

September 15, 2015

Banking the Healthcare Industry

BALANCES AS OF 6/30/15 (\$M)

Total Assets	\$5,833
Gross Loans	\$4,629
Deposits	\$4,591
Tangible Equity	\$565

EARNINGS PER DILUTED SHARE

	2015	2014	2013
1st Qtr	\$0.34	\$0.45	\$0.27
2nd Qtr	\$0.52	\$0.32	\$0.65
3rd Qtr	--	\$0.24	\$3.79*
4th Qtr	--	\$0.38	\$0.25
Year	--	\$1.38	\$4.96*

2Q 2015 PROFITABILITY

Return on Avg Assets	1.23%
Return on Avg TCE	12.54%
Efficiency Ratio	45.3%
Net Interest Margin	4.29%

6/30/15 BALANCE SHEET RATIOS

Loan/Deposit Ratio	100.8%
Tier 1 Leverage Ratio	10.0%
TBV per share ⁽¹⁾ ⁽²⁾	\$17.48

DIVIDEND

3Q Dividend Payment	\$0.10
Dividend Yield	1.0%

MANAGEMENT

Stephen H. Gordon: Chairman, CEO and President
Michael Allison: Co-President and President of the Commercial Bank
Nicole Carrillo: Chief Financial Officer

* Includes release of DTA valuation allowance.
(1) See Non-GAAP disclosures on pages 15-16.
(2) Per as converted share.

- Demand for healthcare services is increasing due to the recently enacted Patient Protection and Affordable Care Act (“ACA”), an aging Baby Boomer population, and structural changes designed to reduced overall healthcare costs. Estimates of future healthcare expenditures imply this trend will continue for at least the next decade.
- Structural changes have created opportunities for healthcare practitioners and providers to expand and grow their businesses. Examples include the outsourcing of specialized services to middle-market providers and the formation of new business models such as Management Support Organizations (“MSO”).
- Opus Bank (“Opus”) is a leading provider of financial products and solutions for both the practitioners and providers of healthcare services. Few financial institutions are capable of servicing both groups.
- Growth within Opus’ Healthcare Banking division is accelerating. Total Healthcare Banking loans increased 72% during the first six months of 2015 to \$292 million, totaling 6.9% of Opus’ originated loan portfolio.
- Opus’ Healthcare Provider Group offers senior financing and strategic advisory solutions to hospitals, skilled nursing facilities, psychiatric facilities, home health agencies, pharmacies, laboratories, and other providers of healthcare services.
- Opus’ Healthcare Practice Group is a leader in assisting private and group practices of doctors and dentists fulfill their growth goals, providing senior debt and strategic advisory solutions for acquisitions, partner buy-ins, expansion, working capital lines, and restructuring.
- Opus is unique among financial services firms in the healthcare space in that it pairs experienced lenders with equally experienced credit personnel, both of whom have decades of experience in the healthcare industry and healthcare banking.
- Growth in Opus’ Healthcare Banking division is serving to diversify the loan portfolio, bring in low-cost transaction account deposits, increase the yield on originated loans and net interest margin, and improve the asset sensitivity of Opus’ balance sheet.
- Private Equity (“PE”) firms are increasingly partnering with specialist healthcare practices and providers who desire capital for growth. Healthcare Banking clients have access to Opus’ full breadth of capabilities, including the private equity group and corporate advisory services within Opus’ Merchant Banking division.

For additional information contact:

Brett Villaume
SVP, Director of Investor Relations
949.224.8866
bvillaume@opusbank.com

Nicole Carrillo
EVP, Chief Financial Officer
949.251.8133
ncarrillo@opusbank.com

More Than A Bank.

Partners | Trusted Advisors | Strategic Growth Specialists



Opus works with successful, middle-market healthcare practitioners and providers to help them achieve their growth goals

Introduction

The Healthcare sector in the United States is currently undergoing tremendous change. The ACA, passed into law in 2010, was the most significant piece of legislative healthcare reform in the United States since the 1960s and instituted structural changes that redefined the way consumers, healthcare providers and insurance companies interact. The ACA is expected to significantly increase the number of healthcare consumers, driving greater demand for healthcare services.^[1]

At the same time, demographic trends are also positively influencing the demand for healthcare services. The population bubble known as the Baby Boomer generation is now entering retirement age and is expected to significantly increase the demand for healthcare services in general, as well as within certain niche healthcare industries.

In addition, the healthcare industry is increasingly focused on reducing costs, which is creating opportunities for healthcare practitioners and providers who offer cost-saving solutions to grow their businesses. New business models are emerging that improve efficiency and the industry is increasingly moving toward outsourcing specialist services to independent middle-market companies. Private Equity investors have taken notice of the opportunities in healthcare and are expected to continue making significant investments in these markets.

Greater opportunities for middle-market healthcare companies to expand, higher demand for healthcare services, and increasing investment by PE firms looking to partner with entrepreneurial healthcare practitioners and providers all contribute to an attractive landscape for healthcare business owners.

Opus Bank is a leader in healthcare banking, delivering lending products and depository services to the entire continuum of the healthcare system. Opus works with successful, middle-market healthcare practitioners and providers to help them achieve their growth goals by providing customized financing solutions and advisory services tailored to their specific needs and objectives. Opus is unique among financial services firms in the healthcare space in that the company pairs experienced lenders with equally experienced credit personnel, both of whom have decades of experience in the healthcare industry and healthcare banking, and can therefore provide the client with an unparalleled level of service and breadth of solutions.

This report outlines the major growth drivers of the healthcare industry, including the ACA and demographic changes, and reviews Opus Bank's unique qualifications as one of the premier healthcare banking firms in the nation.

Healthcare Reform: The ACA

Healthcare expenditures are rising in the United States, due in part to the effects of recently enacted healthcare reform legislation which significantly increased the number of Americans with access to health insurance.^[2] As a result, healthcare practitioners and providers are experiencing growing demand for services. Banks and other financial services firms with the capability to provide growth capital and advisory services to healthcare companies stand to benefit from the increased demand for healthcare services.

One of the specific mandates of the ACA was to increase the availability of health insurance by making it more affordable for most Americans and requiring insurers to cover more applicants.^[3] It has been estimated that over 11 million more Americans were insured in 2014 than in 2010

[1] Centers for Medicare & Medicaid Services

[2] McGladrey Spotlight on Health Care, 1Q 2015

[3] U.S. Department of Health & Human Services



New business models are emerging which are not well served by banks and other financing firms

when the ACA was first enacted.^[4] The increase in the quantity of insured persons is also attributable to the individual mandate under the ACA that requires all Americans to obtain health insurance or pay a penalty.^[5] Furthermore, existing government-run healthcare programs were expanded or modified, including Medicare and Medicaid, to include a greater portion of the population and restructure the method by which medical expense reimbursement payments are made to healthcare service providers.^[6]

Importantly, the ACA implemented changes to the structure of healthcare in America that create opportunities for providers and practitioners, as well as financial institutions who provide financing to healthcare businesses. There are also risks associated with the ACA that should be observed.

Opportunities:

- More people will consume healthcare services as a result of the expansion of Medicaid, subsidies for insurance plans to low-income individuals, the employer mandate and the individual mandate.
- The ACA encourages the outsourcing of specialized services to physician groups to cut costs. New and expanding middle-market providers and practitioner groups will require financing.
- New business models are emerging, including MSOs, which are not well served by banks and other financing firms. These companies are consolidating practices to streamline clinical care in a more efficient business model.
- Increased demand for essential services that are now exempt from lifetime coverage caps, such as ambulatory services. Again, those expanding services will require financing to support growth.
- Increased access to healthcare services, particularly for children, will benefit the healthcare industry in general.
- Consolidation among providers to achieve economies of scale and combat the increased cost of compliance with regulations and reduced reimbursements. Financing and advisory services will be in greater demand as a result of the ongoing consolidations.

Risks:

- Difficult for providers and practitioners to provide service under reduced reimbursement structures.
- Greater reliance on Medicare and Medicaid funding means providers are subjected to unilateral cuts, sometimes without warning. However, these unexpected cuts can create opportunities for working capital lines of credit for providers who did not utilize these structures in the past.
- Ever-changing regulatory environment requires constant education and monitoring. The impact of changing compliance is unpredictable and regulatory standards vary from state to state.
- Ongoing education for continual changes in reimbursement and payment models.

[4] United States Centers for Disease Control and Prevention

[5] U.S. Department of Health & Human Services

[6] Ibid



Rising Healthcare Expenditures

It should come as no surprise that the amount of money spent on healthcare in America has risen considerably in recent years and that the trend is expected to continue. Annual Medicare expenditures are in excess of \$600 billion and annual Medicaid expenditures exceed \$500 billion.^[7] Hospital costs are estimated at \$960 billion annually, while physician and clinical care services represent \$619 billion, prescription drugs represent \$291 billion, and nursing home and home healthcare costs represent about \$250 billion annually.^[8] Total revenues for U.S. healthcare companies in 2014 were \$2.1 trillion, with hospitals comprising almost \$1 trillion, or 48% of the total.^[9] As of May 2015, over 18 million people were employed in the healthcare industry.^[10]

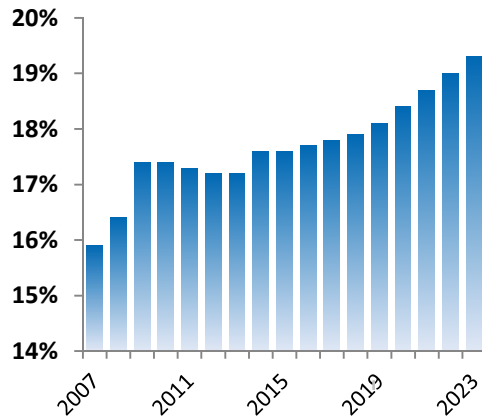
The U.S. Census Bureau estimates that national health expenditures as a percentage of Gross Domestic Product ("GDP") will increase from 17.6% in 2015 to 19.3% in 2023.^[11] This follows five consecutive years of flat to negative growth, as the percentage increase in health expenditures matched GDP growth since 2010.

Using statistics on healthcare spending to gauge the demand for healthcare or the consumption of healthcare services by individuals can be misleading due to the disproportionate amount of dollars spent on healthcare by certain individuals. Approximately half of the population spends little or nothing on healthcare (2.7% of total dollars spent in 2012), while the top 5% of all spenders account for almost half of the total dollar amount and the top 1% account for over 20%.^[12]

Per capita expenditures in healthcare services are expected to see strong growth over the next decade

National Healthcare Expenditures

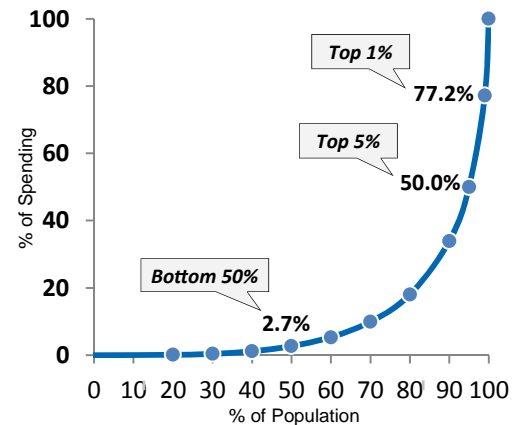
As a percentage of U.S. Gross Domestic Product



Source: Centers for Medicare & Medicaid Services, Office of the Actuary

Healthcare Spending Concentration

Cumulative Percent of Total Spending



Source: National Institute for Health Care Management

Nonetheless, per capita expenditures in specific healthcare services are also expected to see strong growth over the next decade. Per capita expenditures paid to nursing care facilities and continuing care retirement communities are expected to increase 48% through 2023.^[13] Home Health care expenditures are estimated to increase by 65% through 2023.^[14]

The Baby Boomer Cohort

The aging Baby Boomer generation is another key driver of the increasing demand for healthcare services, the earliest members of which are just entering retirement (aged 65+).^[15] Age demographic trends suggest that a significantly greater portion of the total population in the

[7] Plunkett Research, Ltd.

[8] Ibid

[9] U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau

[10] U.S. Department of Labor, Bureau of Labor Statistics

[11] Centers for Medicare & Medicaid Services, Office of the Actuary

[12] Medical Expenditure Panel Survey Statistical Brief #449, September 2014

[13] Centers for Medicare & Medicaid Services, Office of the Actuary

[14] Ibid

[15] U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau

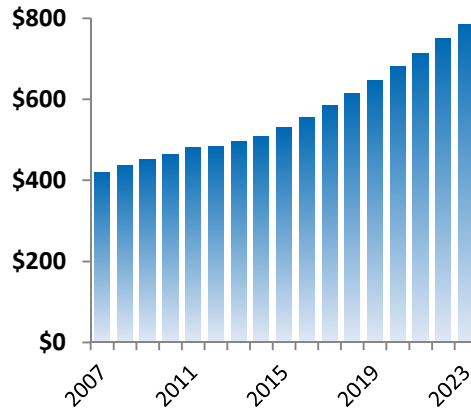




The percentage of Americans aged 60 or older is expected to double by 2060

Nursing Care Expenditures

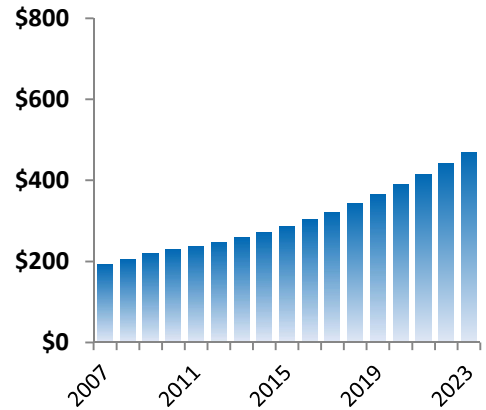
Annual per capita spending



Source: Centers for Medicare & Medicaid Services, Office of the Actuary

Home Health Expenditures

Annual per capita spending



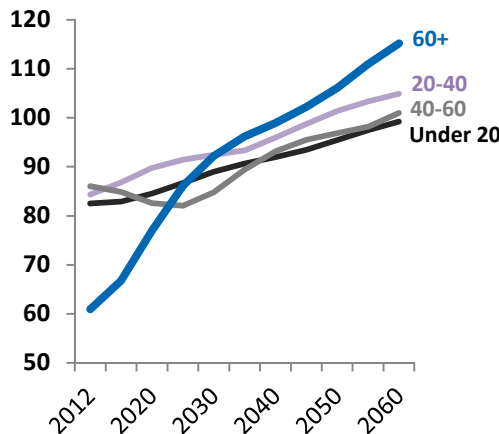
Source: Centers for Medicare & Medicaid Services, Office of the Actuary

United States will be elderly as the Baby Boomer generation retires. In 2010, before any of the Baby Boomers turned 65, only 11% of the total population was between 65 and 84 years old.^[16] By 2030, this segment is expected to reach 18% of the total population, then decline slightly to 16% by 2050 when all of the Baby Boomers are 85-years-old or older.^[17]

Age demographic trends are displayed in the charts below. U.S. Census data show a major shift occurring in the proportion of young and middle-aged people versus the elderly. In 2012, Americans aged 60 or older made up approximately 19% of the total population, or 61 million people.^[18] By 2060, this group is expected to make up 37% of the population, or 115 million – nearly double in size from today’s population.^[19]

An Increasingly Aged Population

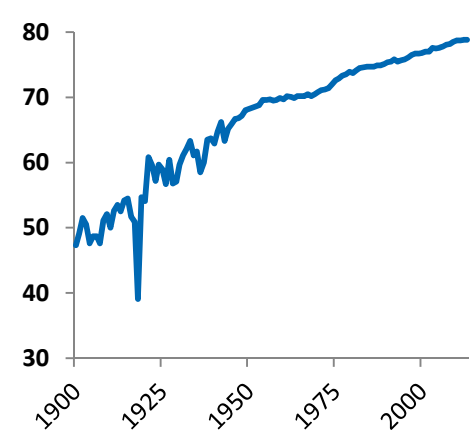
Population Estimates by Age Group (in millions)



Source: Centers for Medicare & Medicaid Services, Office of the Actuary

The Average Lifespan is Increasing

U.S. Average Life Expectancy (in years)



Source: Centers for Disease Control and Prevention

Additionally, people are living longer. The life expectancy from birth of the average American was 78.8 years in 2012, compared to 75.5 years in 1993 and 69.9 years in 1963.^[20] This is resulting in a rising need for senior care services and care for conditions that are considered chronic, but treatable over the long-term.

[16] U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau

[17] Ibid

[18] Ibid

[19] Ibid

[20] Centers for Disease Control and Prevention





Improving efficiency is critical as healthcare practices and providers combat lower reimbursements

Reducing Healthcare Costs

The desire to reduce healthcare expenses on a national level is driving hospitals to outsource specialized services to independent providers.^[21] These specialized services were traditionally provided by hospitals but have been recognized as more efficiently operated by independent healthcare providers, due largely to the benefit of reduced staffing costs.^[22] There are many examples of such businesses, including ambulatory or “outpatient” surgery centers, urgent care centers (emergency room services), anesthesia, perfusion services (drawing blood), medical physicists, radiation oncologists, and physical therapists, to name just a few. Growth in businesses that provide these specialized outsourced services has been tremendous and is expected to continue.^[23]

Hospital inpatient expenses account for approximately one-third of total healthcare expenses, while prescribed medicines constitute another one-fifth of the total.^[24] By comparison, ambulatory care comprised 35.8% of total expenditures in 2012, dental services comprised 6.3%, and home health services comprised 5.9%.^[25]

Additionally, the administrative expense and costs of overhead for doctors and dentists who traditionally operated individually or in small group practices has given rise to medical and dental management companies which consolidate practices and provide a centralized infrastructure for billing and reimbursement processing, acquisition of supplies, marketing, staffing requirements, and other managerial matters.^[26] The rise of Dental Support Organizations (“DSO”), a type of MSO which consolidates dental practices and ranges in the number of inclusive practices from a dozen to several hundred, is an example of the healthcare industry’s focus on efficiency.

Several factors are driving the increasing trend of dental practice consolidation, including the ability to access underserved markets, the increasing cost of medical supplies and technology, and a focus on efficiency. More dental patients are being covered under health insurance, which is putting pressure on profitability due to lower reimbursement rates.^[27] Furthermore, DSOs can provide in-house specialist services, such as orthodontics and oral surgery, which bolsters the number of patient referrals kept in-house and reduces competition among practices and these specialists.^[28] With over 90% of professionally active dentists working in private practices, DSOs have the potential to increase dramatically.^[29]

Mergers and acquisitions in the healthcare industry are expected to increase as healthcare is arguably one of the sectors most in need of improved efficiency.^[30] Improving efficiency is critical as healthcare practices and providers combat lower reimbursements and consolidation is one way to reduce expenses.^[31]

Private Equity Investing

Private Equity interest in middle-market healthcare companies remains high, particularly for niche providers, resulting in continued investment by PE funds in healthcare providers and MSOs/DSOs.^[32] Greater use of outpatient services is typically found with those who either pay out of pocket or have private health insurance compared to those with public insurance. This is because hospitals have the administrative infrastructure to successfully maneuver through the reimbursement process and therefore enjoy economies of scale versus the typically smaller provider of outpatient care. Because outpatient centers and niche healthcare providers are less dependent on public insurance reimbursements, such as Medicare and Medicaid, PE finds them a more attractive investment. This is not to say PE is avoiding hospitals. Rather, the majority of

[21] McGladrey Spotlight on Health Care, 1Q 2015
[22] Ibid
[23] Ibid
[24] Medical Expenditure Panel Survey, Statistical Brief #456, November 2014
[25] Ibid
[26] McGuire Woods “Industry Leaders’ Perspectives: The Future of Dental Support Organizations and Dental Practice”, March 2015
[27] IBISWorld Industry Report 62121: Dentists in the US, May 2015
[28] Ibid
[29] Ibid
[30] McGladrey Spotlight on Health Care 1Q 2015
[31] Ibid
[32] Ibid



PE funds have been very active investors in the healthcare industry

PE investments (versus dollars invested) are to smaller niche healthcare providers.

PE funds saw money flows of \$450 billion during 2014 by exiting investments, surpassing the previous all-time high by a wide margin.^[33] Indeed, PE has enjoyed four consecutive years of greater distributions than capital calls.^[34] It is estimated that \$1.2 trillion of freshly committed capital exists in Private Equity funds, which is resulting in strong demand for companies in which to invest and driving up valuations.^[35]

PE funds have been very active investors in the healthcare industry, seeking to capitalize on the growth trends in outsourcing specialized services to middle-market providers. In 2014, M&A activity in healthcare reached an all-time high of nearly \$380 billion, largely due to the transformational changes taking place in the industry.^[36]

It is generally believed that PE investors will find the “retail” subsectors within healthcare the most attractive, such as home health, rehab therapy, behavioral health, urgent care facilities, surgery centers, pain management facilities, and dermatology clinics.^[37] It is estimated that the top 10 providers account for less than 10% of the retail healthcare market and most clinic operators own fewer than three centers.^[38] Because the market is highly fragmented, it is considered ripe for consolidation.

Opus Bank Healthcare Banking

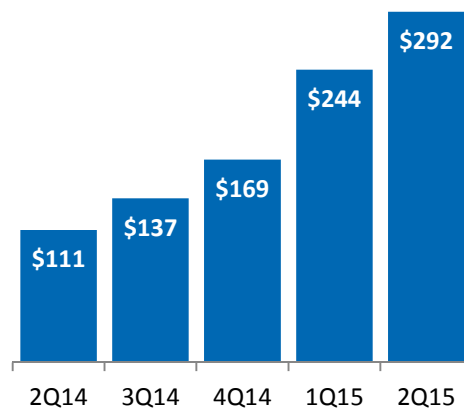
Opus Bank provides financing and banking solutions tailored to the needs of companies in the healthcare industry. These solutions include loans and lines for working capital, expansion, acquisitions, consolidations, bridge loans, refinancings, and treasury and depository products, services and solutions. Opus’ Healthcare Banking division is built upon the foundation of the company’s core competency: understanding the needs of the client and partnering with them to achieve their growth goals.

Since Opus launched its Healthcare Banking division in June 2013, total Healthcare Banking loans have grown to \$292.4 million in outstanding balances as of June 30, 2015. The pace of Healthcare Banking loan growth is accelerating, as funded loans increased by \$122.4 million, or 72%, during the first six months of 2015 alone. Healthcare Banking loans represented 6.9% of Opus’ total originated loans as of June 30, 2015. The total Healthcare Banking portfolio

The pace of Opus’ Healthcare Banking loan growth is accelerating

Healthcare Banking Division Loan Portfolio

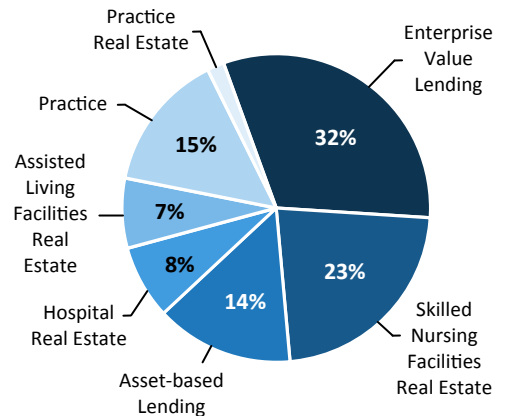
Total loans funded as of period-end (\$ in millions)



Source: Opus Bank

Healthcare Banking Division Loan Types

Based on total commitments as of June 30, 2015



Source: Opus Bank

[33] Bain Global Private Equity Report 2015
 [34] Ibid
 [35] Ibid
 [36] Ibid
 [37] CohnReznick “2015 Middle Market Private Equity Outlook”
 [38] Ibid





Opus' Healthcare Banking division focuses on two distinct types of businesses

consisted of \$174.2 million in commercial business loans (i.e., commercial & industrial), \$69.7 million in owner occupied commercial real estate (CRE) loans, and \$47.7 million in non-owner occupied CRE, as of June 30, 2015.

Total Healthcare Banking loan commitments, including lines of credit, were \$322.8 million as of June 30, 2015. Approximately 51% of Healthcare Banking lines of credit were utilized as of June 30, 2015.

Opus' Healthcare Banking division focuses on two distinct types of businesses within healthcare.

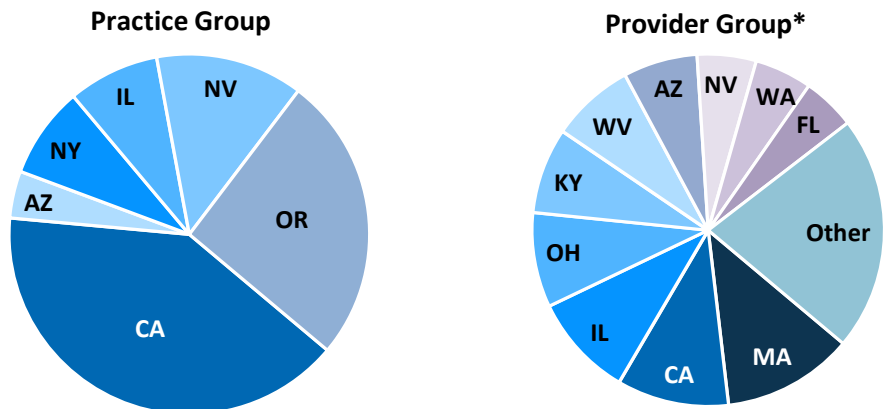
- **Practice Group:** Professional practices offering clinical care, including physicians, dentists, veterinarians, and ophthalmologists in group or private practices. A primary focus of Opus' Practice Group is servicing the financing needs of group practices, including MSOs and DSOs, a growing trend in the healthcare industry.
- **Provider Group:** Healthcare providers and the ancillary businesses that support them, including pharmacies, laboratories, outpatient centers, home health agencies, assisted living, hospice, durable medical equipment, skilled nursing facilities, general acute care hospitals, specialty hospitals, physical therapy, rehabilitative services and behavioral health, etc.

While the clients of both groups benefit from the fundamental drivers of growth affecting the healthcare industry, healthcare business owners who are also managers and even clinicians require a different approach and expertise than healthcare companies operating as a corporation, where ownership and management are typically separate. The structure of financing solutions may also differ between the Practice and Provider Groups, as explained below.

Opus has expanded Healthcare Banking to locations throughout the United States and is not limited specifically to its primary market area in the Western region. Offering healthcare loan products nationally offers risk diversification within the healthcare loan portfolio as well as Opus' total originated portfolio of commercial loans, the majority of which tend to be West Coast based.

Opus' Healthcare Banking Loans Geographic Exposure

Based on total commitments as of June 30, 2015



* Loans to healthcare services companies and facilities based providers. Top 10 states shown here.

Source: Opus Bank



Opus targets an assortment of healthcare practitioners and providers as clients

Practice Group loans are more heavily concentrated in California, but are also located in states outside of the Western region, including Illinois and New York. Provider Group loans are very well diversified across the United States. Both Practice and Provider groups' healthcare banking operations are scalable and will continue to expand throughout the country.

Moreover, Opus targets an assortment of healthcare practitioners and providers as clients and, as a result, has a broadly diversified portfolio of business types within its \$323 million portfolio of total loan commitments.

Examples include:

- General dentistry and associated specialties (pediatric, orthodontic, etc.)
- Ophthalmology Clinics
- Urgent Care Centers
- General Acute Care Hospitals
- Skilled Nursing Facilities
- Specialty Hospitals
- Behavioral Health
- Hospice
- Medical Groups
- Laboratories
- Outpatient Centers
- Inpatient and Outpatient rehabilitation
- Home Health Agencies
- Pharmacies, retail and institutional
- Durable medical equipment

Opus has the capability to expand its Healthcare Banking division to multiples of its current size due to the scalability of its platform. Existing healthcare bankers and support personnel have decades of experience at large, well established banks and finance companies. The diversity of Opus' Healthcare Banking portfolio demonstrates the firm's capabilities as a go-to provider of financing for middle-market healthcare practitioners and providers.

The growth in Healthcare Banking is improving the company's overall net interest margin ("NIM") by originating loans at a higher weighted average interest rate ("WAIR") than the current WAIR on the total originated loan portfolio. During the first six months of 2015, the WAIR on new Healthcare Banking loan originations of \$127.3 million was 5.27% compared to a WAIR of 4.32% on total new originations for the same six month period ended June 30, 2015, excluding Healthcare Banking. As of June 30, 2015, 76% of Healthcare Banking loan commitments were floating rate, tied to LIBOR, with short maturities (typically 5 years), short duration (average of 3.2 years) and therefore contributing positively to Opus' asset sensitive balance sheet structure.

Opus' Healthcare Bankers provide a depth of experience that is recognized by clients who often rely on their banker for advice regarding strategic growth and financial decisions. A unique strength of the Opus Healthcare Banking team is that personnel in credit and underwriting are also tenured experts in healthcare banking. Unlike the typical industry standard configuration where generalist credit administrators are paired with generic commercial bankers who have some healthcare experience, Opus' specialized underwriters and portfolio managers have experience spanning decades and many cycles in healthcare, making them attune to the nuances and intricacies of the sector. Clients tend to immediately notice the difference.

Opus' Healthcare Practice Group

Opus Bank is one of the leading financial institutions focused on doctor-owned practices or group practices of two or more doctors or dentists. Opus offers a wide range of financing solutions for successful healthcare professionals that are looking to expand their practices through acquisition, mergers, partner buy-ins, expansion, working capital lines, or restructuring. In addition, Opus offers clients professional financial guidance including acquisition advisory



Consolidation among healthcare practitioners has occurred due to increasing costs

services and refinancing opportunities. Opus Bank offers senior debt financing to group practices or MSO/DSO structures who sometimes partner with PE firms in order to expand through acquisition of other practices.

As of June 30, 2015, the Practice Group portfolio consisted of \$47.0 million in commercial & industrial loan commitments that are either term loans or lines of credit and \$5.7 million in owner occupied commercial real estate loans. The majority of Practice Group borrowers are both owners and managers of the business, including doctors and dentists who are providing the clinical care to clients.

Practice Group term loans are underwritten against the value of the business, typically with personal guarantees from the borrower, looking to the expected cash flows of the business to estimate the value of the practice. Practice group term loans are fixed-rate with amortizations of ten years, with the rate resetting after the first three or five-year fixed rate period to another fixed-for-three or fixed-for-five year term. The WAIR on Practice Group cash flow based loans was 5.66% during the second quarter of 2015. In addition, Opus' Practice group offers revolving asset-based lines of credit with 2-3 year terms that float indexed to Prime or LIBOR at start rates between 5.0% and 5.5%, as well as lines of credit with maturities of one year that then become term loans.

The Practice group also makes commercial real estate loans based on the estimated value of the real estate portion of the practice's assets. These are owner-occupied CRE loans that are 100% fixed rate, resetting after the first five years to a second 5-year fixed term and have 25-year amortizations. The WAIR on Practice Group real estate loans was 4.60% during the second quarter of 2015.

Consolidation among healthcare practitioners, such as orthopedic, pain management, urgent care, and physician practices, as well as general practice dentists and specialized dental service providers, such as orthodontists and oral surgeons, has occurred due to the ever-increasing costs of medical care. While there are many types of healthcare practices taking advantage of the MSO/DSO structure, some have advanced very quickly. DSOs, which are typically dentist-owned combinations of individual practices under one management company, are an excellent example of the MSO structure and its successful track record over the past few decades.

DSOs provide services for multiple dental offices, ranging in size from 10 to over 500, and generally offer lower operational costs.^[39] Economies of scale allow DSOs to administer billing, reimbursement payments, record keeping, scheduling and personnel matters more efficiently. Additionally, the DSO structure allows dentists who have managed their own practices for several decades to find an exit strategy that provides financial benefit but allows them to continue performing clinical services to clients. Private Equity investors have taken interest in the DSO space with more than 25 funds investing over the past decade.^[40] Also, DSOs have grown at more than twice the rate of the dental industry as a whole over the past few years.^[41]

There are more than 183,000 dental practices in the United States, of which 69% are sole-practitioner practices.^[42] By comparison, the Association of Dental Support Organizations, which has 35 member organizations and is the largest professional association of DSOs, supports approximately 8,000 dentists.^[43] Hence the opportunity for continued consolidation is substantial. Opus has taken a leadership role in advising dentists and small group practice owners as they capitalize on the opportunities for growth that exist in today's marketplace. Opus' Practice Group has expertise in valuing dental practices and can advise companies on

[39] IBISWorld Industry Report 62121: Dentists in the US, May 2015

[40] McGuire Woods, Industry Leaders' Perspectives: The Future of Dental Support Organizations and Dental Practice, March 2015

[41] Ibid

[42] IBISWorld Industry Report 62121: Dentists in the US, May 2015

[43] Association of Dental Support Organizations





Opus' Healthcare Provider Group originates interest rate sensitive, hyper-amortizing, short-maturity commercial loans

their corporate structure, management structure, information technology platform, financial reporting, and their scalability.

Opus' Healthcare Provider Group

Opus Bank's Provider Group offers financing solutions to healthcare providers and supporting healthcare businesses, including skilled nursing facilities, general acute care and specialty hospitals, psychiatric facilities, home health agencies, durable medical equipment companies, pharmacies (retail and institutional), laboratories (diagnostic or clinical), rehabilitation services and facilities, hospice care, medical products manufacturers, hospitalists (physicians who are focused on hospital care), staffing companies, and various other providers of healthcare services. The differentiating feature of healthcare providers versus practices is the ownership structure – while practices are typically doctor-owned and managed, providers have a corporate structure that delineates management from ownership. As of June 30, 2015, Opus' Provider Group's outstanding loan portfolio totaled \$241.4 million and total loan commitments were \$270.2 million.

The majority of Opus' Healthcare Provider Group loan portfolio is comprised of commercial & industrial loans that are either asset-based lines of credit or cash flow and enterprise value based that are 100% floating rate loans tied to LIBOR with approximately 5-year maturities and are short duration. Overall, the Healthcare Provider Group portfolio is characteristic of the interest rate sensitive, hyper-amortizing, short-maturity commercial loan types that comprise a significant portion of new loan fundings for Opus Bank as a whole.

Opus' ideal provider client has annual revenues over \$10 million and minimum EBITDA of \$3 million. Loan sizes vary, but tend to be larger due to the opportunities to fund growing middle-market providers who are underserved by larger banks that focus more on top tier, large hospitals and institutional level providers. The average loan size of Opus' Provider Group portfolio is approximately \$8 million, demonstrating the capability of servicing the middle-market client.

Opus offers various types of financing solutions to healthcare providers, depending on their business type, ownership structure and capital requirements. Credit facilities include asset-based revolving lines of credit ("ABL"), bridge loans, healthcare real estate loans and cash flow term loans.

Asset-based lines of credit are utilized by healthcare providers with varying working capital needs. For example, a skilled nursing facility has higher fixed costs and thinner profit margins and is therefore better suited to an asset-based underwriting structure that considers receivables as collateral. ABL are 100% floating rate tied to LIBOR with a 5-year maturity. As of June 30, 2015, Provider Group ABL loan commitments totaled \$46.8 million.

Growth in skilled nursing facilities – a \$180 billion per year industry that provides living quarters, inpatient nursing and rehabilitation services for people with chronic illness or disability – is fueled by increasing demand by the aging population of Baby Boomers.^[44] Skilled nursing facilities are expected to see annual revenue growth of 5.9% through 2020.^[45] Additionally, entrepreneurial skilled nursing facility owners are seeking out different types of patients, including developmentally disabled and subacute care, creating further growth through diversification.^[46] As a result of the strong demand for these high-growth niche services, such as skilled nursing, Private Equity firms have taken increased interest and made greater investments over the past decade.

[44] IBISWorld Industry Report 62311, Nursing Care Facilities in the US, June 2015

[45] Ibid

[46] McGuireWoods, The Top Areas in Healthcare for Private Equity Investment in 2014





Other providers who are services based (such as home health, hospice, laboratory, pharmacy, etc.) may require a cash flow approach to underwriting. These businesses tend to have greater variable expenses and varying revenue sources. Opus' enterprise value lending takes a conservative approach to estimating reimbursements and assumes higher incremental costs over time. Enterprise value loans are 100% floating rate tied to LIBOR, typically with a 5-year maturity and are effectively amortized over 7 years. As of June 30, 2015, enterprise value loan commitments in the Provider Group totaled \$101.9 million.

Hospitals, assisted living facilities, urgent care facilities, ambulatory surgery centers, and rehabilitation and addiction treatment centers are also a primary focus of Opus' Provider Group's lending activities. These facilities-based healthcare providers are experiencing enormous growth and increasing investment by PE funds.^[47] Merger & Acquisition activity in these businesses is increasing, as reimbursement rates under a fee-for-service structure are typically higher for hospitals than independent physicians and other free-standing providers of the same services, which has driven hospital acquisitions of physician practices and hospital consolidations.^[48] Hospitals are an enormous opportunity -- there are just under 3,000 hospitals that are expected to generate \$1 trillion of revenue in 2015.^[49]

Other, smaller facilities-based providers are also expected to see continued strong growth. Assisted living facilities are estimated to grow revenues at 6.1% annually through 2020.^[50] The average age of residents in assisted living facilities is 87 years, according to the Assisted Living Federation of America. Growth in the population of adults aged 65 and older and an increase in the average age of this group should strengthen industry demand.^[51]

The trend in outsourcing provider services from hospitals to smaller, facilities-based providers in order to reduce expenses is fueling growth in urgent care facilities, ambulatory surgery centers, pain management clinics and rehabilitation and addiction treatment centers. Urgent care providers are one of the fastest growing subsectors due to strong consumer demand for services, with an estimated annual growth rate of 6.2% through 2020.^{[52][53]} There are approximately 9,300 walk-in, stand-alone urgent care centers in the U.S. and 50-100 open annually.^[54]

Ambulatory surgery centers, otherwise known as "outpatient" surgery centers, provide services such as arthroscopic and cataract surgery, as well as some emergency care services.^[55] These businesses are the beneficiaries of the trend in outsourcing services from hospitals to reduce overall Medicare, Medicaid and private insurance reimbursement costs, saving \$2.6 billion annually.^{[56][57]} Ambulatory surgery centers are forecasted to grow industry revenue by 6.3% annually through 2020.^[58]

Rehabilitation and addiction treatment centers, like Urgent Care, are used by a significant portion of the population.^[59] A large treatment gap exists between people who need treatment and those who receive it—over 8% of the population needs services but only 1% receives treatment.^[60]

Facilities-based providers are real estate based businesses that own the land and buildings associated with their locations. The value of real estate is therefore considered in underwriting these term loans, which are overwhelmingly floating rate tied to LIBOR with usually 5-year maturities and 25-year amortizations. As of June 30, 2015, skilled nursing facility real estate loans totaled \$72.9 million, assisted living facility real estate loans totaled \$23.7 million, and hospital real estate loans totaled \$25.0 million.

[47] McGuireWoods, The Top Areas in Healthcare for Private Equity Investment in 2014
[48] Ibid
[49] IBISWorld Industry Report 62211, Hospitals in the U.S., August 2015
[50] IBISWorld Industry Report 62331, Retirement Communities in the U.S., April 2015
[51] Ibid
[52] McGuireWoods, The Top Areas in Healthcare for Private Equity Investment in 2014
[53] IBISWorld Industry Report OD5458, Urgent Care Centers in the US, February 2015
[54] American Academy of Urgent Care Medicine
[55] IBISWorld Industry Report OD5971, Ambulatory Surgery Centers, May 2015
[56] McGuireWoods, The Top Areas in Healthcare for Private Equity Investment in 2014
[57] IBISWorld Industry Report OD5971, Ambulatory Surgery Centers, May 2015
[58] Ibid
[59] McGuireWoods, The Top Areas in Healthcare for Private Equity Investment in 2014
[60] Ibid



Conclusion

The Healthcare industry is expected to experience growth in total and per capita expenditures in the future due to several key drivers, including increased access to health insurance due to the Patient Protection and Affordable Care Act and an aging Baby Boomer population demanding more healthcare services.

Consolidation among healthcare providers and practitioners is expected to increase as the desire to reduce healthcare expenses and improve efficiency is a primary concern of government agencies and insurance companies who fund reimbursements. The growing trend of MSOs and DSOs is an example of the consolidation, resulting in benefits for practitioners, their patients, and insurers.

Private Equity investors are increasingly focused on the Healthcare sector to take advantage of these trends. PE investments in MSOs/DSOs, as well as specialized healthcare providers, such as ambulatory surgery centers, urgent care and skilled nursing, are expected to grow in coming years.

Opus Bank is uniquely positioned as a partner for middle-market business owners looking to expand and grow their businesses. With decades of experience specific to healthcare banking, Opus has seasoned lenders and credit/underwriting personnel who are capable of providing the client with customized financing solutions and advisory services that assist them in achieving their growth goals, while maintaining a strong credit discipline.

As a segment of Opus' Commercial and Specialty Banking divisions, Healthcare Banking is growing at an accelerating pace. The growth in Healthcare Banking is serving to diversify the loan portfolio with higher-yielding commercial loans that are floating rate, tied to LIBOR, and shorter maturity, which helps to improve the asset sensitivity of Opus' balance sheet and improves the bank's overall net interest margin.



West Coast and high-growth national peer institutions' performance and valuation metrics

Price data as of 9/14/2015
Fundamental data as of 6/30/2015

West Coast Peer Institutions

Table with columns: Institution Name (Ticker), Market Cap (\$M), Assets (\$B), Price, 2016 EPS, 2017 EPS, TBV per share, Div Yield, Div Payout, Net Int Margin, NIM Chg (bps), ROAA, Est ROATCE, Eff Ratio, Tier 1 Lev, NPAs/Assets, Loan Growth, Deposit Growth, 2015-2016 EPS, 2016-2017 EPS. Includes rows for Banner Corporation, Columbia Banking System, CVB Financial Corp, First Republic Bank, PacWest Bancorp, Umpqua Holdings, Westamerica Bancorporation, Western Alliance Bancorporation, and AVERAGE.

High-Growth National Peer Institutions

Table with columns: Institution Name (Ticker), Market Cap (\$M), Assets (\$B), Price, 2016 EPS, 2017 EPS, TBV per share, Div Yield, Div Payout, Net Int Margin, NIM Chg (bps), ROAA, Est ROATCE, Eff Ratio, Tier 1 Lev, NPAs/Assets, Loan Growth, Deposit Growth, 2015-2016 EPS, 2016-2017 EPS. Includes rows for BankUnited, Boston Private Financial Holdings, Cardinal Financial Corporation, CoBiz Financial Inc, Eagle Bancorp, First Financial Bankshares, Independent Bank Group, Prosperity Bancshares, Signature Bank, Texas Capital Bancshares, and AVERAGE.

Source: SNL Financial, FactSet, Company filings
Pro-forma adjustments for pending acquisitions



**About Opus Bank**

Opus Bank is an FDIC insured California-chartered commercial bank with over \$5.8 billion of total assets, \$4.6 billion of total loans, and \$4.6 billion in total deposits as of June 30, 2015. Opus Bank provides high-value, relationship-based banking products, services, and solutions to its clients through its Retail Bank, Commercial Bank, Merchant Bank, and Correspondent Bank. Opus Bank offers a suite of treasury and cash management and depository solutions and a wide range of loan products, including commercial business, healthcare, technology, multifamily residential, commercial real estate, and structured finance, and is an SBA preferred lender. Opus Bank offers commercial escrow services and facilitates 1031 exchange transactions through its Escrow and Exchange divisions. Opus Bank provides clients with financial and advisory services related to raising equity capital, targeted acquisition and divestiture strategies, general mergers and acquisitions, debt and equity financing, balance sheet restructuring, valuation, strategy, and performance improvement through its Merchant Banking division and its broker-dealer subsidiary, Opus Financial Partners. Opus Bank operates 57 client experience centers, including two in the Phoenix metropolitan area of Arizona, 33 in California and 22 in the Seattle/Puget Sound region in Washington. Opus Bank is an Equal Housing Lender.

Forward Looking Statements

Certain information contained in this report constitutes forward-looking statements within the meaning of U.S. federal securities laws. Information regarding future economic performance, financial condition, prospects, growth, strategies and expectations and objectives of management are all likely to include forward-looking statements. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and generally contain words such as "believes," "expects," "may," "will," "should," "seeks," "projects," "approximately," "intends," "plans," "estimates" or "anticipates" or similar expressions. Our forward-looking statements are subject to risks and uncertainties, which may cause actual results to differ materially from those projected or implied by the forward-looking statement.

Forward-looking statements are based on current expectations and assumptions and currently available data and are neither predictions nor guarantees of future events or performance. You should not place undue reliance on forward-looking statements, which speak only as of the date hereof. We do not undertake to update or revise any forward-looking statements after they are made, whether as a result of new information, future events, or otherwise, except as required by applicable law.

A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements. Information on these factors can be found in the Annual Report on Form 10K of Opus Bank filed with the Federal Deposit Insurance Corporation ("FDIC") on February 27, 2015 and available at the FDIC's website (<http://www2.fdic.gov/efr/>) and Opus Bank's website (www.opusbank.com).

Non-GAAP Financial Measures

This report contains certain non-GAAP measures which are provided to assist in an understanding of Opus Bank's business and its performance. These measures should always be considered in conjunction with the appropriate GAAP measure. Reconciliations of non-GAAP amounts to the relevant GAAP amount are provided on pages 15-16 of this report.

Non-GAAP net interest margin

(unaudited)

	For the three months Ended		
	June 30, 2015	March 31, 2015	June 30, 2014
(\$ in thousands)			
Net interest income	\$ 54,978	\$ 45,191	\$ 37,498
Less: Accretion/amortization of acquisition discount/premium (1)	(11,356)	(4,452)	(5,339)
Non-GAAP net interest income	43,622	40,739	32,159
Average interest earning assets	\$ 5,143,801	\$ 4,735,319	\$ 3,720,683
Add: Average unamortized acquisition discounts	37,488	42,453	54,563
Non-GAAP average interest-earning assets	5,181,289	4,777,772	3,775,246
Net interest margin impact	0.91%	0.41%	0.63%

(1) Accretion income on acquired loans only includes interest income recognized in excess of what would be accrued under the contractual terms as a result of acquisition accounting and loan exits through full payoff or charge-off, foreclosure or sale.



Non-GAAP Financial Measures (continued)

Non-GAAP tangible book value per as converted common share

(unaudited)

(\$ In thousands, except share amounts)	As of		
	June 30, 2015	March 31, 2015	June 30, 2014
Tangible equity:			
Total stockholders' equity	\$ 838,944	\$ 824,511	\$ 775,420
Less:			
Goodwill	262,115	262,115	238,528
Core deposit intangibles	11,354	11,981	13,862
Tangible equity	565,475	550,415	523,030
Shares of common stock outstanding	28,722,647	28,599,329	28,100,467
Shares of common stock to be issued upon conversion of preferred stock	3,620,550	3,620,550	3,620,550
Total as converted shares of common stock outstanding (1)	32,343,197	32,219,879	31,721,017
Book value per as converted common share	25.94	25.59	24.44
Tangible book value per as converted common share	17.48	17.08	16.49

(1) Common stock outstanding includes additional shares of common stock that would be issued upon conversion of all outstanding shares of preferred stock to common stock and excludes shares issuable upon exercise of warrants and options.