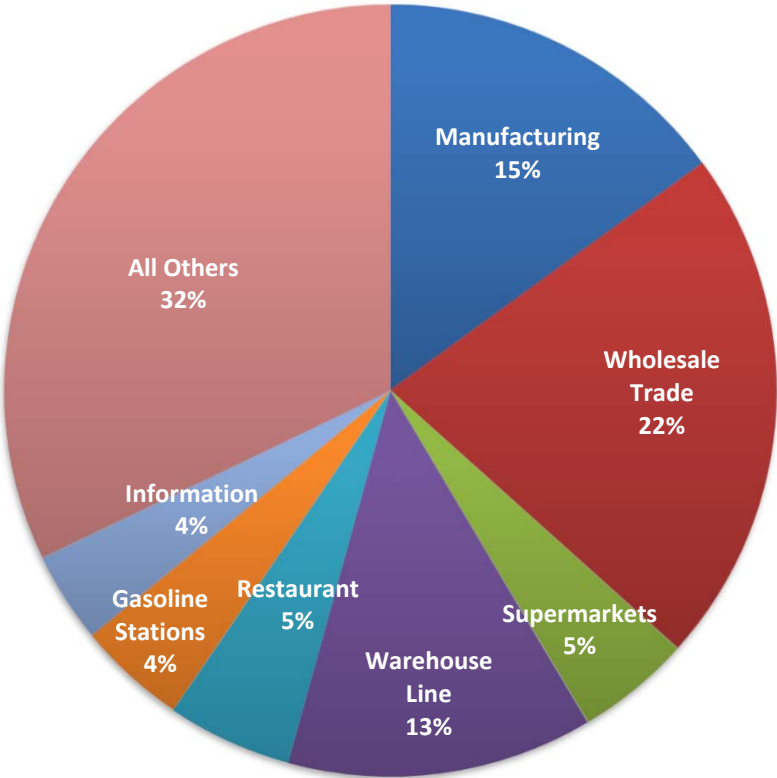


71.84% 3.79% 3.09% 1.84% 16.23% 2.89% 0.32%  
as a % of Total CRE Portfolio

# C&I Portfolio

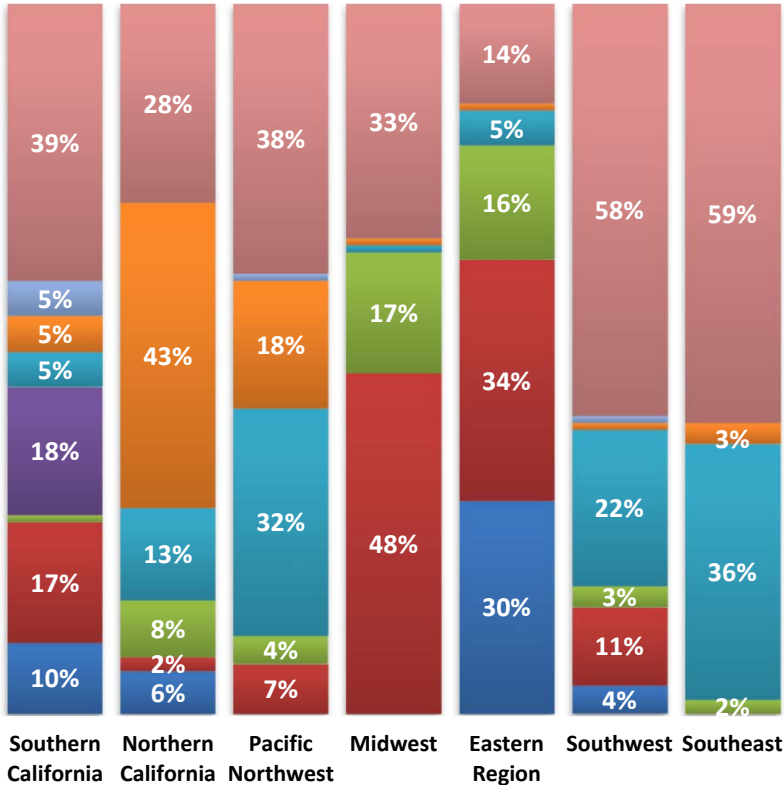
as of 06/30/2018

## \$2.29 Billion Total Portfolio by Industry



Note: All Others includes business types representing less than 4% of total C&I portfolio, including: Real Estate & Leasing, Retail, Laundries/Drycleaners, Liquor Stores, Hotel/Motel, Services, and Other smaller segments.

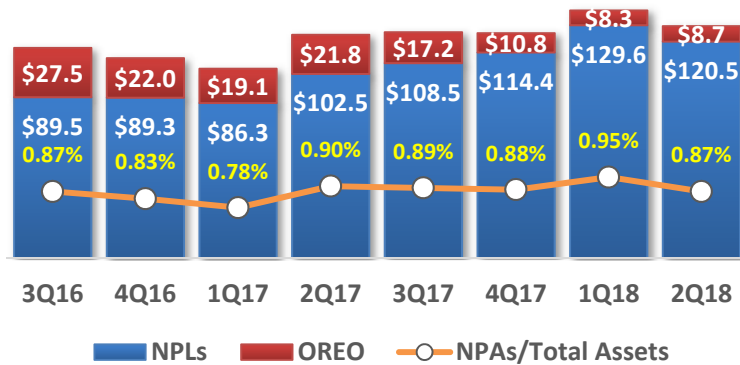
## Industry by Region



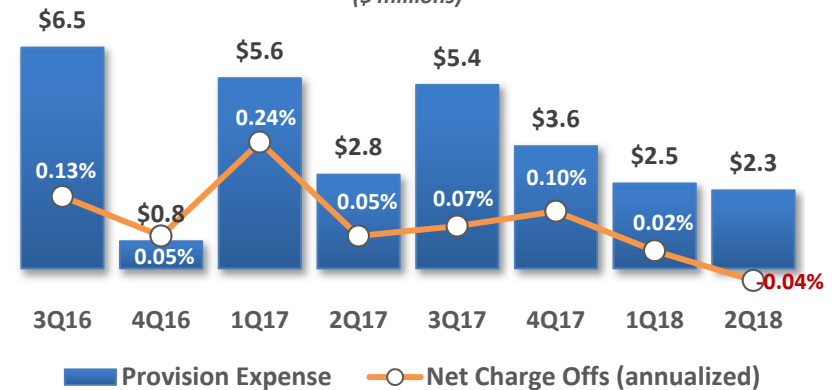
70.32% 0.99% 0.21% 1.35% 26.41% 0.61% 0.11%  
as a % of Total C&I Portfolio

# Asset Quality

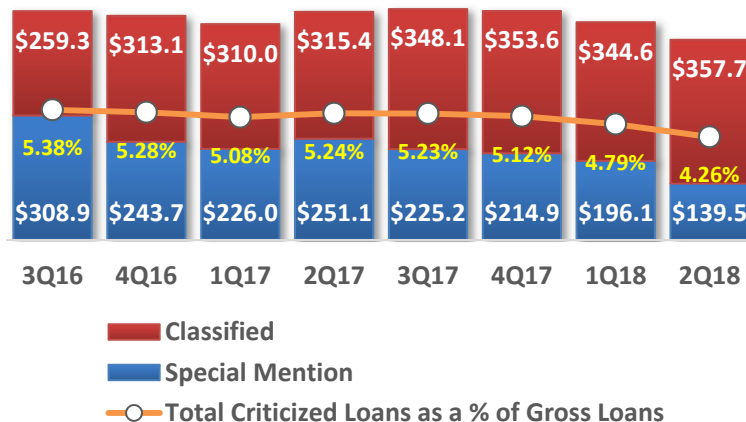
**Nonperforming Assets**  
(\$ millions)



**Provision Expense & Net Charge Offs**  
(\$ millions)



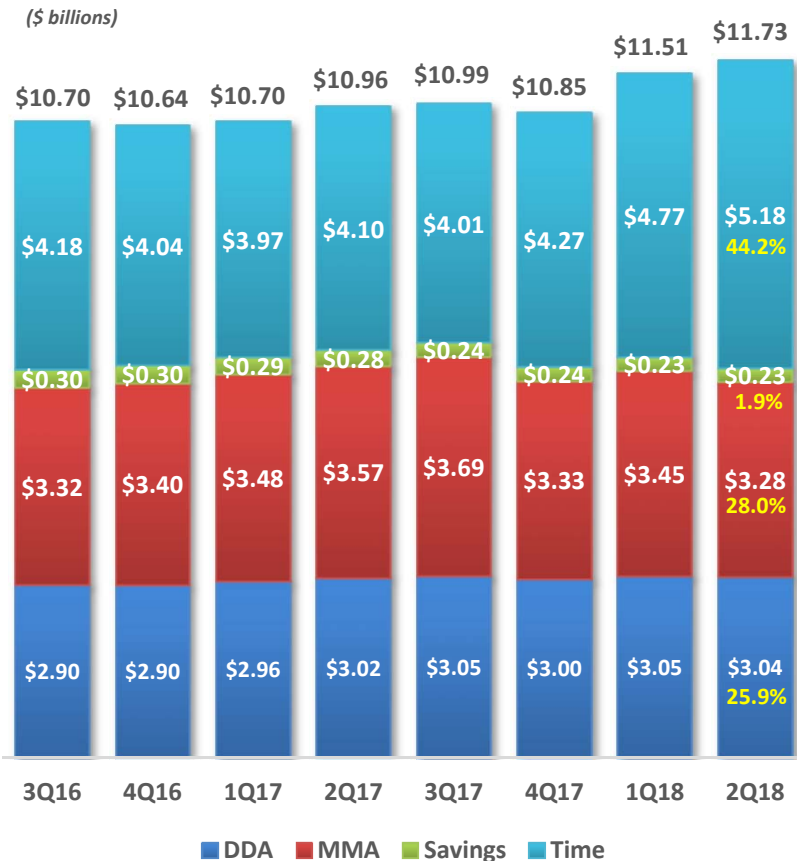
**Criticized Loans**  
(\$ millions)



- ❑ General improvement in asset quality trends
  - Total criticized loans decline 8%
  - Nonperforming loans decline 7%
  - Nonperforming assets decline 6%
- ❑ Total loss experience continues to be very low, with net recoveries of \$1.1 million for Q2 2018
- ❑ Allowance to total loans receivable ratio as of 6/30/2018 stable at 0.77%

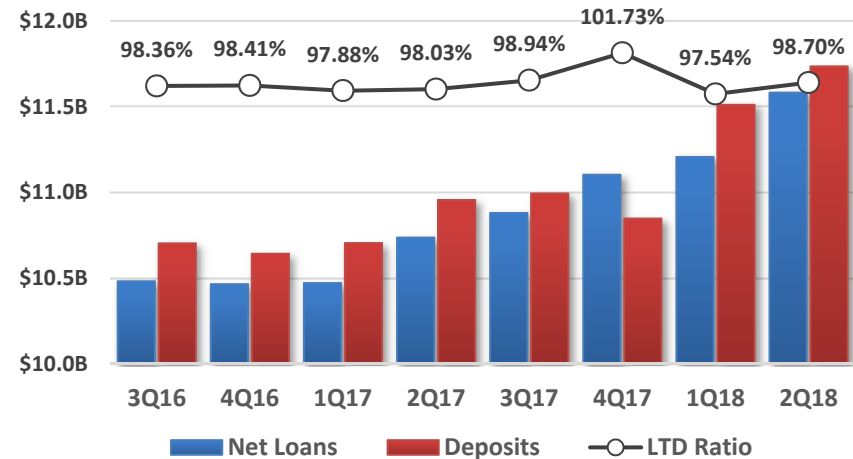
# Deposit Growth Trends

## Deposit Composition

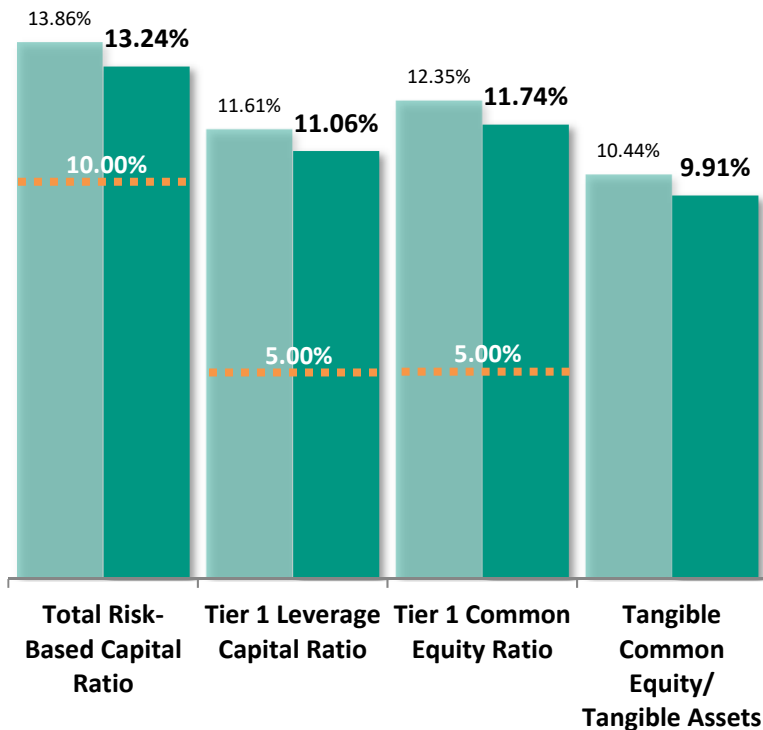


- Total end-of-period deposits increased **2%** Q-o-Q to a record **\$11.73 billion**
- With outlook for continued rate hikes, prudently building liquidity ahead of the curve to support robust loan pipeline
- Q2 CD promotion brought in nearly \$900 million
- Deposit gathering a **top priority for 2018**

## Net Loans to Deposits



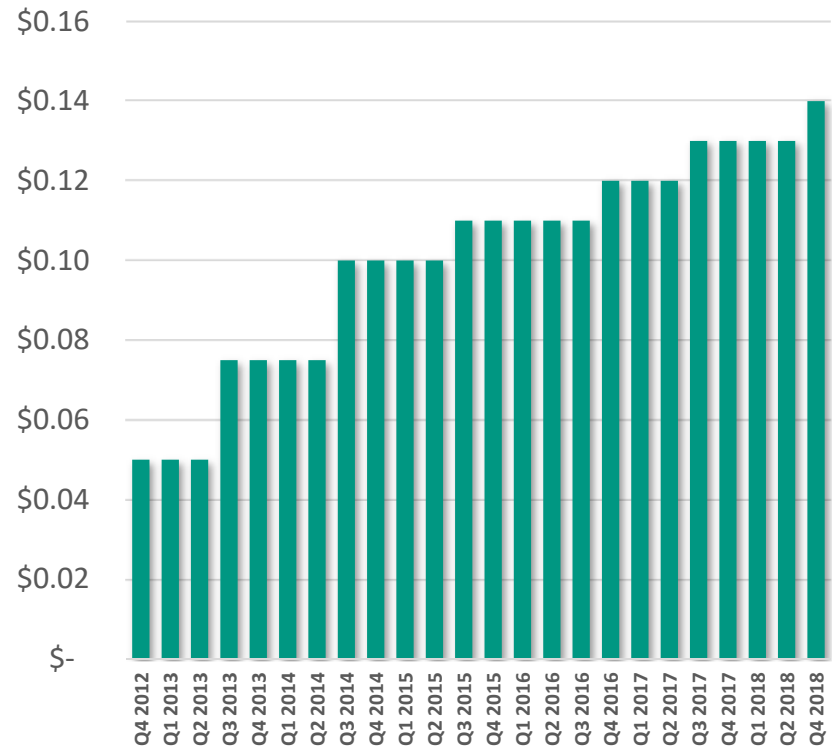
# Robust Capital & Increasing Dividend



■ As of 3/31/2018    ■ As of 6/30/2018

----- Minimum requirement for "well-capitalized" financial institution

## Increasing Dividend



# Convertible Notes Offering and Share Buyback

## Convertible Notes Offering

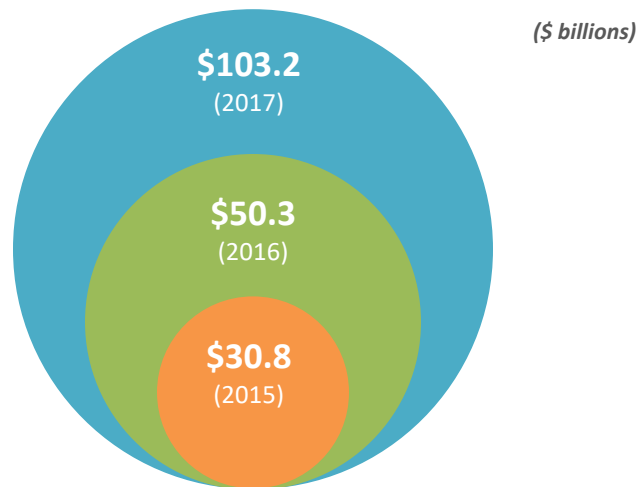
Issuer	Hope Bancorp
Securities Offered	Convertible Senior Notes
Offering Format	144A
Base Offering Size	\$200.0 million plus 15% over-allotment option
Maturity	20-Year
Call Protection	5-Year – Callable at Par anytime thereafter
Investor Puts	In years 5, 10, 15
Coupon Rate	2.00%
Premium	22.5%
Contingent Conversion	130% for first 5 years
Settlement Mechanics	Flexible Settlement with intent to net share settle
Conversion Rate Adjustment	Standard Conversion Rate Adjustments
Fundamental Change Make-Whole / Put Right	Standard Fundamental Change Provisions
Use of Proceeds	Up to \$100mm Share Repurchase and other general corporate purposes of Bank of Hope
Lock Up Period	90 days
Sole Bookrunner	Bank of America Merrill Lynch (BofAML)

- Announced convertible notes offering and share buyback May 7, 2018
- Pricing of \$200 million convertible notes and approximately \$75 million share buyback announced May 8, 2018
  - Actual concurrent buyback of \$76 million
  - \$100 million buyback completed as of July 26, 2018 at an average price of \$17.9598
- Convertible notes offering and share buyback executed May 11, 2018
- Convertible note offering coupled with share buyback provided attractive financing terms and flexibility vs. other financing alternatives
  - Attractive economics with a lower coupon than straight debt
  - Enables meaningful share buyback with no premium to market
  - Company maintains ability to settle principal in cash to further mitigate dilution
  - Issuance under Rule 144A proves for efficient execution
- No dilution from issuance until stock price rises above certain levels
- With concurrent share buyback, transaction expected to be accretive to EPS
- Transaction modestly lowers holding company capital ratios while enhancing Bank-level regulatory CRE concentration ratios
  - Non-owner CRE concentration reduced by 29 percentage points to 319% of total risk-based capital as of June 30, 2018



# Unique Growth Opportunities

## Increasing Korean Investment in the U.S.



## South Korean Companies Among Top Foreign Investors in the U.S.

- Hyundai Motor and Kia Motors announced Jan 2017 plans to spend \$3.1 billion in U.S. in the next five years
  - 50% more than the \$2.1 billion spent in the previous five-year period
- 250-plus Korean-national companies in Hyundai and Kia supply chains with operations in Georgia and Alabama
- 28 Tier-1 Hyundai/KIA suppliers with \$1MM-\$2MM in DDA

As the only super regional Korean-American bank, Bank of Hope is uniquely positioned to provide banking services to a growing number of South Korean companies operating in the U.S.

# Near-Term Outlook & Strategies

- ❑ **Continuation of positive trends from first half of 2018**
- ❑ **Well positioned to meet or exceed loan growth guidance of 6-8% for 2018**
  - Year-to-date loan growth of 5%
  - Supported by strong pipeline entering the second half
- ❑ **Anticipate stable net interest margin for 2018**
  - Higher interest-earning assets and loan yields to largely offset rising deposit costs and convertible debt interest expense
- ❑ **Managing deposit costs will be key challenge for 2018**
  - Remaining flexible with deposit strategy and will implement additional campaigns to fund good lending opportunities
- ❑ **Expect efficiency ratio of low 50s for second half of 2018**
- ❑ **Well positioned to build on momentum of strong first half and continue driving earnings growth for the long term**

*Committed to Building on Foundation for Sustained Growth and Value Creation*

# Investment Opportunity

## The Only Super Regional Korean-American Bank in the Nation

- ❑ Definitive leadership position as the **representative bank of the Korean-American community**
- ❑ Strong **core earnings power** and capital
- ❑ **National platform** and solid presence across all geographic markets with largest populations of Asian Americans
- ❑ Well positioned to continue **proven track record of growth**
- ❑ Deep and **experienced executive management** team
- ❑ Diversified financial institution with **comprehensive offering** of products and services for commercial and consumer clients
- ❑ Well positioned to progressively transition to **less CRE-focused portfolio**
- ❑ Only Korean-American bank with **presence in Korea**
- ❑ Proven history of **driving consolidation** in the Korean-American banking industry

# Appendix –

## Q2 2018 Financial Summary <sup>1</sup>

(\$ thousands)	Q2 2018	Q1 2018	Q2 2017
Net income	\$ 47,530	\$ 51,232	\$ 40,687
Diluted earnings per share	\$ 0.36	\$ 0.38	\$ 0.30
Net interest income	\$ 122,819	\$ 120,068	\$ 116,820
Net interest margin	3.61%	3.66%	3.75%
Noninterest income	\$ 15,269	\$ 19,850	\$ 16,115
Noninterest expense	\$ 71,629	\$ 68,453	\$ 64,037
Net loans receivable	\$ 11,581,559	\$ 11,206,022	\$ 10,736,345
Deposits	\$ 11,734,595	\$ 11,510,569	\$ 10,955,101
Nonaccrual loans <sup>2</sup>	\$ 68,226	\$ 68,152	\$ 47,361
ALLL to gross loans	0.77%	0.77%	0.74%
ALLL to nonperforming assets <sup>2,3</sup>	69.60%	62.70%	64.40%
Provision for loan losses	\$ 2,300	\$ 2,500	\$ 2,760
Net (recoveries) charge-offs	\$ (1,120)	\$ 580	\$ 1,345
ROA	1.30%	1.44%	1.21%
ROE	9.89%	10.61%	8.60%
Efficiency ratio	51.87%	48.92%	48.17%

<sup>1</sup> Financial results include pre-tax acquisition accounting adjustments related to mergers, as detailed on Appendix slide 26.

<sup>2</sup> Excludes delinquent SBA loans that are guaranteed and currently in liquidation.

<sup>3</sup> Nonperforming assets exclude acquired credit impaired loans.

# Appendix –

## Pre-Tax Acquisition Accounting Adjustments and Merger-Related Expenses

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Accretion of discount on acquired performing loans	\$3,189	\$ 3,197	\$ 7,629	\$ 4,566	\$ 3,501
Accretion of discount on acquired credit impaired loans	5,959	5,772	5,167	5,815	5,212
Amortization of low income housing tax credits	(85)	(84)	(85)	(84)	(85)
Amortization of premium on acquired FHLB borrowings	352	347	354	357	446
Accretion of discount on acquired subordinated debt	(269)	(264)	(263)	(262)	(261)
Amortization of premium on acquired time deposits	—	1	3	206	1,218
Amortization of core deposit intangibles	(615)	(615)	(676)	(676)	(676)
<b>Total acquisition accounting adjustments</b>	<b>\$8,531</b>	<b>\$ 8,354</b>	<b>\$12,129</b>	<b>\$ 9,922</b>	<b>\$ 9,355</b>
Merger-related expenses	—	7	(12)	(260)	(562)
<b>Total</b>	<b>\$8,531</b>	<b>\$ 8,361</b>	<b>\$12,117</b>	<b>\$ 9,622</b>	<b>\$ 8,793</b>