

**April 28, 2015**

## Multifamily Lending on the West Coast

### BALANCES AS OF 3/31/15 (\$M)

Total Assets	\$5,562
Gross Loans	\$4,357
Deposits	\$4,326
Tangible Equity	\$550

### EARNINGS PER DILUTED SHARE

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

### 1Q 2015 PROFITABILITY

Return on Avg Assets	0.85%
Return on Avg TCE	8.06%
Efficiency Ratio	55.2%
Net Interest Margin	3.87%

### 3/31/15 BALANCE SHEET RATIOS

Loan/Deposit Ratio	100.7%
Tier 1 Leverage Ratio	10.4%
TBV per share <sup>(1)</sup> <sup>(2)</sup>	\$17.08

### DIVIDEND

2Q Dividend Payment	\$0.07
Dividend Yield	0.9%

### MANAGEMENT

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

\* Includes release of DTA valuation allowance

<sup>(1)</sup> See Non-GAAP disclosures on page 26

<sup>(2)</sup> Per as converted share

- The small-balance multifamily lending sector has been an attractive source of growth for Western regional banks — a trend that is expected to continue for the next several years.
- Multifamily loans have the best historical credit quality among major loan types and are currently outperforming other types of loans. [Source: FDIC] Multifamily loan portfolios therefore require lower reserves for loan losses, freeing up banks' capital.
- Falling homeownership and rental vacancy rates indicate strength in the multifamily market, especially in the West.
- Demographic trends in West Coast major metro markets imply continued employment and economic growth.
- West Coast markets have unique characteristics that limit the supply of affordable, "workforce housing" in areas that are close to employment and transportation.
- Large GSE and CMBS multifamily lenders are limited by restrictive loan structure and underwriting standards and are subject to securitization issues. Banks have certain advantages that appeal to professional multifamily investors.
- Fragmentation in the market allows sophisticated lenders to increase market share, acting as a consolidator among smaller, less efficient community banks.
- Class B/C "value-add" properties offer superior returns and make up the majority of multifamily properties in West Coast urban/infill markets.
- Rent control in many West Coast markets stabilizes rents and lowers vacancy.
- Opus Bank is one of the leading multifamily lenders on the West Coast. [See disclosures on page 2]. Primary markets include some of the most attractive areas for multifamily investments.
- With less than 1% market share, Opus stands to grow its multifamily portfolio.

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Opus Bank is an FDIC insured California-chartered commercial bank with \$5.6 billion of total assets, \$4.3 billion of total loans, and \$4.3 billion in total deposits as of March 31, 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 Commerce Escrow Company and RPM Investments 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 is an Equal Housing Lender. Opus Bank operates 58 banking offices, including 32 in California, 24 in the Seattle/Puget Sound region in Washington, and two in the Phoenix metropolitan area of Arizona.



**Opus Bank is one of the leading multifamily lenders on the West Coast**

**Overview**

The multifamily lending sector has been an attractive source of growth for Western regional banks. Demographic and economic trends indicate strong demand for multifamily housing exists and should persist for the next several years, driven by high barriers to entry for new construction, limited land for development, growth in population, and limited expected additions to supply in most markets.<sup>[1]</sup> Superior credit quality of multifamily loans, a bifurcated market among lenders, fragmentation among banks engaged in multifamily lending, and the benefits of rent controlled markets have created unique opportunities for sophisticated lenders in these markets.

This report provides an overview of the multifamily lending market, including specific characteristics of Western markets in which Opus operates and comparisons to the New York multifamily market, the largest multifamily market in the country. Additionally, this report illustrates the capabilities of Opus Bank’s multifamily lending platform.

Opus Bank is one of the leading multifamily lenders on the West Coast.<sup>[2][3]</sup> In 2014, the company ranked 26th in multifamily loan originations among multifamily lenders nationwide (\$899 million), but was 7th among U.S. based banks and was the 3rd largest in terms of the number of multifamily loans originated (476).<sup>[4]</sup> During 2014, Opus’ multifamily loan portfolio increased by \$593 million, which was the second highest organic loan growth among banks and thrifts headquartered along the West Coast.<sup>[5]</sup>

Given Opus’ management team’s experience and understanding of multifamily lending, its flexibility in structuring loans and speed of execution, size relative to community bank competitors in the multifamily space, and its geographic footprint up and down the West Coast, Opus is capable of growing market share while maintaining its disciplined underwriting standards.

**An Introduction to Multifamily Lending**

Apartments make up a significant portion of Americans’ homes. According to the U.S. Census Bureau, approximately 36% of the housing stock in the U.S. was rented by its occupant during the 4Q 2014. Of this amount, 17.9 million apartments, or 42%, were contained within multifamily structures (five or more units).<sup>[6]</sup> The remainder of rental stock includes 1-4 single family residential dwellings.

The U.S. multifamily market has increased tremendously over the past four years and has been a significant source of loan growth for financial institutions. Total multifamily loans held for investment by commercial banks and thrifts have increased by 40% since 2010.<sup>[7]</sup> The total value of the multifamily market was approximately \$2.01 trillion at year-end 2011, which was slightly higher than the peak in 2008 of \$1.97 trillion.<sup>[8]</sup> The Federal Deposit Insurance Corporation (FDIC) reports that multifamily residential real estate loans of all insured depository institutions totaled \$297.4 billion, accounting for 3.6% of total gross loans as of December 31, 2014.

There is an important distinction between the types of multifamily housing properties and the types of lenders who finance them. Generally, apartment buildings are either very large or very small in terms of number of units. Large properties are typically new construction, institutional-grade housing complexes in gated communities, or mid- to high-rise buildings consisting of several hundred units with many amenities, such as concierge service, exercise facilities, etc.

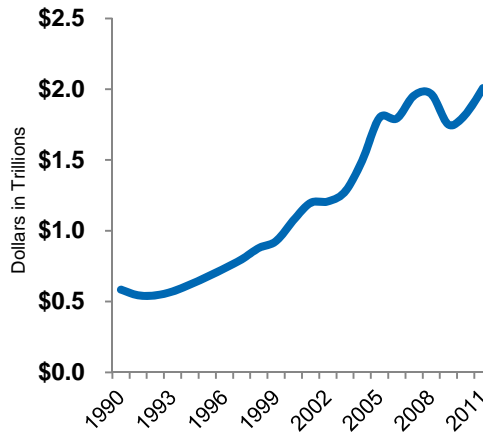
[1] Marcus & Millichap 2015 National Apartment Report  
[2] Opus originated the second highest dollar amount of multifamily loans in 2014 among FDIC-insured institutions headquartered in CA, OR and WA.  
[3] FDIC  
[4] Mortgage Bankers Association  
[5] SNL Financial  
[6] National Multifamily Housing Council  
[7] FDIC  
[8] National Multifamily Housing Council



**Smaller, “workforce housing” apartment buildings make up the majority of multifamily properties**

### Multifamily Real Estate Investments

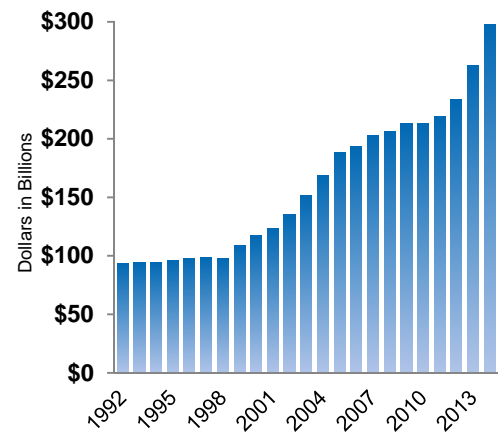
Total value of occupied apartment stock



Source: National Multifamily Housing Council

### Total Multifamily Loans

All FDIC insured depository institutions



Source: Federal Deposit Insurance Corporation

These properties are typically financed by large, government sponsored enterprises (“GSE”), such as Fannie Mae or Freddie Mac, or institutional investment firms, such as mortgage conduits, which often rely on securitization into the bond market. Insurance companies also make up a significant portion of the multifamily market, investing in larger properties, but tend to hold these loans within their investment portfolio.

By comparison, smaller properties are typically 5-50 unit structures, older construction with fewer or limited amenities. A somewhat accurate characterization of the average small multifamily property would be a 1970’s vintage, two-story, garden style apartment building. These types of smaller, “workforce housing” apartment buildings make up the majority of multifamily properties. The National Multifamily Housing Council estimates that 79% of all apartment buildings have between 5 and 50 units and that over half of these were built prior to 1980. These properties are often financed by small- to mid-sized portfolio lender banks that develop a relationship with the borrower and will usually hold the loan as an interest-earning asset.

### Multifamily Lending on the West Coast

Multifamily markets on the West Coast are contained within roughly the same area as the 13 states along the East Coast from New York to Florida. California has the largest number of multifamily housing units in the nation at approximately 3.2 million, followed by New York as the second largest with 2.7 million.<sup>[9]</sup>

The West Coast contains 5 of the 20 largest multifamily markets in the country as measured by number of units.<sup>[10]</sup> Los Angeles is the largest multifamily market on the West Coast and the second largest in the country behind New York City.<sup>[11]</sup> Other West Coast markets in the top 20 include San Francisco (6), San Diego (7), Seattle (12) and San Jose (18).<sup>[12]</sup>

The majority of markets considered the most attractive for investments in multifamily properties are western, coastal, densely populated metro areas. Marcus & Millichap’s 2015 National Apartment Index ranked San Francisco as the top market, followed by New York (2), then San Jose (3), Oakland (4), San Diego (6), Los Angeles (8), Seattle-Tacoma (11), Portland (12), Orange County (14), Phoenix (17), and Riverside-San Bernardino (20).

[9] U.S. Census Bureau  
[10] National Multifamily Housing Council  
[11] National Multifamily Housing Council  
[12] National Multifamily Housing Council





**Multifamily loans are the best performing asset class historically among major loan types**

A unique characteristic of many West Coast multifamily markets is the presence of rent control restrictions. Similar to the rent control program in New York that has existed since the 1940's, many cities in California have enacted rent control restrictions that limit increases in rent and stipulate eviction terms. Many of Opus Bank's markets are governed under some kind of rent control regulation, including the cities of Los Angeles, Santa Monica, West Hollywood, Beverly Hills, San Francisco, San Jose, Oakland, and other Bay Area cities.<sup>[13]</sup>

West Coast markets also have high barriers to entry which tend to constrain excess supply, thereby limiting vacancy. Western states, California in particular, have enacted many regulations governing the construction of new residential housing, as well as detailed zoning restrictions, adding to the expense of building new multifamily units. Moreover, developable land for new construction projects is scarce. In areas where freeway traffic is an issue for commuters, apartments in close proximity to where people work are in high demand.

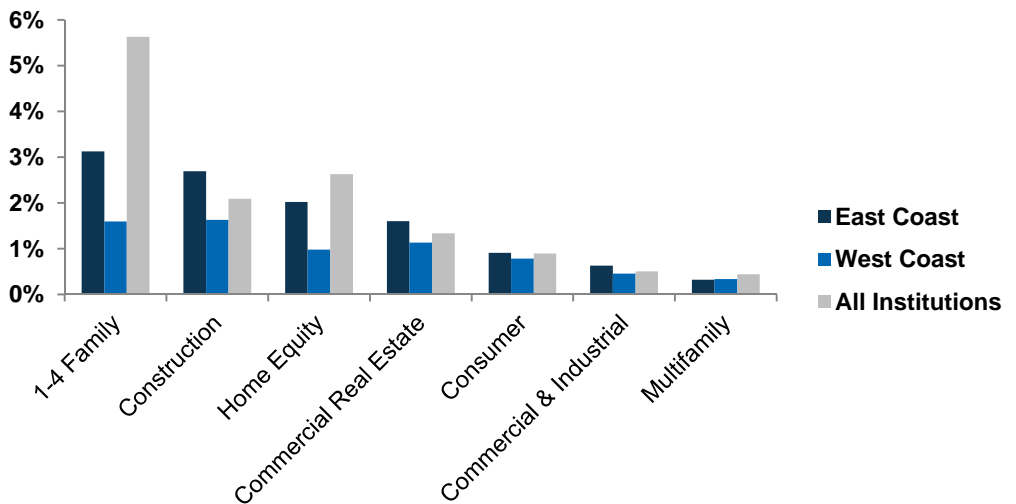
**Multifamily Lending Performance**

Multifamily loans are the best performing asset class historically among major loan types. The total amount of FDIC insured depository institutions' multifamily loans past due 30-89 days measured just 0.19% of total multifamily loans as of December 31, 2014 – the lowest past due rate of any major loan category.<sup>[14]</sup> Noncurrent multifamily loans (past due 90 days or more or in nonaccrual status) were 0.44% of total multifamily loans, also ranking the lowest among major loan categories.<sup>[15]</sup> Net charge-offs of multifamily loans during 4Q 2014 were 0.03%.<sup>[16]</sup> By comparison, the past due, noncurrent and net charge-off rates of all loans and leases on bank balance sheets nationwide were 0.84%, 1.96% and 0.48% during 4Q 2014.<sup>[17]</sup>

Multifamily loans are typically larger in size than single family residential (“SFR”) mortgage loans, requiring more effort and expertise to evaluate and monitor, and are often lumped into the asset category of commercial real estate, which can lead to the misperception that they are potentially more risky than SFR mortgage loans.<sup>[18]</sup> Yet, SFR loans have only one source of debt service and principal repayment — the borrower — whereas multifamily loans typically have two sources: the cash flow/rental income stream of the property plus recourse to the borrower (a guarantor).

**Multifamily Loans’ Superior Asset Quality**

Percent of loans that are past due 90 days or more or that are in nonaccrual status as of December 31, 2014



[13] California Department of Consumer Affairs  
[14] FDIC Quarterly Banking Profile 4Q 2014  
[15] FDIC Quarterly Banking Profile 4Q 2014  
[16] FDIC Quarterly Banking Profile 4Q 2014  
[17] FDIC Quarterly Banking Profile 4Q 2014  
[18] Opus Bank Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the FDIC

Source: Federal Deposit Insurance Corporation



**Multifamily loans require fewer reserves and allow banks to leverage capital more efficiently**

Historical loss rates for multifamily loans are among the lowest of major loan categories.<sup>[19]</sup> The maximum annual loss rate among FDIC-insured depository institutions in western, coastal states from 2002 through 2014 shows that multifamily loan losses were no more than 0.42% (Washington) and were as low as 0.29% (California) of total multifamily loans.<sup>[20]</sup> By comparison, the historical loss rates on 1-4 family residential mortgage loans in the West Coast range from 1.0% to 1.63%.<sup>[21]</sup>

Western bank and thrift multifamily portfolios are currently outperforming other regions of the country. While the multifamily noncurrent ratio (90-days past due plus nonaccrual loans) nationwide is 0.44%, the FDIC’s western region has a noncurrent ratio of only 0.33%, a narrow second to the East Coast region at 0.32%.<sup>[22][23][24]</sup> Other regions’ average multifamily noncurrent loan rate was 0.58%.<sup>[25]</sup>

As the highest quality asset class on banks’ balance sheets, multifamily loans offer the advantage of requiring fewer dollars reserved for potential credit losses, which allows banks to leverage capital more efficiently.

FDIC regulatory guidelines require that banks determine the historical credit losses for each group of loans with similar risk characteristics in its portfolio as part of the process of estimating their allowance for loan and lease losses (ALLL), as well as other inputs such as qualitative and environmental factors.<sup>[26]</sup> Because multifamily loans have the lowest historical loss rates, banks are able to reserve a smaller dollar amount as a percentage of total loans, freeing up capital and improving earnings.

**Multifamily Originations by Lender**

Multifamily loans are originated by a variety of financial institutions. The various participants in the multifamily market can be classified into four categories: Government Sponsored Enterprises; mortgage conduits (“CMBS”); insurance companies and other real estate investment companies; and portfolio lenders, such as banks and thrifts.

The multifamily market is bifurcated between the GSE, CMBS, and life insurance companies, who tend to fund larger loans; and portfolio lenders (banks), who tend to fund smaller loans. Also, the owners of multifamily properties range in size from very large institutions to smaller investors who own only a few properties.

GSE require extensive third party inspections and have reporting requirements that can be costly to perform and present an onerous burden on borrowers. There are rigid prepayment protections and flexibility on loan structure is limited. Further, GSE rely on securitization into the bond market, placing them at the mercy of market volatility. GSE’s loans typically have a larger average size. A sample of Fannie Mae REMICs issued in 2015 had an average loan size of \$8.0 million, with the largest loan greater than \$79 million.<sup>[27]</sup>

Lenders who sell to CMBS issuers also face extensive third party inspection and reporting requirements, as well as other specific criteria associated with securitization. Hence loan sizes of CMBS borrowers also tend to be larger. During 2008 and 2009, the CMBS market was essentially eliminated but has since rebounded to just under \$100 billion in 2014.<sup>[28]</sup>

In general, financial institutions prefer to originate and hold loans that have similar size and borrower characteristics. The benefits of homogeneous lending practices include lower processing and portfolio management expenses, speed of execution, better credit quality, and

[19] FDIC Quarterly Banking Profile 4Q 2014  
[20] FDIC State Banking Profiles  
[21] FDIC  
[22] Includes Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Pacific Islands, Utah, Washington, and Wyoming  
[23] Includes Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, and U.S. Virgin Islands  
[24] FDIC Quarterly Banking Profile 4Q 2014  
[25] FDIC Quarterly Banking Profile 4Q 2014  
[26] Interagency Policy Statement on the Allowance for Loan and Lease Losses, December 13, 2006  
[27] Fannie Mae Multifamily REMIC Trust 2015 -M1, 2015-M3 and 2015-M4  
[28] Marcus & Millichap 2015 National Apartment Report



more streamlined process for regulatory compliance. Portfolio lenders, such as banks and thrifts, who originate and hold multifamily loans, have certain advantages over the GSE and mortgage conduits. Banks and thrifts can be more flexible in how loans are structured and underwritten, including allowing for higher proceeds and less stringent prepayment penalty structures. While appraisals and documentation is required, it is not nearly as extensive a process as with GSE and CMBS. Also, some banks can underwrite and fund loans within 30 days to meet the timing demands of the purchase market. For these reasons, the market for multifamily loans is bifurcated between portfolio lenders, such as banks and thrifts, and the larger institutional lenders.

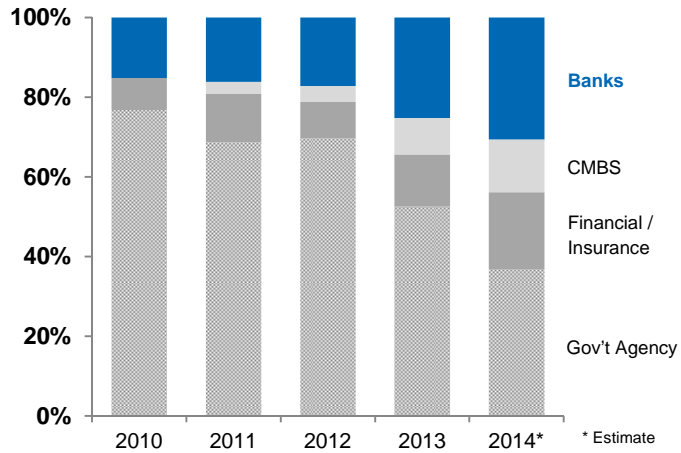
Changes have occurred in recent years that have allowed banks to capture a larger percentage of the overall market for multifamily loans. Since 2010, GSE have assumed a smaller portion of the total multifamily originations each year due to a concerted throttling down effort by the U.S. Government.<sup>[29]</sup> In 2010, GSE accounted for over 75% of multifamily originations.<sup>[30]</sup> By 2014, GSE made up only 36% of the total.<sup>[31][32]</sup> Also, CMBS conduits were active participants in the multifamily loan market prior to 2008, then decreased to practically zero during the financial crisis.<sup>[33]</sup> Today, CMBS financing makes up only 13% of the total market.<sup>[34][35]</sup> GSE and CMBS, along with large commercial real estate investment firms, such as REITs, and insurance companies, finance the majority of larger, new construction projects with hundreds of units. Together, these groups made up 68% of multifamily originations last year.<sup>[36][37]</sup>

Meanwhile, banks and thrifts have doubled their percentage of the multifamily loan market, rising from 15% of total originations in 2010 to 30% in 2014.<sup>[38][39]</sup>

**Banks have doubled their percentage of the multifamily market since 2010**

**Multifamily Originations by Lender**

Percentage of total multifamily loans originated



Source: Marcus & Millichap Research Services, Real Capital Analytics

In addition to the bifurcation between large GSE and CMBS multifamily lenders and the portfolio lenders (i.e., banks and thrifts), there is also fragmentation within the portfolio lender space. While the larger, national banks lend across a variety of geographic regions, there are also regional banks who concentrate on specific locations. Moreover, thousands of smaller community banks also participate in the multifamily market, generally only lending inside a small territory within their footprint.

During 2014, the two largest multi-regional banks in the multifamily market, J.P. Morgan Chase & Company (JPM) and Wells Fargo & Company (WFC) contributed 16.4% of the total growth in

[29] Marcus & Millichap 2015 National Apartment Report  
 [30] Marcus & Millichap 2015 National Apartment Report  
 [31] Marcus & Millichap 2015 National Apartment Report  
 [32] Real Capital Analytics  
 [33] Marcus & Millichap 2015 National Apartment Report  
 [34] Marcus & Millichap 2015 National Apartment Report  
 [35] Real Capital Analytics  
 [36] Marcus & Millichap 2015 National Apartment Report  
 [37] Real Capital Analytics  
 [38] Marcus & Millichap 2015 National Apartment Report  
 [39] Real Capital Analytics



**Workforce labor is the primary consumer of multifamily housing**

multifamily loans among banks nationally.<sup>[40]</sup> By comparison, there are 367 banks in the Western region with fewer than \$5 billion in total assets which grew multifamily loans by \$3.2 billion during 2014 – roughly half of the growth in multifamily loans among Western banks.<sup>[41][42]</sup> The fragmentation among banks allows experienced, mid-sized lenders with robust capital levels and efficient platforms to act as consolidators, collecting market share throughout the West Coast multifamily loan market.

**Multifamily Housing Market Drivers**

The primary driver of increases in demand for multifamily housing is employment growth. While other factors also create demand, the affordability of housing relative to household income and the proximity to centers of employment are key determinants that are directly related to local and regional employment growth. As many as three out of four residents of multifamily housing in the United States earn less than the national median household income.<sup>[43][44]</sup> As a result, workforce labor is the primary consumer of multifamily housing.

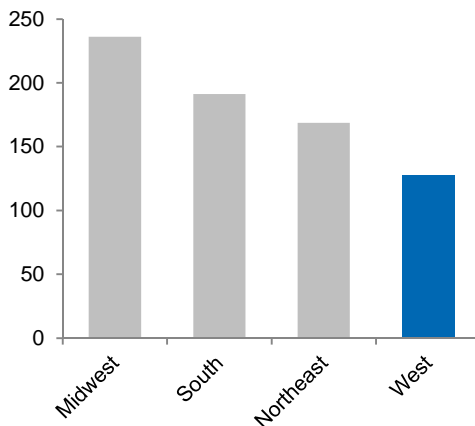
Employment conditions nationwide have improved sharply over the past five years. The national unemployment rate peaked in October 2009 at 10.0% and has since decreased to 5.5% as of February 2015.<sup>[45]</sup> Likewise, unemployment rates in California, Oregon and Washington states have also seen dramatic improvements. Economic conditions are expected to continue to improve in 2015, resulting in job creation.<sup>[46]</sup>

Housing affordability is an important driver of demand for multifamily housing. Housing affordability is a measure of how affordable it is to purchase the median priced single-family home with a median income. The greater the affordability of owner-occupied housing, all things held equal, the lower the demand for multifamily housing.

Despite historically low interest rates, housing affordability has decreased in the past three years. The national Housing Affordability Index®, published by the National Association of Realtors®, has decreased from 196.5 in 2012 to 164.4 in 2014. This was largely due to an 18% increase in the median price of an existing, single-family home.<sup>[47]</sup> The Western region has the lowest Housing Affordability Index® in the nation (as of January 2015).<sup>[48]</sup>

**Housing Affordability by Region**

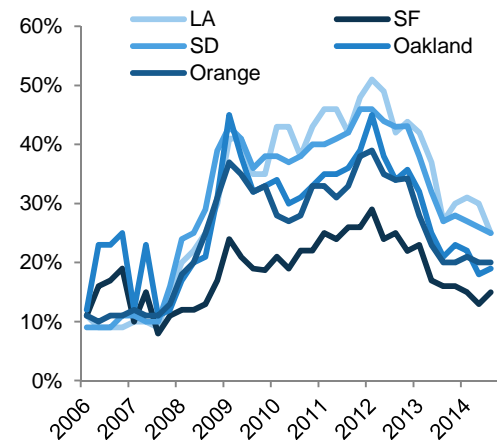
Housing Affordability Index® as of January 2015



Source: National Association of Realtors®

**Housing Affordability Trends in California**

Percentage of households that can afford a home



Source: California Association of Realtors

[40] SNL Financial  
 [41] Excludes multi-regional Wells Fargo which grew multifamily loans by \$1.4 billion in 2014  
 [42] SNL Financial  
 [43] National Multifamily Housing Council  
 [44] U.S. Census Bureau  
 [45] U.S. Bureau of Labor Statistics  
 [46] Marcus & Millichap 2015 National Apartment Report  
 [47] U.S. Census Bureau  
 [48] National Association of Realtors®



In addition, the California Association of Realtors® publishes a separate index of housing affordability that measures the percentage of households that can afford to purchase the median priced home. The percentage of families that qualified in California peaked in 2012 at 56%, but has since decreased to 30% (as of 3Q 2014). San Francisco has historically been the least affordable, peaking in 2012 at 29% and currently measuring only 15%.<sup>[49]</sup>

Assuming housing prices are unchanged, rising interest rates would result in a decrease in housing affordability, benefitting the multifamily market through the attrition of current and potential homeowners. However, it is important to note that despite the lowest rates in years, multifamily demand and performance remains strong.

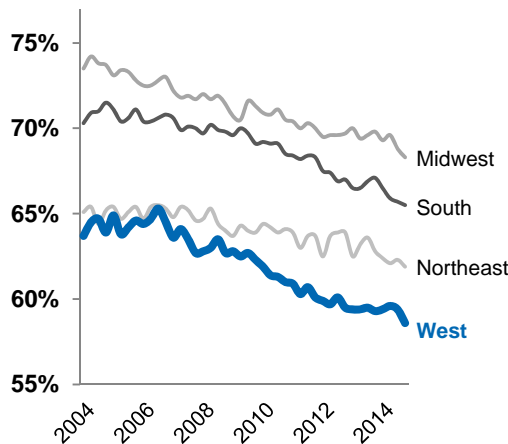
As housing affordability has decreased, a greater percentage of people are choosing to live in apartments. Also contributing to this trend is the difficulty faced by potential homeowners in financing the purchase, where sizable down payments are more often required. Homeownership rates are at 20-year lows, having steadily decreased across the United States over the past decade.<sup>[50]</sup> The national homeownership rate peaked in 2004 at 69.2% and finished 2014 at 64.0%.<sup>[51]</sup> By comparison, the average homeownership rate during the 30 years prior to 1995-2004 was 64.3%, which suggests homeownership rates in the U.S. have now returned to their pre-housing boom historical average.<sup>[52]</sup>

In the Western region, homeownership rates have historically been the lowest in the country. As of 4Q 2014, homeownership in the Western region was 58.6%, down from a peak of 65.3% in 2006.<sup>[53]</sup> By comparison, the homeownership rate in the Northeast also peaked in 2006, but has only declined to 61.9% at 4Q 2014.<sup>[54]</sup>

**The Western region has the least affordable housing in the nation**

**Homeownership Rates by Region**

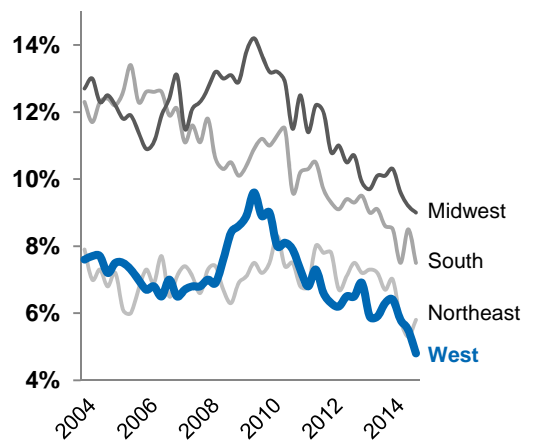
Quarterly data, 2004 through 2014



Source: U.S. Census Bureau

**Rental Vacancy Rates by Region**

Quarterly data, 2004 through 2014



Source: U.S. Census Bureau

Among all major metro areas in the U.S., eight out of the top ten lowest homeownership rates are in the Western region.<sup>[55]</sup> The lowest is Los Angeles-Long Beach-Santa Ana, CA at 47.6%; Los Angeles is the only major metro area in the Country where less than half of residents own their own home.<sup>[56]</sup>

Finally, another factor to consider is the increase in demand for multifamily housing from the Echo Boomer generation (i.e. "Millennials"). This age demographic of 20- to 34-year-olds is estimated at 80 million, with an additional 1.6 million people becoming adults over the next five years.<sup>[57][58]</sup> As approximately two-thirds of Echo Boomers typically rent, this demographic group

[49] California Association of Realtors  
 [50] U.S. Census Bureau  
 [51] U.S. Census Bureau  
 [52] U.S. Census Bureau  
 [53] U.S. Census Bureau  
 [54] U.S. Census Bureau  
 [55] U.S. Census Bureau  
 [56] U.S. Census Bureau  
 [57] Time Magazine, "Millennials vs. Baby Boomers: Who Would You Rather Hire?", March 29, 2012  
 [58] Marcus & Millichap 2015 National Apartment Report





*The American Dream of homeownership has shifted toward more of a renter mentality*

is expected to have a significant impact on demand for multifamily housing.<sup>[59]</sup> It is also believed that senior citizens are selling homes and moving into apartments in increasing numbers, adding to the demand from the younger generation.<sup>[60]</sup>

**Multifamily Performance Metrics**

Coming out of the financial crisis of 2007-2009, evidence from the housing market suggests that the American dream of homeownership has shifted toward more of a renter mentality. A trend of rising demand for apartment housing is supported by increasing average rent levels, bolstered by rising renter household incomes, and falling vacancy rates that have hovered near historic lows.

Residents of densely populated metro areas are more likely to choose apartment housing due to the scarcity of affordable homes. This is especially true of Western markets, where the rental vacancy rate is 4.8% versus 7.0% for the Nation as a whole, indicating strong demand for apartment housing.<sup>[61]</sup>

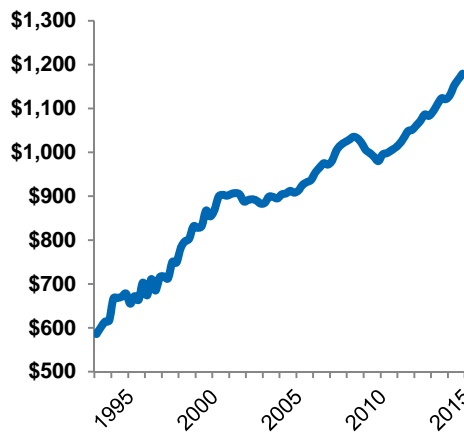
Rental vacancy rates have historically been the lowest in the Northeast, averaging only 5.3% since 1956 versus the national average of 7.4%.<sup>[62]</sup> By comparison, the historical average vacancy rate in the West ranks second at 7.1%, but is currently the lowest in the Country at only 4.8%.<sup>[63]</sup> The sharp decline in vacancy rates in the West can likely be attributed to the below average homeownership rates seen over the past decade.

Rent levels have subsequently increased as demand for multifamily housing has increased. The average rent increased by 5.3% during 2014, which was the second strongest annual increase since 2005.<sup>[64]</sup> In rent controlled markets, the cap on annual rent increases creates secure occupancy and stable value increases.

As populations continue to grow within major metro areas, rental workforce housing within close proximity to jobs and transportation is likely to see increasing demand, leading to lower vacancy rates and rising rents over time. With top tier ("Class A") properties competing for tenants, lower tier ("Class B/C") properties are expected to face more demand than supply in most metro areas, supporting rent appreciation.<sup>[65]</sup>

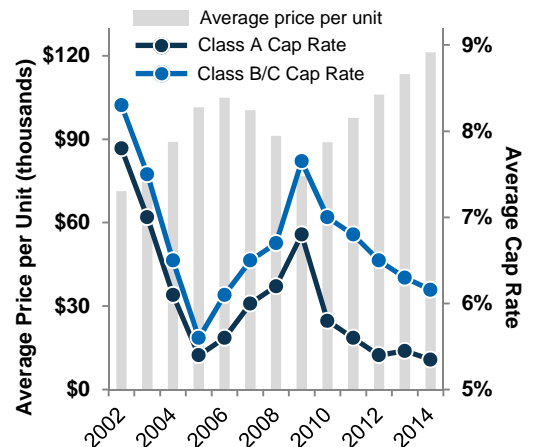
**U.S. Apartment Effective Rent**

Asking rent adjusted for amenities & discounts, quarterly data



**Apartment Price and Cap Rate Trends**

Includes sales \$1 million and greater



Source: Marcus & Millichap Research Services, Real Capital Analytics and CoStar Group, Inc.

[59] Marcus & Millichap 2015 National Apartment Report  
[60] Fox News, "Apartment construction a booming business nationwide", April 21, 2015  
[61] U.S. Census Bureau  
[62] U.S. Census Bureau  
[63] U.S. Census Bureau  
[64] CBRE Research  
[65] Marcus & Millichap 2015 National Apartment Report





**Urban/infill neighborhoods have high barriers to entry**

Multifamily properties are evaluated by their age, amenities and overall condition and classified into tiers. Class A generally includes properties that are less than 10 years old or have been substantially renovated, high-rise properties in central business districts, high-quality construction with the highest quality materials, and those with high-end exterior and interior amenities.<sup>[66]</sup> Class B refers to properties built within the past 20 years with exterior and interior amenities packages that are dated and less than Class A, good quality construction with little deferred maintenance.<sup>[67]</sup> Class C refers to properties built in the past 30+ years with a dated exterior, limited interior amenities packages, and have improvements that show some age and deferred maintenance.<sup>[68]</sup> Class C properties represent the majority of rental housing stock and this is the bread and butter of multi-family lending. Class A, and to a lesser degree Class B, properties tend to get hit the hardest in terms of income when the rental market cools or stabilizes after years of major increases in rent.

Class B and C properties tend to generate higher net operating income levels (NOI) relative to the properties' selling prices than Class A properties, resulting in higher capitalization rates (i.e., "cap rates"). As of 4Q 2014, the average cap rate on Class B/C properties nationwide was 6.2% versus 5.4% for Class A properties.<sup>[69][70][71]</sup> Since 2002, the average difference between Class B/C properties' cap rates and Class A is +70 basis points.<sup>[72][73][74]</sup>

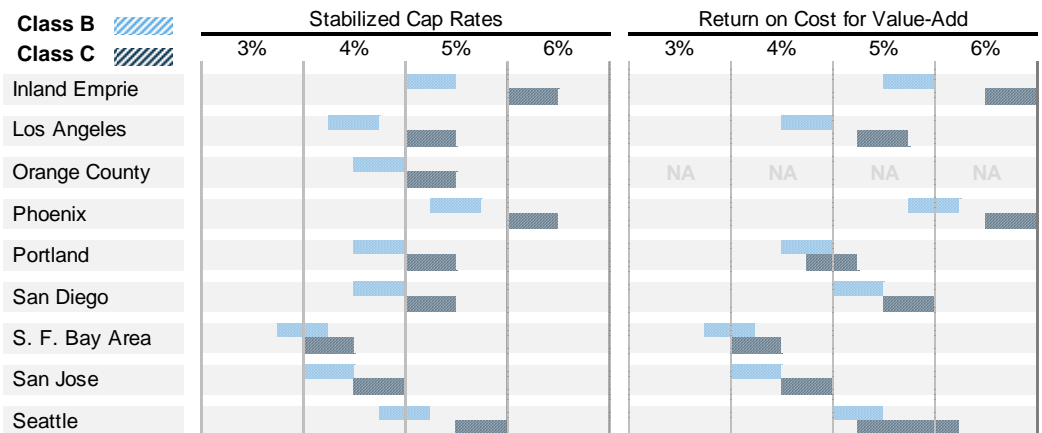
Properties are further classified by their location in either suburban, or urban/infill, locations. Urban/infill neighborhoods have high barriers to entry for new construction of multifamily units due to the lack of available space. They are also closer to companies who employ workforce labor, and therefore typically have a higher percentage of Class B/C properties. These properties are attractive to professional multifamily investors who can identify potential improvements, increase rents and eventually sell the property at a higher valuation. Such "value-add" investments tend to provide a higher percentage return than stabilized cap rates. Various West Coast markets range in stabilized cap rates between 3.75% and 5.75% for Class B properties, and 4.0% to 6.0% for Class C properties.<sup>[75]</sup> In the case of value-add properties, the return on cost can range from 3.25% to 6.25% for Class B properties and 4.0% to as high as 7.0% for Class C.<sup>[76]</sup>

**Opus Bank's Multifamily Lending**

Opus Bank is a leading multifamily lender on the West Coast. As of December 31, 2014, Opus had approximately \$2.2 billion in multifamily loans\* — up \$593 million during 2014 — which was

**Cap Rates and Return on Cost for Class B & C Properties**

Infill/urban markets, second half of 2014



Source: CBRE Research

[66] Commercial Real Estate Finance Company of America  
 [67] Commercial Real Estate Finance Company of America  
 [68] Commercial Real Estate Finance Company of America  
 [69] Marcus & Millichap 2015 National Apartment Report  
 [70] CoStar Group, Inc.  
 [71] Real Capital Analytics  
 [72] Marcus & Millichap 2015 National Apartment Report  
 [73] CoStar Group, Inc.  
 [74] Real Capital Analytics  
 [75] CBRE Research  
 [76] CBRE Research  
 \* Excludes acquired loans



**Opus underwrites multifamily loans at a “stressed” underwriting rate that is higher than the start-rate of the loan**

the second largest year-over-year dollar increase in multifamily loans among banks headquartered in California, Oregon and Washington.<sup>[77][78]</sup>

Opus’ Income Property Banking division originates multifamily loans used to purchase or refinance apartment buildings in major urban/infill metropolitan areas up and down the West Coast. Stringent guidelines on loan-to-value (LTV) and debt service coverage ratio (DCR) are utilized to mitigate credit risk. In addition, the majority of multifamily loans are underwritten with recourse and personal guarantees from the borrower and are eligible for a 50% risk-weighting under banking capital regulations if specific criteria are met.<sup>[79]</sup> Opus Bank strives to maximize this opportunity. Qualifying loans generally have underwriting characteristics of maintaining a good payment history, maximum LTVs of 75%, minimum underwritten DCRs of 1.20x, minimum FICO scores of 680, a track record of property management experience, and a strong sponsor. Opus collects borrowers’ current financial statements annually to evaluate DCRs.

Opus’ multifamily loans range in size from \$500,000 to \$18 million, with a “sweet spot” of \$1.5 to \$5.0 million.<sup>[80]</sup> The average loan size of Opus’ originated multifamily residential loans was \$1.9 million as of December 31, 2014, with a weighted average LTV of 68% at origination and a weighted average DCR of 1.49x.<sup>[81]</sup> Opus’ multifamily loans generally have a maximum LTV of 75% and a DCR of more than 1.2x at origination.<sup>[82]</sup> Opus’ multifamily portfolio totaled \$2.3 billion as of December 31, 2014 and had a current weighted average LTV of 67.4% and current weighted average DCR of 1.66x.

Opus’ multifamily loans are primarily hybrid adjustable loans that have fixed rates for an initial period of three to five years and adjustable rates thereafter at a spread over LIBOR.<sup>[83]</sup> Multifamily loans include interest rate floors, life caps, and declining prepayment protection based on a percentage of the outstanding loan balance for a stated term.<sup>[84]</sup> Opus underwrites multifamily loans at a “stressed” underwriting rate that is higher than the start-rate of the loan, which provides greater protection to the loan’s debt service coverage and future ability to refinance should rates rise. Lastly, the loan’s initial start rate equals the floor of the loan. Loans are amortized over 30 years and can include 5-, 7-, 10-, 15- and 30-year final maturities, although the overwhelming majority have 10- or 15-year maturities.<sup>[85]</sup>

Opus’ multifamily borrowers are sophisticated investors who own multiple properties, generally with total portfolios of between 50 and 2,500 units and therefore have meaningful banking needs.<sup>[86]</sup> Properties are typically located in urban/infill areas near workforce labor and in close proximity to transportation.<sup>[87]</sup> Opus’ multifamily lenders have high cash flow businesses and utilize leverage to expand their businesses, generally seeking loans of between \$500,000 and \$18 million.<sup>[88]</sup>

In addition, the typical Opus multifamily borrower has high loan, treasury and cash management needs that are best served by a single provider capable of offering such services. Opus Bank has sufficient capital to accommodate the repeat business of the typical multifamily investor. As of December 31, 2014, Opus’ legal lending limit is \$135.4 million, which is much larger than the average community bank’s limit.<sup>[89]</sup> Opus’ current “in-house” loan to one borrower limit is \$55 million.

Opus’ clients often utilize 1031 Exchange strategies as a means to defer tax payments on the sale of multifamily properties and roll the tax basis into another multifamily property of “like kind”. Banks that offer clients confidence in the execution of their multifamily loans, as well as speed of execution, are preferred by those purchasing properties through an exchange. Slower loan credit approval, underwriting and processing operations can jeopardize the timely

[77] SNL Financial  
[78] Excludes acquired loans  
[79] FDIC Call Report Guidelines  
[80] Opus Bank Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the FDIC  
[81] Ibid  
[82] Ibid  
[83] Ibid  
[84] Ibid  
[85] Ibid  
[86] Ibid  
[87] Ibid  
[88] Ibid  
[89] Ibid



**A significant amount of Opus' multifamily business is with repeat borrowers**

execution of 1031 Exchange transactions, which could have a devastating financial impact to the transaction and the borrower. Opus Bank strives to serve this need of timing through its process efficiencies.

Lastly, having a presence in the major urban metro markets up and down the West Coast, as well as a strong understanding of the multifamily market in each locale, allows Opus to follow borrowers as they source investments. A significant amount of Opus' multifamily business is with repeat borrowers, which makes internal underwriting a less time consuming and more efficient process. In order to serve the acquisition market effectively and provide "certainty of execution" to the market, Opus has developed the infrastructure necessary to efficiently underwrite, process, close and portfolio manage multifamily loans.

Opus Bank had approximately \$2.4 billion in multifamily loans as of March 31, 2015, of which approximately \$95 million were from prior acquisitions of banks.<sup>[90]</sup> Opus' multifamily loans measured 54% of total loans in the 1Q 2015 (including acquired loans), down from 60% in 1Q 2014.<sup>[91]</sup> The company expects that the percentage of multifamily loans will decrease to 50% by the end of 2015 as a result of the accelerated growth rates of Opus' Commercial Banking and specialty banking divisions.<sup>[92]</sup>

As of December 31, 2014, Opus' reserves for originated multifamily loan losses were \$7.7 million, or 0.35% of originated multifamily loans.<sup>[93][94]</sup> By comparison, reserves for originated commercial real estate loans were 0.49% and reserves for commercial business loans were 1.58%. The total reserve ratio for western banks during the 4Q 2014 was 1.31%.<sup>[95]</sup>

**New York Multifamily Market**

Several multifamily markets in California have similar characteristics to the New York market in terms of size, density, scarcity of developable land, construction and zoning regulations, and rent control. The top ranked multifamily investment markets in the country – including New York and the San Francisco Bay Area -- also share similar characteristics of barriers to entry, sub-5% vacancy rates, and above average job growth.<sup>[96]</sup> Yet, there are some important distinctions that are often overlooked when evaluating multifamily lending on the West Coast.

New York City is the largest multifamily market in the United States with approximately 1.5 million occupied units.<sup>[97]</sup> Approximately 50% of the population lives in apartments, which is the highest percentage among major metro areas in the country.<sup>[98]</sup>

The New York City Rent Guidelines Board is responsible for setting rent adjustments for the approximately one million dwelling units subject to the Rent Stabilization Law in New York City.<sup>[99]</sup> Rent-regulated housing refers to both "rent-controlled" and "rent-stabilized" apartments that are differentiated by whether the tenant (or his qualifying family member) has been living in the unit continuously since before July 1, 1971.<sup>[100]</sup> If the unit becomes vacant, it then falls under rent-stabilization rules, but generally must have been built before 1974, have six or more apartments and the rent must be below \$2,500 per month.<sup>[101]</sup> As of 2011, rent stabilized apartments comprise approximately 59% of rental apartments in the Bronx, 43% of apartments in Brooklyn, 45% of Manhattan apartments, 42% of Queens apartments, and 15% of Staten Island apartments.<sup>[102]</sup>

Rent controls serve to stabilize the income stream of multifamily properties by reducing tenant turnover and moderating changes in rents. Rent control also tends to increase net operating income (NOI) as units turn and rents "go to market".

[90] Opus Bank Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the FDIC  
[91] Opus Bank Earnings Press Releases  
[92] As previously guided on the 1Q 2015 Earnings Conference Call  
[93] Excludes acquired loans and reserves for acquired loans  
[94] Opus Bank Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the FDIC  
[95] FDIC Quarterly Banking Profile Q4 2014  
[96] Marcus & Millichap 2015 National Apartment Report  
[97] National Multifamily Housing Council  
[98] National Multifamily Housing Council  
[99] New York City Rent Guidelines Board  
[100] New York City Rent Guidelines Board  
[101] New York City Rent Guidelines Board  
[102] New York City Rent Guidelines Board



The average asking rent in the New York area is \$3,281 and is expected to increase 4.2% in 2015.<sup>[103]</sup> Vacancies are up in New York over the past year, despite being low relative to other metro areas in the U.S.<sup>[104]</sup> In fact, New York vacancy rates are the highest they have been since 2003.<sup>[105]</sup>

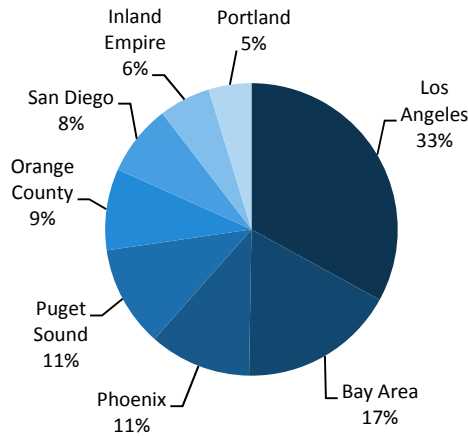
New York style loan structure often includes fixed for 5-year loans that then reset at another fixed for 5-year period, thereby resulting in the potential for additional interest rate risk due to the longer fixed rate duration. By comparison, multifamily loans on the West Coast are typically structured as hybrid fixed-rate for 3 years or 5 years that then become floating rate tied to LIBOR.

**Opus Bank’s Multifamily Markets**

Opus’ West Coast multifamily market is composed of eight major metropolitan markets. Based on the number of multifamily housing units contained in each, Los Angeles is the largest, with 33% of the market<sup>[106]</sup>. The San Francisco Bay Area, which also includes San Jose and the East Bay, makes up 17%, while metro areas outside of California constitute a combined 27% of multifamily housing on the West Coast.<sup>[107]</sup>

**Opus’ West Coast multifamily market is composed of eight major metropolitan markets**

**Composition of West Coast Markets by Units**



Source: REIS, Inc.

Opus Bank is positioned to take advantage of the strength of urban, densely populated, major metropolitan multifamily housing markets up and down the West Coast. Notwithstanding the company’s position as one of the top multifamily lenders, Opus’ market share is less than 1% in all of the markets in which it has multifamily relationships, including its largest market of Los Angeles.

Opus’ footprint includes major urban metropolitan markets along the West Coast which have the lowest unemployment rates, on average. Overall economic conditions on the West Coast are improving. According to the Bureau of Labor Statistics, the West Coast as a whole had an unemployment rate of 6.7 % (not seasonally adjusted) as of February 2015, down from 8.1% in the year-ago period.<sup>[108]</sup> While this is above the national average of 5.8% (February 2015), it also includes large rural areas in Central California and Central and Eastern Washington with major agricultural workforces that have skewed unemployment rates higher over the past few years. About half of California’s agricultural output is produced in six counties, which combined have an unemployment rate of 11.5% (as of February 2015).<sup>[110][111]</sup>

[103] REIS, Inc.  
 [104] REIS, Inc.  
 [105] REIS, Inc.  
 [106] National Multifamily Housing Council  
 [107] National Multifamily Housing Council  
 [108] Bureau of Labor Statistics  
 [109] Bureau of Labor Statistics  
 [110] University of California, Davis  
 [111] State of California, Employment Development Department, Labor Market Information Division



Individual states' unemployment rates (not seasonally adjusted) among the western states in which Opus operates were 6.6% for Arizona, 7.3% for California, 6.6% for Oregon and 7.0% in Washington.<sup>[112]</sup>

Average asking rent levels in West Coast major metro markets range from \$2,299 in San Francisco, CA to only \$965 in Portland, OR and \$840 in Tacoma, WA.<sup>[113]</sup> Also, vacancy rates in western markets are among the lowest in the nation, typically under 4%, and are near all-time lows in many areas.<sup>[114]</sup>

The following pages contain overviews of Opus' submarkets on the West Coast.

Opus Bank's Multifamily Markets Along the West Coast



[112] Bureau of Labor Statistics  
[113] REIS, Inc.  
[114] REIS, Inc.



Los Angeles

Los Angeles is the second largest multifamily market in the United States, second only to New York City, and the largest on the West Coast with approximately 775,000 units.<sup>[115]</sup> It ranks within the top multifamily investment markets in the nation and has improved markedly over the past year.<sup>[116]</sup> The unemployment rate in the Los Angeles-Long Beach-Glendale, CA metro area was 7.7% as of February 2015, down from 8.7%, as 45,700 fewer unemployed workers existed compared to the year ago period.<sup>[117]</sup>

Approximately 43% of the population lives in apartments.<sup>[118]</sup> The vacancy rate was 3.2% during 2014 and is expected to increase to 3.8% by 2016 as construction outstrips new household formation from continued employment growth.<sup>[119]</sup> The average rent was \$1,529 in 4Q 2014, up 2.4% year-over-year.<sup>[120]</sup>

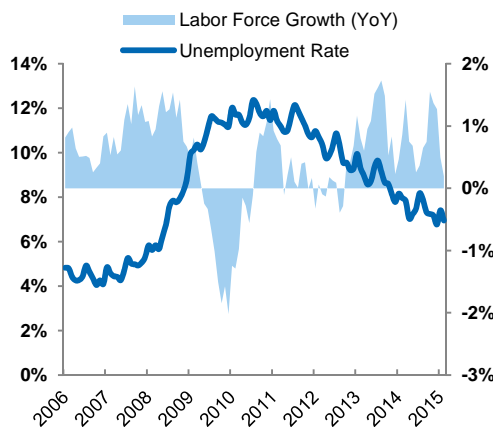
Within the larger metro area there are dozens of submarkets, including sizable cities that would otherwise constitute small- to mid-sized metro areas on their own, such as Long Beach, the San Fernando Valley, the San Gabriel Valley and Santa Monica. Many of the submarkets are areas that have enacted rent stabilization (rent control) legislation, including West Hollywood, Beverly Hills, Thousand Oaks, and Santa Monica.<sup>[121]</sup> We estimate that approximately 1/3 of the multifamily housing in the Los Angeles MSA is rent-controlled. In addition to rent control, restrictive land-use and zoning legislation also hampers the supply of new housing.

The Los Angeles market has a large immigrant population who demands lower rents and convenient locations near job centers. Over two-thirds of multifamily housing stock in Los Angeles is Class B/C, workforce housing properties.<sup>[122]</sup> Class B/C properties' vacancy rate is only 1.9% versus 5.9% for Class A.<sup>[123]</sup>

The rolling 12-month cap rate in Los Angeles was 5.6% at the end of 4Q 2014.<sup>[124]</sup> Cap rates in eastern parts of L.A. County can approach 6%.<sup>[125]</sup>

Los Angeles Employment Conditions

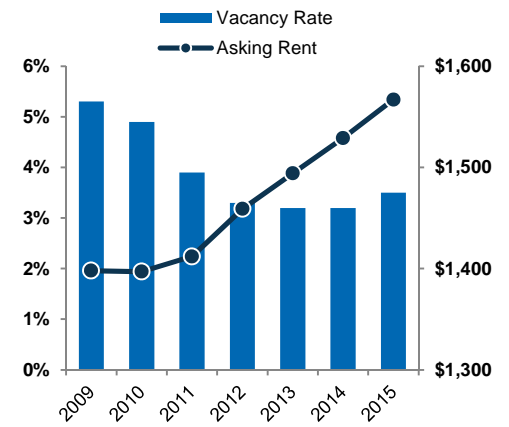
Labor Force and Unemployment Trends



Source: Bureau of Labor Statistics

Los Angeles Multifamily Performance

Vacancy Rate and Asking Rent Trends



Source: REIS, Inc.

[115] REIS, Inc.  
 [116] Marcus & Millichap 2015 National Apartment Report  
 [117] Bureau of Labor Statistics  
 [118] National Multifamily Housing Council  
 [119] REIS, Inc.  
 [120] REIS, Inc.  
 [121] California Department of Consumer Affairs  
 [122] REIS, Inc.  
 [123] REIS, Inc.  
 [124] REIS, Inc.  
 [125] Marcus & Millichap 2015 National Apartment Report



### Orange County

Orange County is the fourth largest multifamily market on the West Coast with approximately 211,000 units.<sup>[126]</sup> Geographically, Orange County is located immediately south of the Los Angeles MSA, bordering it on the north at La Habra and stretching to the south along Interstate 5 to San Clemente. It is the home of over 3 million people, making Orange County the third-most populous county in the state and the sixth largest in the nation – more populous than 21 U.S. states.<sup>[127]</sup> The largest submarkets include Anaheim, Irvine and Santa Ana, each of which have more than 200,000 residents.<sup>[128]</sup>

Demand for multifamily housing in Orange County is very strong. Orange County has one of the lowest unemployment rates in the State of California at 4.6% as of February 2015.<sup>[129]</sup> Yet, it also has one of the lowest affordability levels of single family housing in the West. The median listing price of homes for sale in Orange County is \$645,900 compared to a median household income of \$75,422.<sup>[130][131]</sup> The California Association of Realtors® estimates that only 21% of households can afford the median-priced home.

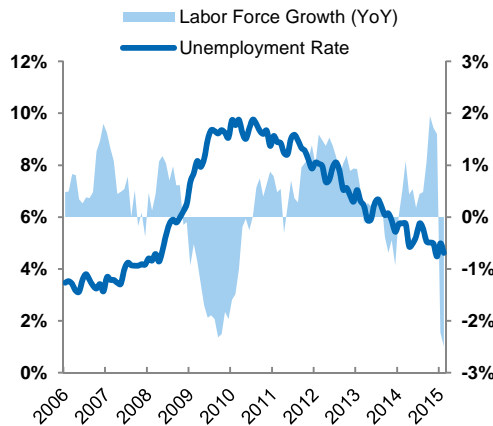
As a result of the strong demand, Orange County has the sixth lowest apartment vacancy rate in the nation at 2.5%.<sup>[132]</sup> The average rent level in 4Q 2014 was \$1,680.<sup>[133]</sup> Annual rent growth is expected to surpass 5% in 2015 due to lack of housing options, especially in less-expensive submarkets.<sup>[134]</sup>

Workforce housing makes up the majority of apartments in Orange County, as 61% of multifamily housing is Class B/C.<sup>[135]</sup>

The rolling 12-month cap rate in Orange County was 5.1% at the end of 4Q 2014.<sup>[136]</sup>

### Orange County Employment Conditions

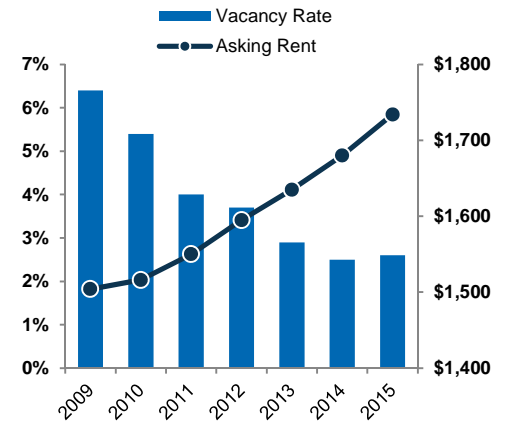
Labor Force and Unemployment Trends



Source: Bureau of Labor Statistics

### Orange County Multifamily Performance

Vacancy Rate and Asking Rent Trends



Source: REIS, Inc.

[126] REIS, Inc.  
 [127] U.S. Census Bureau  
 [128] U.S. Census Bureau  
 [129] Bureau of Labor Statistics  
 [130] Zillow  
 [131] U.S. Census Bureau  
 [132] REIS, Inc.  
 [133] REIS, Inc.  
 [134] Marcus & Millichap 2015 National Apartment Report  
 [135] REIS, Inc.  
 [136] REIS, Inc.







### San Diego

The San Diego market is geographically defined by the borders of San Diego County, which borders Orange County in the north at San Clemente and runs to the Mexican border in the south. Approximately 3.3 million people live in the San Diego-Carlsbad MSA, ranking it the 17th largest metro area in the nation.<sup>[137]</sup> San Diego has approximately 185,000 multifamily units, half of which are spread throughout submarkets that extend 30 miles up the California coastline from La Jolla to Oceanside.<sup>[138]</sup>

The San Diego-Carlsbad MSA unemployment rate was 5.3% in February 2015, spurred by job growth in the Military and Biotech firms, as well as Tourism and continued immigration.<sup>[139][140]</sup> Next year San Diego is expected to add 37,000 jobs, or 2.7% growth in total payrolls.<sup>[141]</sup> San Diego's housing affordability is low, with only 27% of families able to afford the median priced home.<sup>[142]</sup>

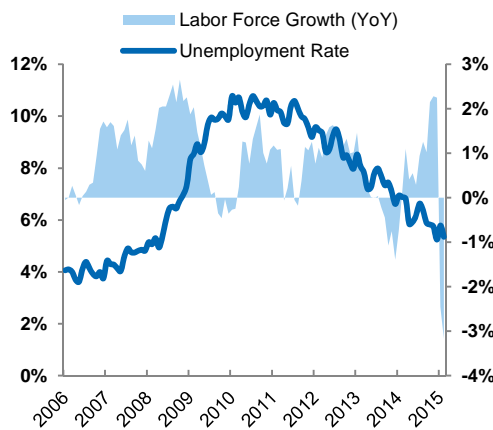
The average rent level in San Diego was \$1,485, up 0.8% last year, the 19th consecutive quarterly increase, and increased by 5.7% last year.<sup>[143][144]</sup> San Diego has the second lowest vacancy rate in the nation at 2.4%, which also marks the lowest vacancy rate for the area since 2001.<sup>[145]</sup> Approximately 29% of the population lives in apartments.<sup>[146]</sup> Only 2,700 new units are anticipated for 2015.<sup>[147]</sup> By comparison, the average number of new households formed per year since 2005 is 9,500.<sup>[148]</sup> Demand for more affordable options in Class B/C workforce housing units is therefore likely to increase in 2015.

San Diego County has a large military population, including Camp Pendleton with more than 42,000 active duty personnel and three U.S. Navy bases with over 38,000 personnel.<sup>[149][150]</sup> Service industries supporting military personnel and their families are significant sources of jobs for workforce labor.<sup>[151]</sup> Approximately 60% of multifamily housing in the San Diego market is Class B/C.<sup>[152]</sup>

The rolling 12-month cap rate in San Diego was 5.6% at the end of 4Q 2014.<sup>[153]</sup>

### San Diego Employment Conditions

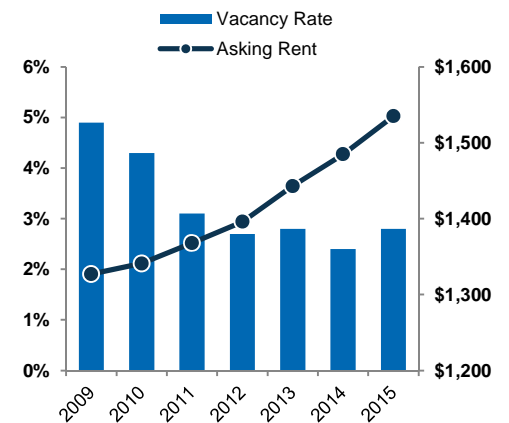
Labor Force and Unemployment Trends



Source: Bureau of Labor Statistics

### San Diego Multifamily Performance

Vacancy Rate and Asking Rent Trends



Source: REIS, Inc.

[137] U.S. Census Bureau  
 [138] REIS, Inc.  
 [139] Bureau of Labor Statistics  
 [140] Marcus & Millichap 2015 National Apartment Report  
 [141] Marcus & Millichap 2015 National Apartment Report  
 [142] California Association of Realtors®  
 [143] REIS, Inc.  
 [144] Marcus & Millichap 2015 National Apartment Report  
 [145] REIS, Inc.  
 [146] National Multifamily Housing Council  
 [147] Marcus & Millichap 2015 National Apartment Report  
 [148] Marcus & Millichap 2015 National Apartment Report  
 [149] United States Marine Corp, Camp Pendleton website  
 [150] San Diego Tourism Authority  
 [151] San Diego Tourism Authority  
 [152] REIS, Inc.  
 [153] REIS, Inc.





### Inland Empire

The Inland Empire (I.E.) is the commonly used name of the Riverside-San Bernardino-Ontario metropolitan area, which geographically borders Los Angeles to the east. Beginning approximately 50 miles inland from the Pacific Ocean, the area stretches 100 miles eastward as far as Palm Springs and Palm Desert. The Inland Empire also includes the cities of Hesperia and Victorville, approximately 20 miles north along Interstate 15. The total population of the Inland Empire is approximately 4.4 million, ranking it as the 13th largest metropolitan area in the nation.<sup>[154]</sup>

The unemployment rate was 6.8% as of February 2015, down from 8.9% one year earlier.<sup>[155]</sup> The Inland Empire is one of the few remaining metro areas that have yet to regain their pre-recession employment levels.<sup>[156]</sup> Economic drivers during the last expansion phase included robust residential development and extraordinary population growth. Alternatively, the economy is now benefitting from the region's major logistics/distribution industry.<sup>[157]</sup> Close proximity to Southern California's ports and vast amounts of affordable land for development has resulted in the Inland Empire becoming one of the nation's top areas for the development of warehouse/distribution space.<sup>[158]</sup> As a result, logistics and transportation companies and fulfillment centers have been a strong source of job growth over the past few years.

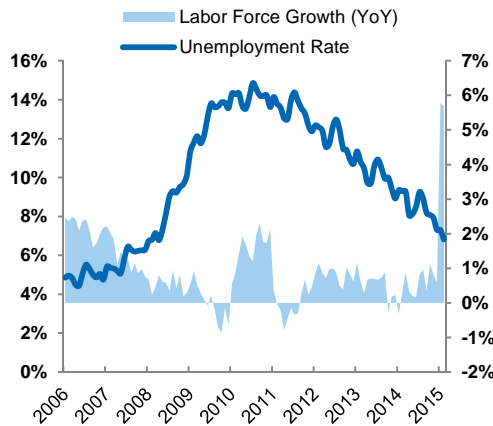
There is strong demand for workforce apartment housing in the Inland Empire. Out of the approximately 134,000 total multifamily housing units, 57% are Class B/C.<sup>[159]</sup> The median household income is approximately 10% lower than the median household income level in California.<sup>[160]</sup> Traffic conditions on the major interstate highways running through the Inland Empire can be an issue, resulting in more workers choosing to live closer to their jobs.

The average rent was \$1,131 during the 4Q 2014, up 0.7% during the quarter and up 9.6% since 2010.<sup>[161]</sup> Vacancy is low at only 2.9% as market absorption over the past few years has been strong due to the scarcity of recent development and favorable demand.<sup>[162]</sup>

The rolling 12-month cap rate in the San Bernardino/Riverside MSA was 7.8% at the end of 4Q 2014.<sup>[163]</sup>

### Inland Empire Employment Conditions

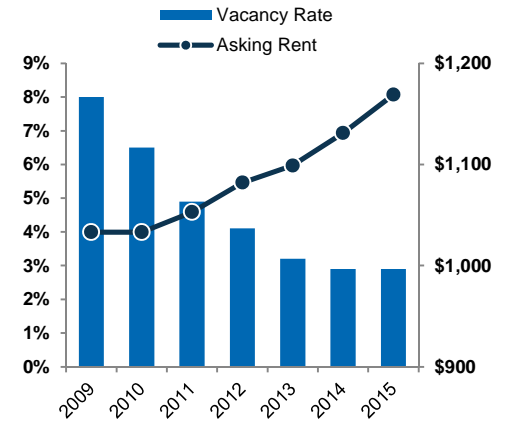
Labor Force and Unemployment Trends



Source: Bureau of Labor Statistics

### Inland Empire Multifamily Performance

Vacancy Rate and Asking Rent Trends



Source: REIS, Inc.

[154] U.S. Census Bureau  
 [155] U.S. Census Bureau  
 [156] REIS, Inc.  
 [157] REIS, Inc.  
 [158] REIS, Inc.  
 [159] REIS, Inc.  
 [160] U.S. Census Bureau  
 [161] REIS, Inc.  
 [162] REIS, Inc.  
 [163] REIS, Inc.





### San Francisco Bay Area

The San Francisco Bay Area market is the second largest multifamily market on the West Coast with approximately 288,000 units.<sup>[164]</sup> The Bay Area includes the major submarkets of San Francisco to the west and Oakland-East Bay to the east. The San Francisco-Oakland-Hayward, CA metro area has approximately 4.6 million residents, making it the 11th largest metro area in the country.<sup>[165]</sup> The San Francisco submarket includes the City of San Francisco, as well as Marin County to the north, including the city of San Rafael, and San Mateo County, which stretches 30 miles south to Redwood City (bordering Silicon Valley). The Oakland-East Bay submarket is contained in two counties: Alameda to the south with approximately 1.6 million people and Contra Costa to the north, with approximately 1.1 million people.<sup>[166]</sup> It also includes the cities of Oakland, Berkeley and Walnut Creek.

The San Francisco-Oakland-Hayward MSA had an unemployment rate of only 4.5% as of February 2015, which is the lowest unemployment rate among MSAs on the West Coast (tied with San Jose), and one of the lowest in the nation.<sup>[167]</sup>

San Francisco is the number one ranked multifamily market in the country according to Marcus & Millichap's 2015 National Apartment Index, while Oakland ranked 4th, but moved up 5 positions from last year. The East Bay has the lowest vacancy rate in the nation and is expected to decrease again in 2015 to only 2.3%.<sup>[168]</sup> Rents are approximately \$1,000 lower in Oakland than in San Francisco, prompting renters to migrate east.<sup>[169]</sup> Meanwhile the vacancy rate in San Francisco is also extremely low at only 3.3%.<sup>[170]</sup> Approximately 49% of the population lives in apartments in San Francisco.<sup>[171]</sup> Average rents in San Francisco were \$2,300 during the 4Q 2014.<sup>[172]</sup>

Similar to Los Angeles, the Bay Area contains major rent-controlled submarkets, including the cities of San Francisco, Oakland, Berkeley, Fremont, and Hayward.<sup>[173]</sup> The city of San Francisco is the largest rent-controlled market, which makes up 45% of the population of the San Francisco-Marin-San Mateo market.<sup>[174]</sup> We estimate that approximately 33% of the East Bay is rent-controlled.

Investors in rent-controlled multifamily properties in the Bay Area tend to have a sophisticated approach that takes into account the demographics that drive tenancy and rent levels. Rent control puts downward pressure on cap rates, although turning over rent-controlled units is one of the most lucrative options for owners.<sup>[175]</sup> The difference between "going-in" cap rates and "going-out" cap rates can be hundreds of basis points.

The pace of apartment construction in San Francisco is expected to increase in 2015.<sup>[176]</sup>

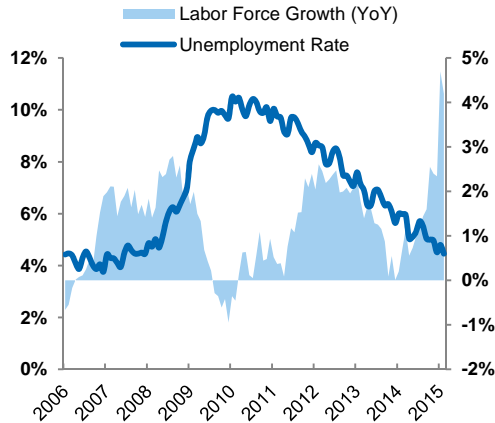
The rolling 12-month cap rate in San Francisco was 5.9% and was 6.2% in Oakland-East Bay at the end of 4Q 2014.<sup>[177]</sup>

[164] REIS, Inc.  
[165] U.S. Census Bureau  
[166] U.S. Census Bureau  
[167] Bureau of Labor Statistics  
[168] Marcus & Millichap 2015 National Apartment Report  
[169] Marcus & Millichap 2015 National Apartment Report  
[170] REIS, Inc.  
[171] National Multifamily Housing Council  
[172] REIS, Inc.  
[173] California Department of Consumer Affairs  
[174] California Department of Consumer Affairs  
[175] Marcus & Millichap 2015 National Apartment Report  
[176] Marcus & Millichap 2015 National Apartment Report  
[177] REIS, Inc.



### San Francisco Employment Conditions

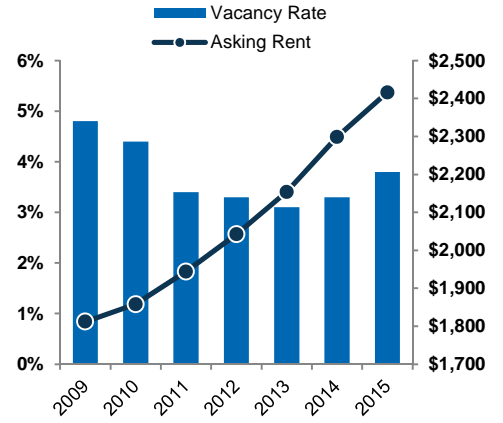
Labor Force and Unemployment Trends



Source: Bureau of Labor Statistics

### San Francisco Multifamily Performance

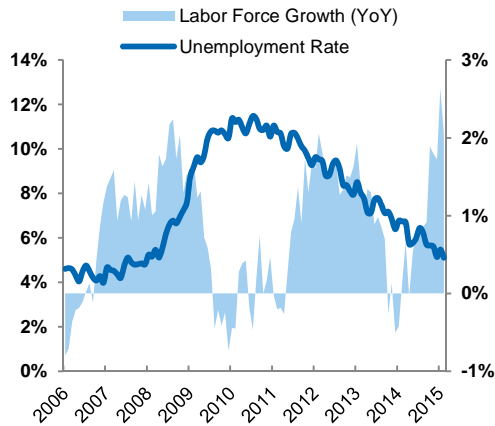
Vacancy Rate and Asking Rent Trends



Source: REIS, Inc.

### East Bay Employment Conditions

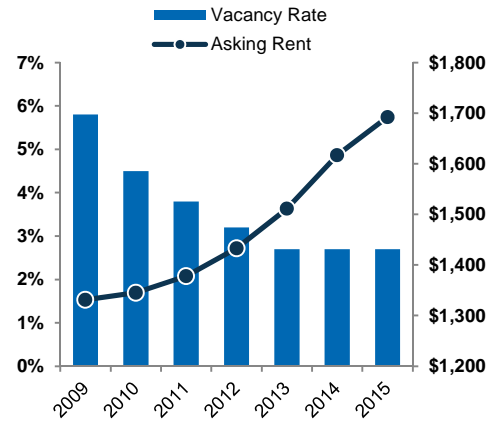
Labor Force and Unemployment Trends



Source: Bureau of Labor Statistics

### East Bay Multifamily Performance

Vacancy Rate and Asking Rent Trends



Source: REIS, Inc.



### San Jose

Immediately south of both the San Francisco and the Oakland-East Bay markets, the San Jose-Sunnyvale-Santa Clara metro area has a population of approximately 2.0 million.<sup>[178]</sup> The area is distinct among other Bay Area markets in that San Jose includes submarkets that constitute Silicon Valley, such as Palo Alto, Mountain View, Sunnyvale, and Cupertino, which are home to some of the world's largest technology firms. Moreover, some of the world's largest venture capital investment firms are also located in the San Jose market.

The successes of technology firms and their investors have contributed to strong economic growth in the San Jose market. The unemployment rate was just 4.5% as of February 2015, tied for the lowest with San Francisco among major West Coast markets and one of the lowest in the nation.<sup>[179]</sup> The median household income in Santa Clara County (which includes the San Jose market) is 50% higher than the California State median income.<sup>[180]</sup>

San Jose is the fifth largest multifamily market in California. Marcus & Millichap rank San Jose 3rd in its National Apartment Index.<sup>[181]</sup> The average rent was \$1,931 during the 4Q 2014, up 1.1% for the quarter and up 31% over the past five years.<sup>[182]</sup> Rents are expected to increase by 6.1% during 2015.<sup>[183]</sup>

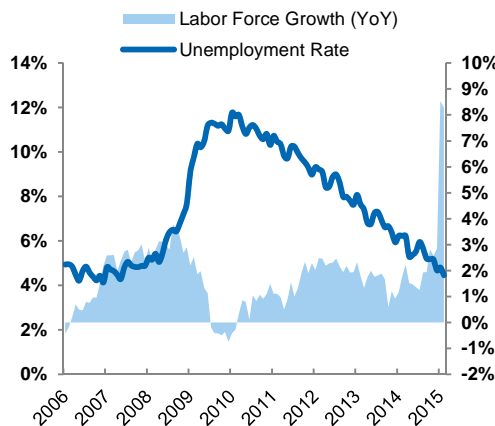
Rent-controlled markets within the San Jose area include the cities of San Jose, East Palo Alto, Campbell, and Los Gatos.<sup>[184]</sup> We estimate that approximately 55% of the San Jose market is rent-controlled.

Approximately 22% of the population lives in apartments.<sup>[185]</sup> The vacancy rate in San Jose is only 2.4%, which is the fifth lowest in the nation and the third lowest in the West.<sup>[186]</sup> Due to the above average household income level, demand for Class A multifamily units is high. Class B/C apartments make up only 44% of the market.<sup>[187]</sup>

The rolling 12-month cap rate in San Jose was 5.7% at the end of 4Q 2014.<sup>[188]</sup>

### San Jose Employment Conditions

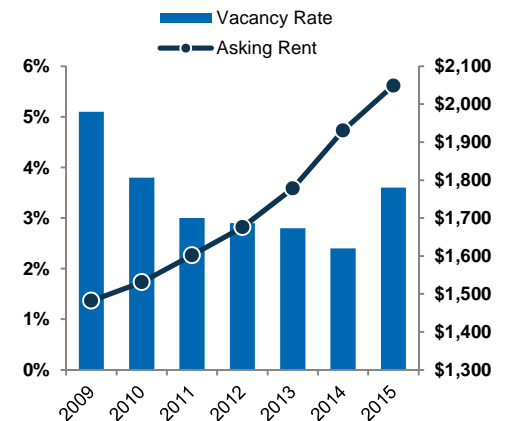
Labor Force and Unemployment Trends



Source: Bureau of Labor Statistics

### San Jose Multifamily Performance

Vacancy Rate and Asking Rent Trends



Source: REIS, Inc.

[178] U.S. Census Bureau  
 [179] U.S. Census Bureau  
 [180] U.S. Census Bureau  
 [181] Marcus & Millichap 2015 National Apartment Report  
 [182] REIS, Inc.  
 [183] REIS, Inc.  
 [184] California Department of Consumer Affairs  
 [185] National Multifamily Housing Council  
 [186] REIS, Inc.  
 [187] REIS, Inc.  
 [188] REIS, Inc.



### Puget Sound

The Seattle-Tacoma-Bellevue, WA metropolitan statistical area, commonly referred to as the Puget Sound region, encompasses a population of over 3.5 million, making it the 15th largest metro area in the nation.<sup>[189]</sup> The Puget Sound market is the third largest multifamily housing market on the West Coast with approximately 263,000 units among the three major submarkets.<sup>[190]</sup>

Seattle is the largest submarket with over 600,000 people, although the MSA also includes sizable populations ranging from Everett 30 miles to the north, down to Tacoma 30 miles to the south and east to Bellevue/Issaquah across Lake Washington.<sup>[191]</sup> Populations are concentrated along major transportation routes, including Interstate 5 and 90, as well as the major seaports located at Elliott Bay in Seattle and Commencement Bay in Tacoma.

Job growth has been very strong in Seattle and is expected to continue in 2015.<sup>[192]</sup> The unemployment rate was 5.5% in the Seattle-Tacoma-Bellevue MSA in February 2015, the lowest among metro areas in Washington State and second only to San Francisco Bay Area unemployment rates among metro areas on the West Coast.<sup>[193]</sup> High Tech and other local startup companies are expected to add an estimated 50,000 jobs during 2015.<sup>[194]</sup>

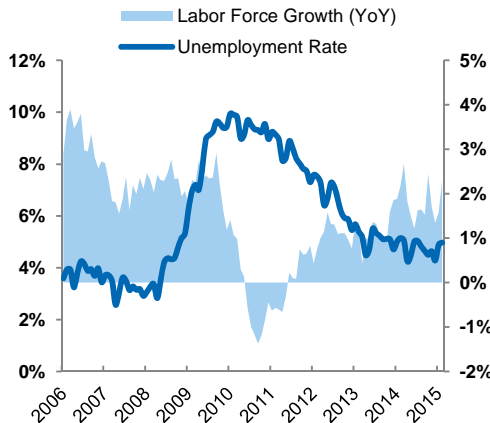
Approximately 36% of the population lives in apartments.<sup>[195]</sup> The average vacancy rate was 4.6% during 4Q 2014, which is high relative to other “hot” markets along the West Coast.<sup>[196]</sup> Developers have added 22,000 new units over the past three years and are expected to complete another 12,000 by year-end 2015.<sup>[177]</sup> Despite the strong job growth, the average vacancy rate is expected to increase to 5.1% in 2015 due to the increased supply.<sup>[198]</sup>

The average rent level was \$1,270 as of 4Q 2014, up 1.1% during the quarter and the 20th consecutive quarterly increase.<sup>[199]</sup> Asking rents increased by 8.0% during 2014 due to surging demand and are estimated to increase by 5.5% in 2015.<sup>[200][201]</sup>

As a result of rising rent levels and the addition of mostly Class A new units, workforce labor is expected to move further from the city core to seek affordable housing.<sup>[202]</sup> The multifamily housing stock in the Puget Sound is approximately split 50-50 between Class A and Class B/C.<sup>[203]</sup> The rolling 12-month cap rate in Seattle was 6.0% at the end of 4Q 2014.<sup>[204]</sup>

### Seattle Employment Conditions

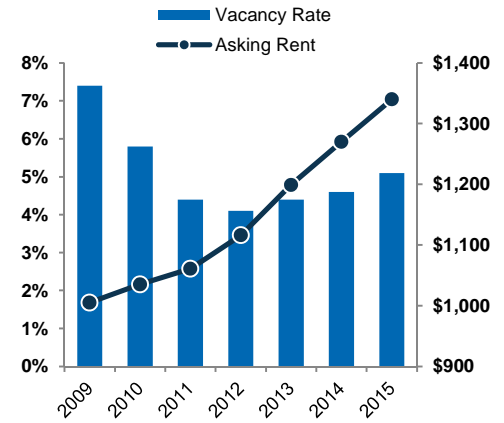
Labor Force and Unemployment Trends



Source: Bureau of Labor Statistics

### Seattle Multifamily Performance

Vacancy Rate and Asking Rent Trends



Source: REIS, Inc.

[189] U.S. Census Bureau  
 [190] REIS, Inc.  
 [191] U.S. Census Bureau  
 [192] Marcus & Millichap 2015 National Apartment Report  
 [193] Bureau of Labor Statistics  
 [194] Marcus & Millichap 2015 National Apartment Report  
 [195] National Multifamily Housing Council  
 [196] REIS, Inc.  
 [197] Marcus & Millichap 2015 National Apartment Report  
 [198] REIS, Inc.  
 [199] REIS, Inc.  
 [200] Marcus & Millichap 2015 National Apartment Report  
 [201] REIS, Inc.  
 [202] Marcus & Millichap 2015 National Apartment Report  
 [203] REIS, Inc.  
 [204] REIS, Inc.





Portland

While the City of Portland has a population of approximately 600,000, the Portland-Vancouver-Hillsboro MSA has a population of approximately 2.3 million. The MSA includes Beaverton to the west, with approximately 94,000 residents, and Lake Oswego to the south, with approximately 38,000 people. Many would-be Oregon residents choose to live across the Columbia River in Vancouver, WA, which has a population of over 167,000, due to the lack of a personal income tax in Washington State (while Oregon does not impose a sales tax).

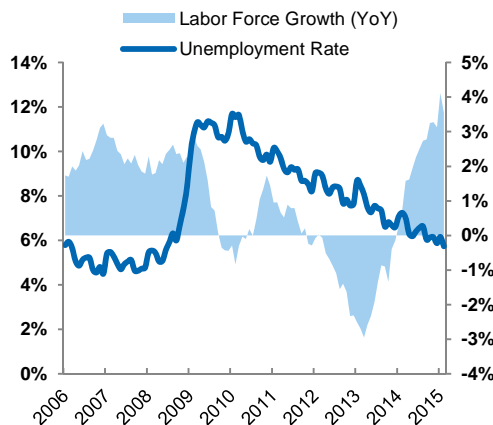
The Portland, OR market is one of the most attractive for multifamily investors due to strong employment growth, driving increases in rents. Marcus & Millichap ranks it 12th in its 2015 National Apartment Index. Portland's unemployment rate was 5.7% as of February 2015, with 39,300 jobs added during the twelve months ended in February. Major employers include high-tech companies, such as Intel, the largest employer in the area with 17,500 employees, who is planning further facilities investments in the area. Portland's major port handles large volumes of Pacific Rim trade as an alternative to the ports in Seattle and Tacoma.

The Portland multifamily market is the smallest among the major West Coast markets, with approximately 111,000 units. Yet, major submarkets including Beaverton and Vancouver, which constitute 28% and 16% of the multifamily inventory, respectively, have homeownership rates under 50%, versus Portland's 53% and Oregon State's 62%. Portland's vacancy rate was only 3.3% due to the strong demand created through job growth the past few years. The average asking rent is \$965, up 0.7% during 4Q 2014, which marked the 19th consecutive increase for a total of 18.5% growth in rents. Development of new apartments is expected to grow in 2015 to 5,000 units.

The rolling 12-month cap rate in Portland was 4.7% at the end of 4Q 2014.

Portland Employment Conditions

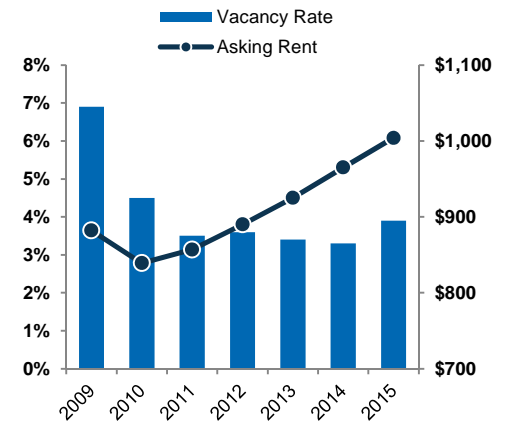
Labor Force and Unemployment Trends



Source: Bureau of Labor Statistics

Portland Multifamily Performance

Vacancy Rate and Asking Rent Trends



Source: REIS, Inc.

[205] U.S. Census Bureau  
 [206] U.S. Census Bureau  
 [207] U.S. Census Bureau  
 [208] Marcus & Millichap 2015 National Apartment Report  
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 [214] U.S. Census Bureau  
 [215] REIS, Inc.  
 [216] REIS, Inc.  
 [217] Marcus & Millichap 2015 National Apartment Report  
 [218] REIS, Inc.





### Phoenix

The Phoenix multifamily market is one of the largest in the Western region with approximately 265,000 units.<sup>[219]</sup> Phoenix has a population of approximately 1.5 million, making it the sixth most populous city in the United States, while the total Phoenix-Mesa-Scottsdale MSA has a population of nearly 4.5 million and ranks 12th nationally.<sup>[220]</sup> The Phoenix area includes major submarkets of Mesa (pop. 440,000), Chandler (pop. 250,000), Glendale (pop. 227,000) and Scottsdale (pop. 217,000).<sup>[221]</sup> Phoenix has experienced tremendous growth over the past two decades. From 1990 to 2000, the population grew by 45%, compared to 13% for the United States, which made Arizona the second fastest growing state behind Nevada.<sup>[222]</sup> From 2000 to 2010, the population grew another 29%.<sup>[223]</sup>

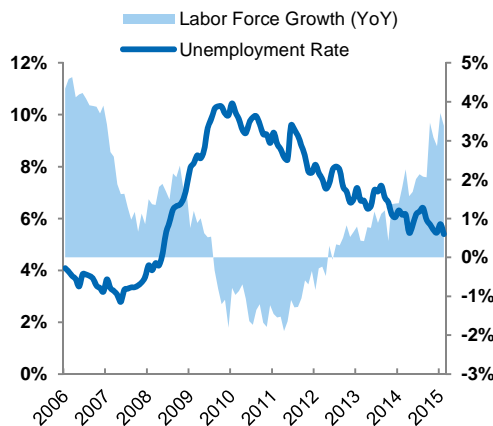
The strong growth rates experienced in the Phoenix market have created periods of real estate booms and busts. From January 2000 to the peak in housing prices in June 2006, the S&P/Case-Shiller Home Price Index for Phoenix appreciated by 127%, then gave back all of the increase in a dramatic decline that bottomed in March of 2011.<sup>[224]</sup> Since the low, the Phoenix Home Price Index has increased by 48%, encouraging a new wave of housing development, including multifamily.<sup>[225]</sup> According to REIS, there are 36 projects under construction as of February 2015, with a combined 8,614 market-rate apartments.

It is important to note that the effects of the housing booms and busts in Phoenix are largely felt in the suburban areas surrounding the city. As a result, the city center has a more stable economy that has resulted in greater demand for urban/infill multifamily housing. New development has also occurred in downtown.<sup>[226]</sup> The Phoenix-Mesa-Scottsdale MSA had an unemployment rate of 5.4% as of February 2015.<sup>[227]</sup> The recovery from the financial crisis of 2008 has only brought Phoenix back part of the way – another 37,200 jobs (1.9%) need to be added to regain the December 2007 peak in employment.<sup>[228]</sup>

Approximately 22% of the population lives in apartments.<sup>[229]</sup> The average asking rent in Phoenix is only \$831, which is well below most West Coast markets' rent levels.<sup>[230]</sup> Rents have increased every quarter since 2010 and are expected to rise 3.7% in 2015.<sup>[231]</sup> The vacancy rate was 4.7% during the 4Q 2014, down from 5.2% at year-end 2013.<sup>[232]</sup> The rolling 12-month cap rate in Phoenix was 6.6% at the end of 4Q 2014.<sup>[233]</sup>

### Phoenix Employment Conditions

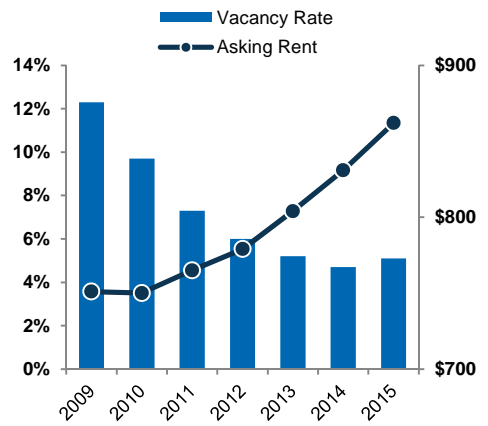
Labor Force and Unemployment Trends



Source: Bureau of Labor Statistics

### Phoenix Multifamily Performance

Vacancy Rate and Asking Rent Trends



Source: REIS, Inc.

[219] National Multifamily Housing Council  
 [220] U.S. Census Bureau  
 [221] U.S. Census Bureau  
 [222] U.S. Census Bureau  
 [223] U.S. Census Bureau  
 [224] S&P Dow Jones Indices LLC  
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 [229] National Multifamily Housing Council  
 [230] REIS, Inc.  
 [231] REIS, Inc.  
 [232] REIS, Inc.  
 [233] REIS, Inc.





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

Institution Name (Ticker)	City, State	Market Cap (\$M)	Assets (\$B)	Price as a Multiple of			Dividend			Profitability			Fundamental data as of 3/31/2015			Price data as of 4/27/2015		
				2015	2016	TBV per share <sup>1</sup>	Div Yield	Est Payout	ROAA	ROA	ROATCE	2015	2016	2017	Est. Loan Growth	Est. Deposit Growth	NPAs / Assets	
				EPS	EPS	share <sup>1</sup>						EPS	EPS	Margin (bps)	Tier 1 Lev	Loan Growth	Deposit Growth	
Banner Corporation (BANR)	Walla Walla, WA	961	5,211	17.2x	14.5x	170%	1.6%	32%	0.98%	65.2%	8.5%	13.4%	10%	3%	0.43%			
Columbia Banking System, Inc. (COLB)	Tacoma, WA	1,708	8,553	16.5x	15.0x	206%	2.4%	57%	0.93%	60.8%	12.5%	10.6%	NM	NM	0.62%			
CVB Financial Corp. (CVBF)	Ontario, CA	1,668	7,443	17.2x	14.9x	203%	3.1%	44%	1.37%	44.0%	12.2%	10.9%	5%	3%	0.51%			
First Republic Bank (FRC)	San Francisco, CA	8,317	51,066	19.6x	16.2x	209%	1.0%	19%	0.94%	58.6%	11.1%	9.4%	12%	9%	0.10%			
PacWest Bancorp (PACW)	Los Angeles, CA	4,618	16,644	16.3x	14.8x	258%	4.5%	71%	1.77%	42.3%	15.9%	12.3%	9%	4%	0.78%			
Umpqua Holdings Corporation (UMPO)	Portland, OR	3,760	22,953	14.4x	13.1x	192%	3.5%	49%	0.92%	64.3%	13.6%	10.9%	7%	3%	0.42%			
Westamerica Bancorporation (WABC)	San Rafael, CA	1,110	5,036	19.1x	18.6x	283%	3.5%	67%	1.18%	52.9%	15.0%	8.0%	-5%	-4%	NA			
Western Alliance Bancorporation (WAL)	Phoenix, AZ	2,718	11,252	16.5x	14.1x	285%	NA	0%	1.56%	49.4%	16.7%	9.7%	14%	8%	1.18%			
<b>AVERAGE</b>				17.1x	15.2x	226%	2.8%	42%	1.21%	54.7%	13.2%	10.6%	7%	4%	0.58%			
Opus Bank (OPB)	Irvine, CA	913	5,562	16.5x	10.4x	187%	0.9%	7%	0.85%	55.2%	10.5%	10.4%	39%	25%	0.23%			

**High Growth National Peer Institutions**

Institution Name (Ticker)	City, State	Market Cap (\$M)	Assets (\$B)	Price as a Multiple of			Dividend			Profitability			Fundamental data as of 3/31/2015			Price data as of 4/27/2015		
				2015	2016	TBV per share <sup>1</sup>	Div Yield	Est Payout	ROAA	ROA	ROATCE	2015	2016	2017	Est. Loan Growth	Est. Deposit Growth	NPAs / Assets	
				EPS	EPS	share <sup>1</sup>						EPS	EPS	Margin (bps)	Tier 1 Lev	Loan Growth	Deposit Growth	
BankUnited, Inc. (BKU)	Miami Lakes, FL	3,346	19,983	16.8x	13.9x	163%	2.6%	46%	1.02%	56.0%	9.3%	10.7%	33%	16%	0.27%			
Boston Private Financial Holdings, Inc. (BPFH)	Boston, MA	1,075	6,870	12.9x	14.5x	231%	2.8%	45%	0.71%	70.8%	13.7%	9.5%	5%	4%	NA			
Cardinal Financial Corporation (CFNL)	McLean, VA	661	3,447	20.5x	14.9x	188%	2.1%	32%	1.27%	61.3%	12.3%	10.8%	1%	7%	0.13%			
CoBiz Financial Inc. (COBZ)	Denver, CO	507	3,090	12.3x	13.6x	198%	1.3%	22%	0.92%	71.2%	11.7%	12.4%	13%	6%	0.49%			
Eagle Bancorp, Inc. (EGBN)	Bethesda, MD	1,242	5,500	16.6x	15.2x	256%	0.0%	0%	1.21%	45.7%	13.5%	10.7%	6%	7%	0.68%			
First Financial Bankshares, Inc. (FFIN)	Ablene, TX	1,863	6,025	18.7x	17.0x	305%	1.9%	38%	1.57%	50.6%	16.0%	9.9%	9%	5%	0.37%			
Independent Bank Group, Inc. (IBTX)	McKinney, TX	656	4,133	14.6x	12.2x	237%	0.8%	12%	0.97%	55.9%	15.0%	8.2%	15%	9%	0.36%			
Prosperity Bancshares, Inc. (PB)	Houston, TX	3,601	21,607	12.2x	12.1x	264%	2.1%	25%	1.48%	40.8%	20.5%	7.7%	5%	3%	NA			
Signature Bank (SBNY)	New York, NY	6,781	28,589	131.07x	19.1x	16.6x	259%	NA	0%	34.1%	12.9%	9.3%	21%	12%	NA			
Texas Capital Bancshares, Inc. (TCBI)	Dallas, TX	2,338	17,325	17.2x	14.5x	173%	NA	0%	1.03%	53.4%	9.8%	10.8%	4%	8%	0.29%			
<b>AVERAGE</b>				16.3x	14.5x	227%	1.7%	22%	1.14%	54.0%	13.5%	10.0%	11%	8%	0.37%			
Opus Bank (OPB)	Irvine, CA	913	5,562	16.5x	10.4x	187%	0.9%	7%	0.85%	55.2%	10.5%	10.4%	39%	25%	0.23%			

1. Per as converted share

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





**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](http://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 below.

**Non-GAAP tangible book value per as converted common share**

(unaudited)	<b>As of</b>
(\$ In thousands, except share amounts)	<b>March 31, 2015</b>
Tangible equity:	
Total stockholders' equity	\$824,511
Less:	
Goodwill	262,115
Core deposit intangibles	11,981
Tangible equity	550,415
Shares of common stock outstanding	28,599,329
Shares of common stock to be issued upon conversion of preferred stock	3,620,550
Total as converted shares of common stock outstanding (1)	32,219,879
Book value per as converted common share	\$ 25.59
Tangible book value per as converted common share	\$ 17.08

(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.