



Second Quarter 2019 Earnings Presentation

July 29, 2019



Forward Looking Statements

The supplemental information furnished here contains certain forward-looking statements. Forward-looking statements are neither historical facts nor assurances of future performance. Opus generally identifies forward-looking statements by terminology such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "could," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of those words or other comparable words. Any forward-looking statements contained in this release and the aforementioned conference call and webcast are based on the historical performance of Opus and its subsidiaries or on its current plans, beliefs, estimates, expectations and goals. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity that could cause actual results to differ materially from those indicated by the forward-looking statements, including, without limitation: market and economic conditions, changes in interest rates, our liquidity position, the management of our growth, the risks associated with our loan portfolio, risks that our expected efficiencies and savings from our expense reduction initiatives will be less than anticipated, local economic conditions affecting retail and commercial real estate, our geographic concentration in the western region of the United States, competition within the industry, dependence on key personnel, government legislation and regulation, the risks associated with any future acquisitions, the effect of natural disasters, and risks related to our technology and information systems. For a discussion of these and other risks and uncertainties, see Opus' filings with the Federal Deposit Insurance Corporation, including, but not limited to, the risk factors in Opus' Annual Report on Form 10-K filed with the Federal Deposit Insurance Corporation on February 28, 2019. If one or more of these or other risks or uncertainties materialize, or if Opus' underlying assumptions prove to be incorrect, Opus' actual results may vary materially from those indicated in these statements. These filings are available on the Investor Relations page of Opus' website at: investor.opusbank.com.

Opus undertakes no obligation to revise or publicly release any revision to these forward-looking statements, whether as a result of new information, future developments or otherwise.

Second Quarter 2019 Results

Highlights

- Net income of \$8.7 million and EPS of \$0.23, or adjusted net income of \$13.3 million and EPS of \$0.35¹
- Loans increased \$327.5 million, or 6%
- Deposits increased \$146.6 million, or 2%
- Efficiency ratio of 71.3%, or 63.6% adjusted¹
- NPAs / Assets decreased 3 bps to 0.27%
- Enterprise Value loans decreased 39% to \$64.5 million
- Provision expense of \$3.3 million
- Net charge-offs of \$4.0 million, or 0.28% of average loans annualized
- Tangible book value per share increased 36 cents to \$18.32
- Total risk-based capital of 14.77% and TCE Ratio of 8.87%¹

Summary Income Statement

(\$ in millions)

	2Q19	1Q19	2Q18
Net Interest Income	\$ 50.5	\$ 50.8	\$ 49.5
Noninterest Income	12.0	11.1	12.9
Noninterest Expense	(46.3)	(45.4)	(43.1)
Pre-Provision Net Revenue	16.2	16.5	19.3
Provision for Loan Losses	(3.3)	(2.2)	0.2
Net Income	<u>\$ 8.7</u>	<u>\$ 10.9</u>	<u>\$ 15.5</u>
Earnings Per Diluted Share	\$0.23	\$0.28	\$0.40
Return on Avg Assets	0.45%	0.60%	0.86%
Return on Avg TCE ¹	5.27%	6.76%	9.93%
Efficiency Ratio ²	71.3%	70.6%	66.3%
Adjusted Performance¹			
Adjusted Net Income	\$ 13.3	\$ 12.3	\$ 15.4
Adjusted Earnings Per Diluted Share	\$0.35	\$0.32	\$0.40
Adjusted Return on Average Assets	0.68%	0.68%	0.85%
Adjusted Return on Avg TCE	8.08%	7.66%	9.87%
Adjusted Efficiency Ratio ²	63.6%	67.9%	66.0%
Other Ratios			
Net Interest Margin	2.88%	3.15%	3.07%
Tangible Book Value per Share ¹	\$18.32	\$17.96	\$17.48
TCE Ratio ¹	8.87%	8.88%	9.24%

[1] See reconciliation of non-GAAP financial measures to corresponding GAAP measures on pages 16-19.

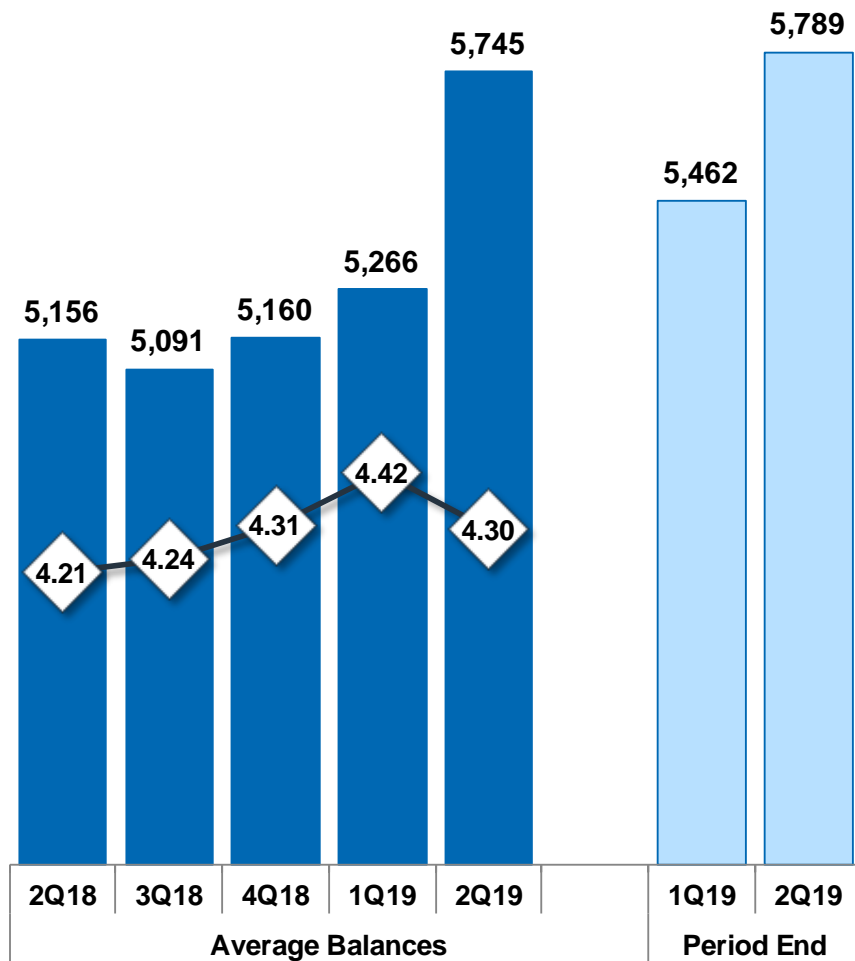
[2] The efficiency ratio is calculated by dividing noninterest expense less amortization of other intangible assets by the sum of tax-equivalent net interest income and noninterest income less gain (loss) on sale of loans, assets, OREO and other repossessed assets, and investment securities.

Loan Portfolio

Total Loans

(\$ in millions)

◆ Loan Yield (%)¹

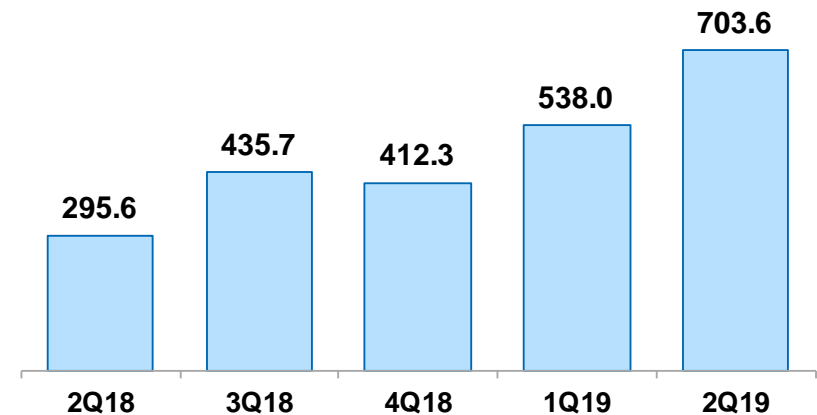


2Q 2019 Highlights

- Average loans increased \$478.3 million, or 9.1%, driven by strong growth in multifamily loans
 - New loan fundings totaled \$703.6 million, up 31% from the prior quarter
 - Loan payoffs totaled \$238.7 million, including \$45.9 million of planned exits
 - Multifamily loans increased \$353.7 million during the quarter
 - The elevated level of loan growth is not expected to continue in the 2nd half of 2019
- Total loan yield decreased 12 basis points to 4.30%¹

New Loan Fundings

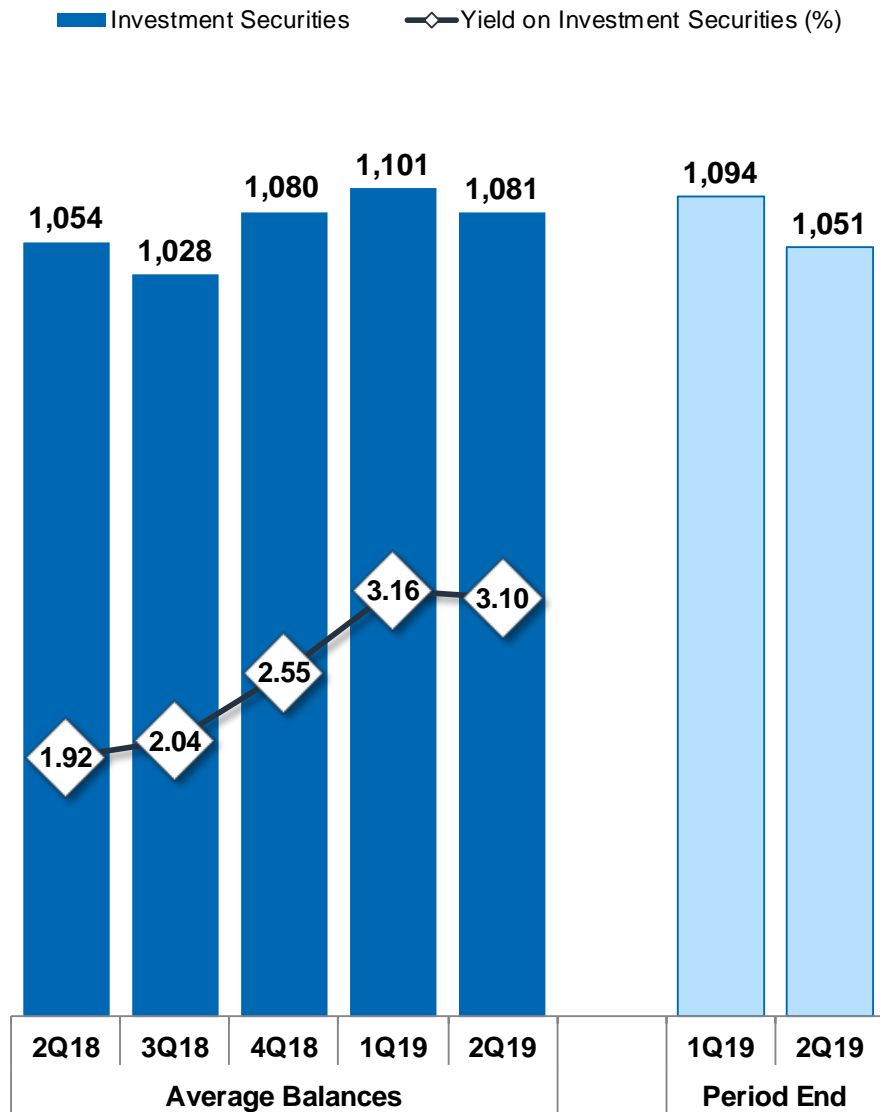
(\$ in millions)



Investment Securities

Investment Securities

(\$ in millions)



2Q 2019 Highlights

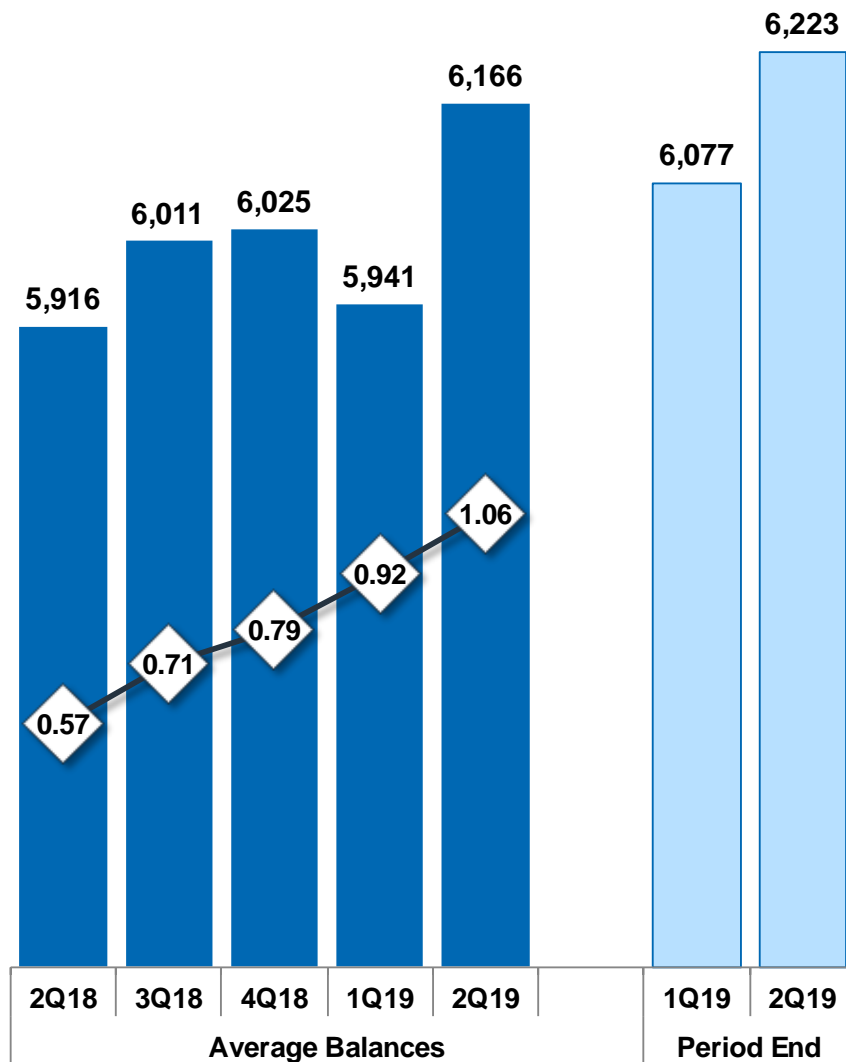
- Average investment securities decreased \$20.0 million, or 1.8%, from the prior quarter.
 - Driven by amortization due to prepays on government agency securities
 - Sold \$24 million for a gain of \$6,000
 - Purchased \$21 million
- Securities yield decreased 6 basis points to 3.10% for 2Q 2019, primarily driven by premium amortization
- Cash and Investment Securities comprised 17% of total assets as of June 30, 2019

Deposit Portfolio

Total Deposits

(\$ in millions)

—◇— Cost of Total Deposits (%)



2Q 2019 Highlights

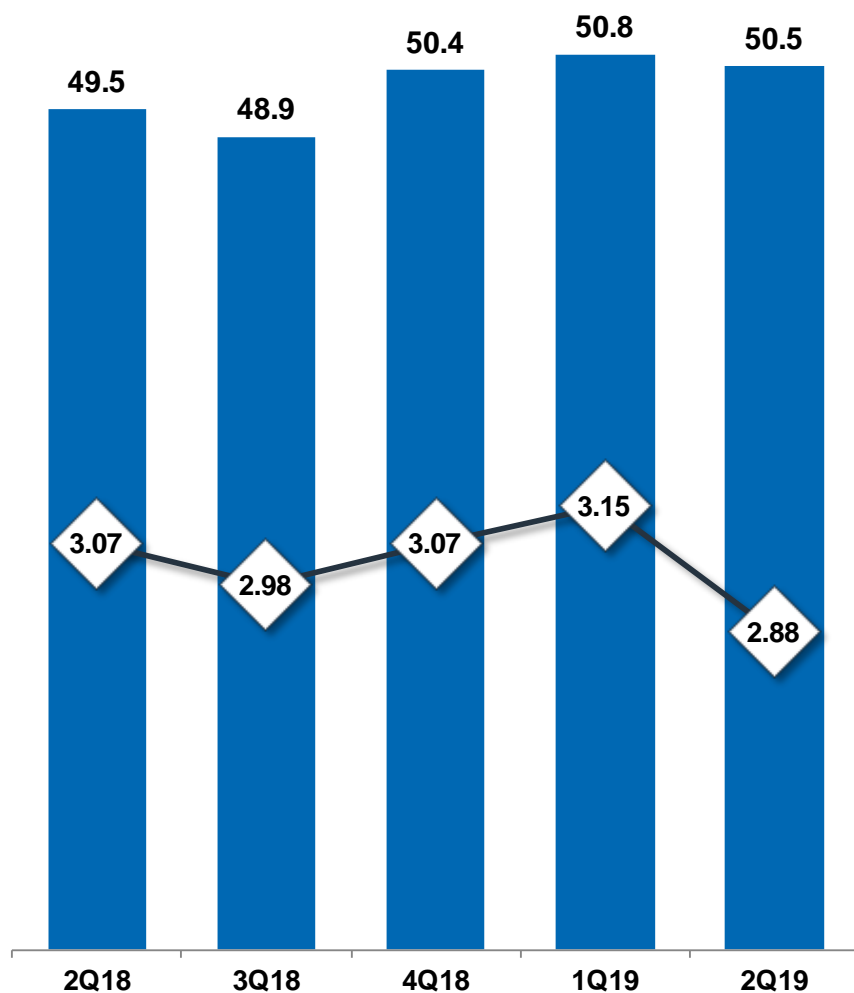
- Average deposits increased \$224.9 million, or 3.8%, from the prior quarter
- Period-end deposits increased \$146.6 million, or 2.4%
 - Interest checking accounts increased \$180.5 million, or 7.5%
 - Seasonal outflows occurred later in the quarter
- Cost of deposits increased 14 bps to 1.06%
- Noninterest-bearing demand deposits comprise 11.9% of total deposits
- Brokered deposits of \$31.1 million, or 0.5% of total deposits
- Loan-to-Deposit ratio increased to 93.0%, up from 89.9% in the prior quarter

Net Interest Income and Margin

Net Interest Income

(\$ in millions)

—◇— Net Interest Margin¹ (%)



2Q 2019 Highlights

- Net interest income decreased 0.6%
 - Interest income up \$4.1 million, or 6%, largely driven by higher loan balances
 - Interest expense up \$4.3 million, or 27%
- NIM decreased 27 bps to 2.88%
 - Yield on interest-earning assets down 9 bps to 4.04%
 - Cost of funds up 18 bps to 1.23%

Net Interest Income and NIM Activity¹

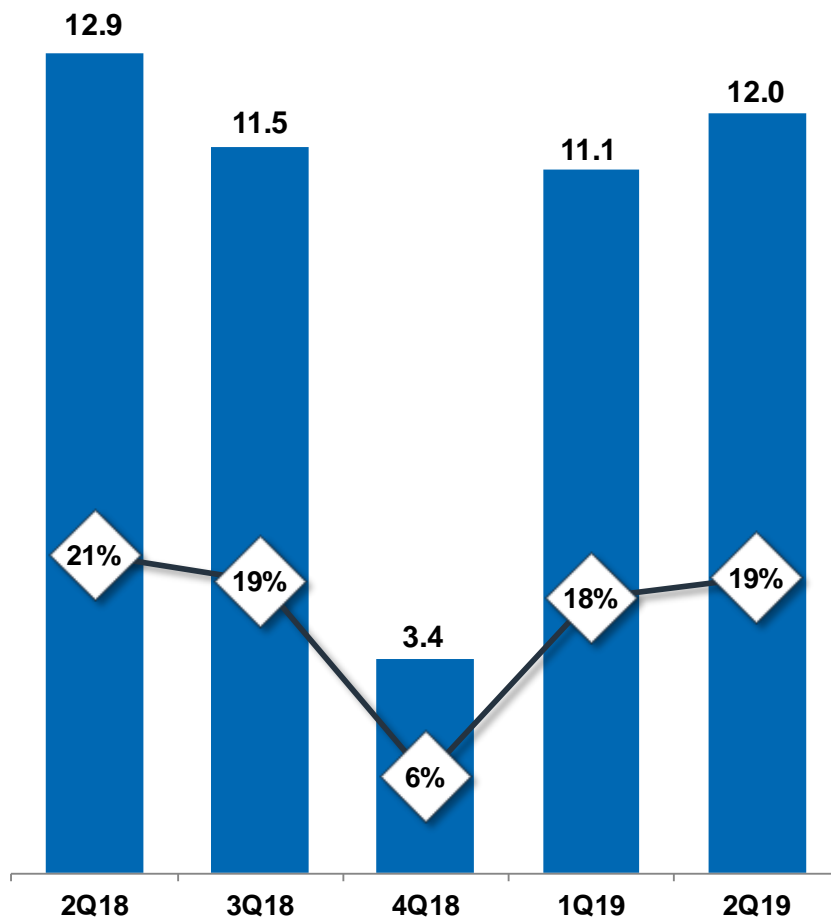
\$50,804	1Q 2019	3.15%
4,150	Loan Impacts:	(0.04%)
	4,264 Higher average loan balances	
	244 Repricing/rate increases	
	147 One additional day in the quarter	
	(243) Other loan impacts	
	(263) Effect of changes in nonaccrual loans	
(95)	Cash and Investment Securities:	(0.05%)
	123 Cash balances, rate, and day count	
	(107) Lower average balance of securities	
	(111) Lower rates on securities	
(4,343)	Deposits and Borrowings:	(0.18%)
	(1,664) Higher rates	
	(1,270) Higher average balances and day count	
	(1,409) Increase in FHLB advances	
\$50,516	2Q 2019	2.88%

Noninterest Income

Noninterest Income

(\$ in millions)

■ Noninterest Income
◊ Noninterest Income / Total Revenues (%)



2Q 2019 Highlights

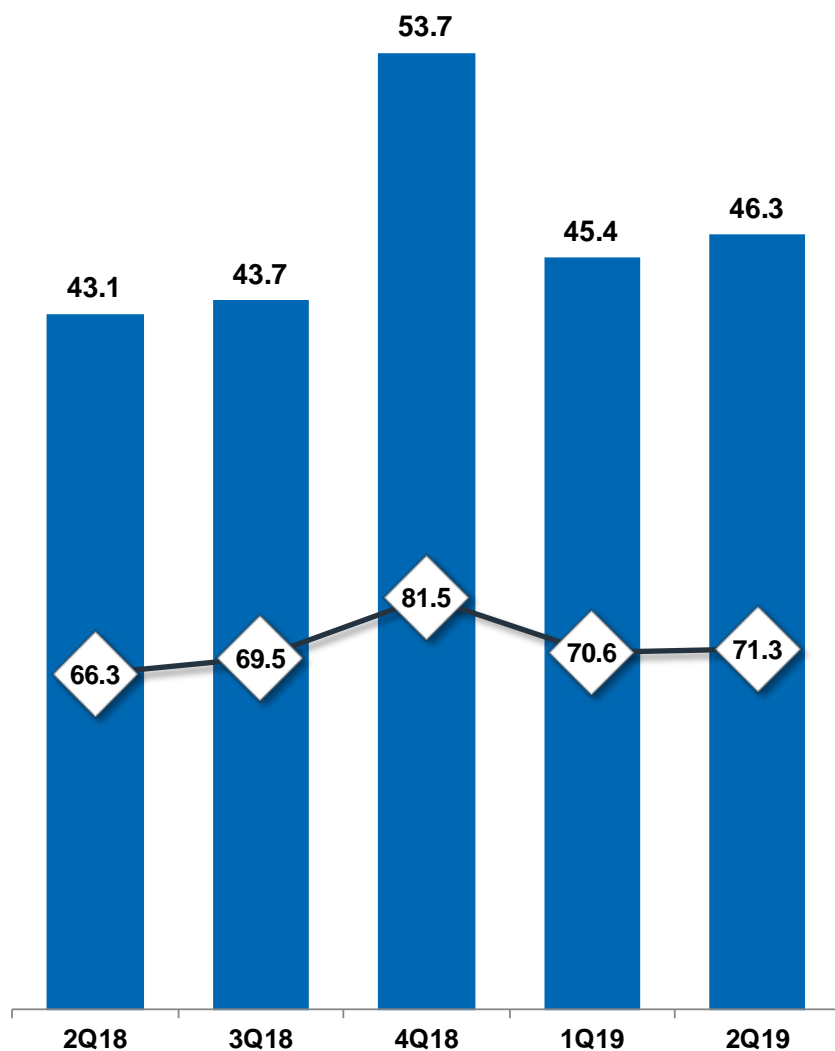
- Noninterest income totaled \$12.0 million for the second quarter of 2019
- Diverse sources of noninterest income:
 - Trust Administrative fees from PENSCO were \$6.8 million
 - Deposit and Treasury Management fees were \$1.5 million
 - Escrow & Exchange fees of \$1.5 million
 - BOLI income of \$1.0 million
- Noninterest income included an FHLB dividend of \$298,000
- Noninterest income equaled 19% of total revenues in 2Q 2019

Noninterest Expense and Efficiency

Noninterest Expense

(\$ in millions)

—◇— Efficiency Ratio (%)¹



2Q 2019 Highlights

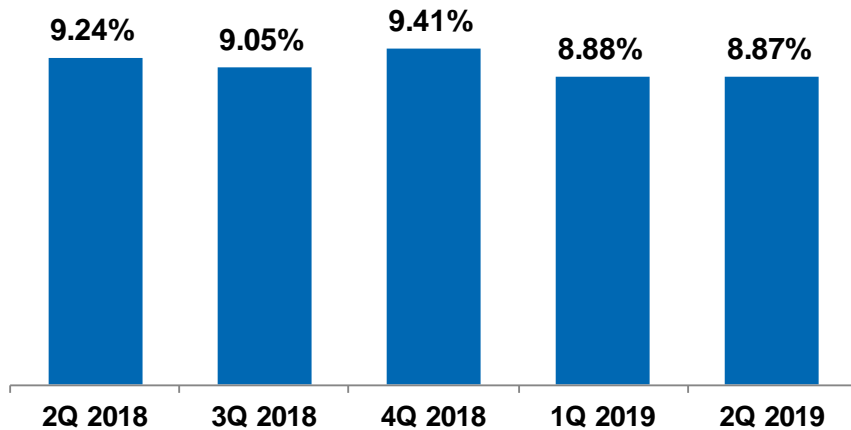
- Noninterest expense totaled \$46.3 million in the second quarter of 2019
 - Included \$4.3 million of severance and \$583,000 of other expenses related to strategic actions
 - Excluding these costs, noninterest expense was \$41.4 million²
- Executed a cost reduction initiative during the second quarter to improve efficiency
 - Reduction in FTE ~5% of workforce
- The efficiency ratio was 71.3% in the second quarter
 - Impacted by higher expenses and a slight decrease in net interest income
 - Adjusted efficiency ratio was 63.5%²

[1] The efficiency ratio is calculated by dividing noninterest expense less amortization of other intangible assets by the sum of tax-equivalent net interest income before provision for loan losses and noninterest income less gain (loss) on sale of loans, assets, OREO and other repossessed assets, and investment securities.

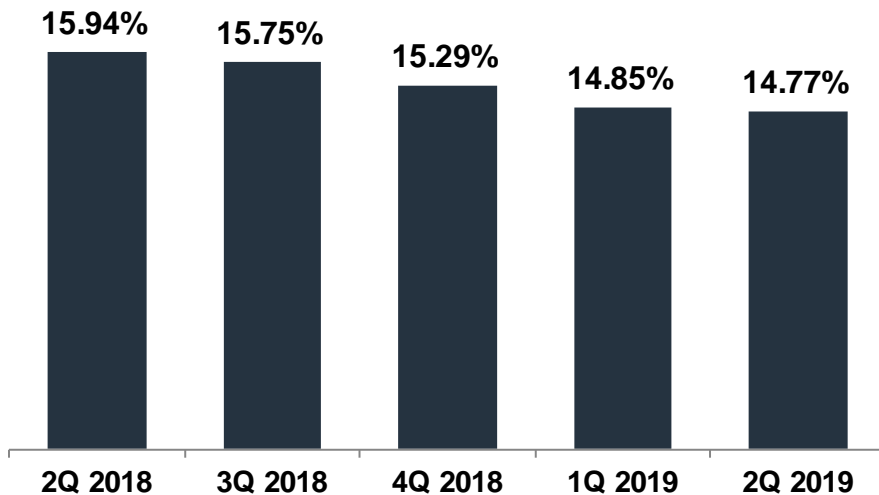
[2] See reconciliation of non-GAAP financial measures on pages 16-19

Capital

Tangible Common Equity Ratio¹



Total Risk Based Capital Ratio²



2Q 2019 Highlights

- Opus has ample capital, with tangible common equity of 8.9%
- Total Stockholders' Equity was \$1.1 billion as of June 30, 2019, up 1.3% from prior quarter
 - Retained earnings increased \$4.5 million
 - AOCI increased \$7.3 million, driven by lower rates
- Regulatory capital ratios remain robust²
 - Tier 1 Leverage decreased 56 bps to 9.30%
 - Total Risk-based Capital decreased 8 bps to 14.77%
- Tangible book value per share increased 37 cents to \$18.32 as of June 30, 2019¹
- Board of Directors authorized the payment of a quarterly cash dividend of \$0.11 per share payable in 3Q 2019

[1] See non-GAAP disclosures on pages 16-19.

[2] 2Q 2019 ratios are preliminary until the filing of our June 30, 2019 FDIC call report.

Asset Sensitivity

As of June 30, 2019

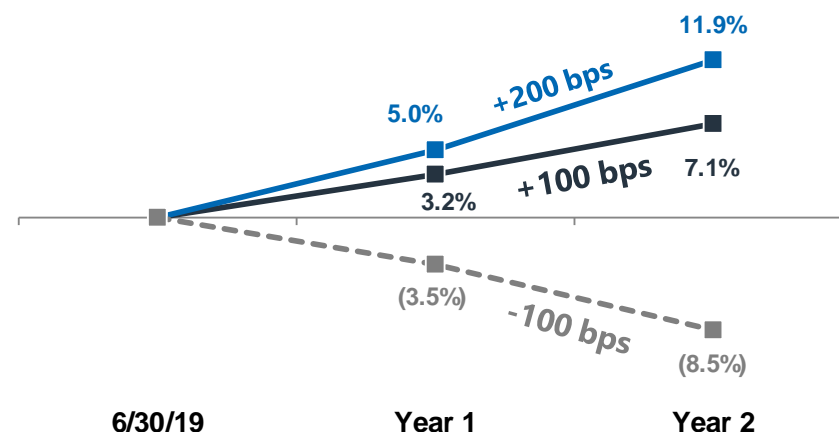
- Duration of total assets (2.1 years) compared to total liabilities (3.0 years)
- Our asset liability management modeling estimates net interest income increases by 3.2% with +100 bps shift and decreases by 3.5% with -100 bps shift

Asset and Liability Duration

<u>Assets</u>		<u>Liabilities</u>	
	Years		Years
Investment Securities	3.3	Borrowings	1.2
Loans	1.9	Deposits	3.2
○ Commercial & Industrial	1.5	○ Non-interest Checking	6.3
○ Commercial Real Estate	1.5	○ NOW	4.2
○ Multifamily	2.1	○ Money Market	1.8
Total Asset Duration	2.1	○ Savings	4.5
		○ Time Deposits	0.6
		Total Liability Duration	3.0

Simulations of Net Interest Income¹

Assumes instantaneous parallel shifts in the yield curve

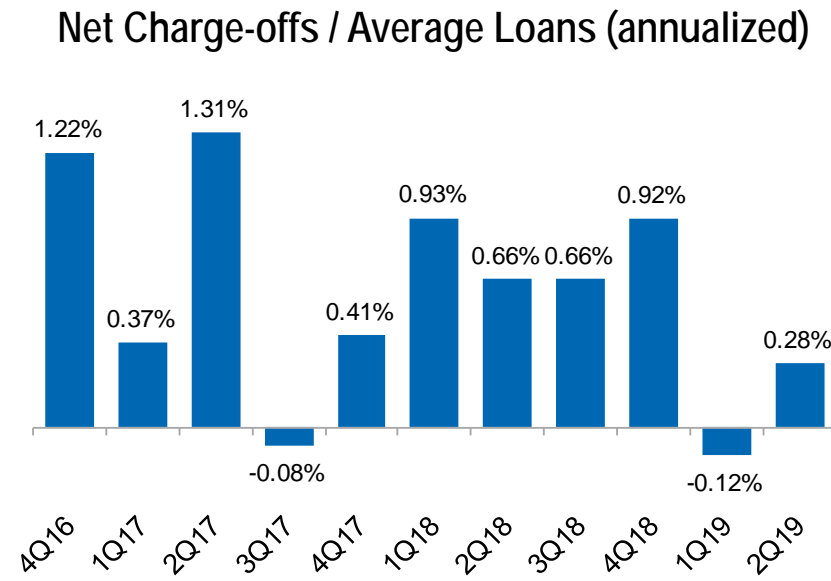
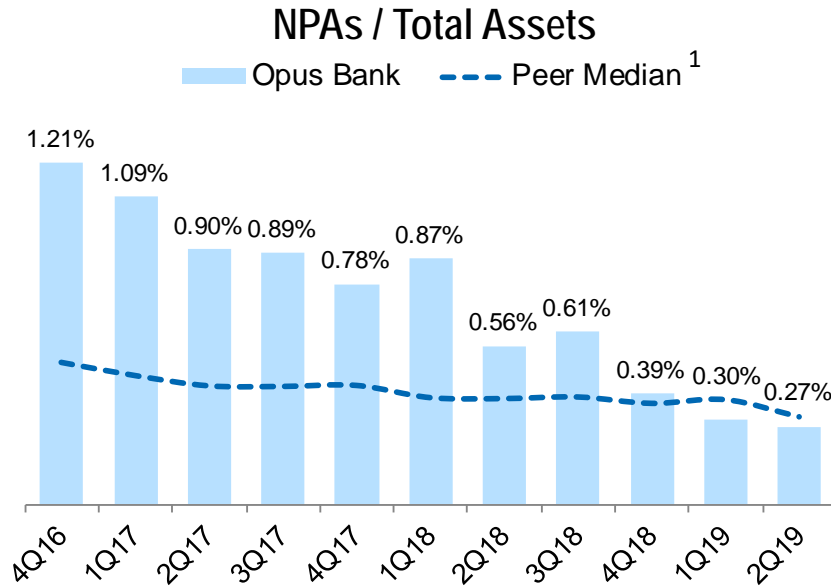


[1] Beginning of simulation is June 30, 2019

Loan Resets and Maturities ²	< 1 Yr	1-3 Yrs	3-5 Yrs	> 5 Yrs	Total
Prime and 1M LIBOR	6.2%	0.5%	0.0%	0.0%	6.7%
3M LIBOR	8.7%	0.0%	1.3%	0.5%	10.5%
6M LIBOR	8.5%	16.9%	12.6%	12.0%	50.0%
Other Indexed Rate Loans	1.4%	1.4%	16.4%	0.8%	20.1%
Total Variable Rate Loans	24.8%	18.9%	30.3%	13.4%	87.4%
Fixed Rate Loans	0.2%	1.7%	2.7%	7.9%	12.5%
Total Loans	25.0%	20.5%	33.1%	21.3%	100.0%

[2] Does not consider prepayments, normal amortization, or the effect of floors.

Credit Quality Overview



2Q 2019 Highlights

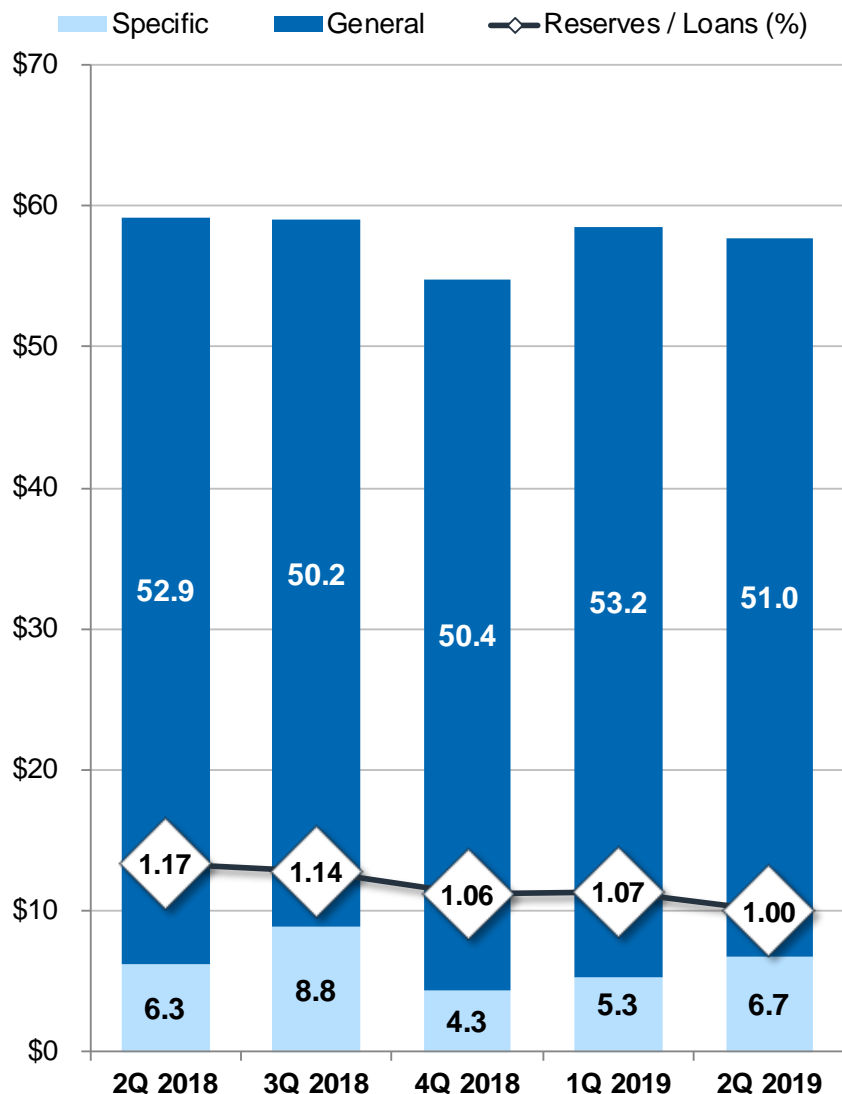
- Nonperforming assets decreased 9% to \$21.2 million, or 0.27% of total assets
- Net charge-offs of \$4.0 million, or 0.28% of average loans annualized
- Provision for loan losses of \$3.3 million
- Continued to reduce exposure to previously de-emphasized loan portfolios:
 - Enterprise Value loans down 39% to \$64.5 million
 - Total EV reduction of 93% since 4Q 2016
 - Planned exits through loan payoffs and sales totaled \$45.9 million in 2Q 2019
- Criticized Loans decreased 10% to \$137.9 million
 - Classified decreased \$16.1 million
 - Special Mention increased \$1.5 million

[1] Peer group includes BANC, BANR, BOH, CATY, COLB, CPF, CVBF, DCOM, FFWM, HAFC, HFWA, HMST, HOPE, NBHC, PFBC, PPBI, TCBK, WABC, WAFD, and WAL

Allowance for Loan Losses

Allowance for Loan Losses

(\$ in millions)



2Q 2019 Highlights

- Provision for loan losses of \$3.3 million
 - + Net Charge-offs \$4.0 million
 - + Changes in portfolio mix and fundings \$3.5 million
 - + Specific reserves \$1.5 million
 - + Risk rating migration \$1.2 million
 - + Loss factors \$879,000
 - Loan exits \$7.7 million
- Allowance for loan losses totaled \$57.7 million
 - Down \$759,000 from the prior quarter
 - 1.00% of loans
 - Specific reserves of \$6.7 million
- Continue to work through de-emphasized and criticized portfolios
- Risk of significant loss given default on individual loans if strategies are unsuccessful

Outlook for 2019

Assume continuation of current economic environment, with one rate cut in mid-2019

Loans	<ul style="list-style-type: none">• Estimate loan growth rate in the mid-teens for the full year 2019• Maintain credit discipline
Deposits	<ul style="list-style-type: none">• Anticipate continued deposit competition in 2019
Net Interest Margin	<ul style="list-style-type: none">• Estimate the full year 2019 NIM to be approximately 2.90%• Opus continues to face the headwinds of a flattening yield curve, elevated prepayments, and competitive deposit and loan pricing
Noninterest Expense	<ul style="list-style-type: none">• Disciplined expense management to increase operating leverage
Efficiency Ratio	<ul style="list-style-type: none">• Core efficiency ratio in the range of 64% to 65% for the full year 2019
Credit Quality	<ul style="list-style-type: none">• Expect credit metrics to be more aligned with peers by year-end 2019• Continued reduction in the remaining balances of Enterprise Value and criticized loans
Tax Rate	<ul style="list-style-type: none">• Estimate core effective tax rate of approximately 25% in 2019
Dividend	<ul style="list-style-type: none">• Will evaluate the dividend based on loan growth, our risk profile, and market conditions



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Reconciliation of Non-GAAP Financial Measures

Our accounting and reporting policies conform to generally accepted accounting principles in the United States ("GAAP"). We believe that the presentation of certain non-GAAP financial measures assists investors in evaluating our financial results. These non-GAAP measures include our net income, earnings per diluted share, return on average assets, return on average stockholders' equity, return on average tangible common equity, efficiency ratio, tangible book value per common share, and tangible common equity ratio. These non-GAAP measures should be taken together with the corresponding GAAP measures and should not be considered a substitute of the GAAP measures.

The following tables present a reconciliation of the most comparable GAAP financial measures and ratios to the non-GAAP financial measures and ratios:

Non-GAAP Tangible Book Value per Common Share

(unaudited)

(\$ in thousands, except share amounts)	As of		
	June 30, 2019	March 31, 2019	June 30, 2018
Tangible equity:			
Total stockholders' equity	\$1,061,328	\$1,048,106	\$1,033,057
Less:			
Preferred stock	29,110	29,110	29,110
Common equity	1,032,218	1,018,996	1,003,947
Less:			
Goodwill	331,832	331,832	331,832
Other intangible assets, net	36,095	37,510	41,842
Tangible common equity	664,291	649,654	630,273
Shares of common stock outstanding	36,251,219	36,178,980	36,049,653
Book value per common share	\$28.47	\$28.17	\$27.85
Tangible book value per common share	\$18.32	\$17.96	\$17.48

Reconciliation of Non-GAAP Financial Measures

Non-GAAP Tangible Common Equity Ratio

(unaudited)

(\$ in thousands)	As of		
	June 30, 2019	March 31, 2019	June 30, 2018
Total assets	\$7,856,961	\$7,687,905	\$7,193,326
Less:			
Goodwill	331,832	331,832	331,832
Other intangible assets, net	36,095	37,510	41,842
Tangible assets	7,489,034	7,318,563	6,819,652
Total stockholders' equity	1,061,328	1,048,106	1,033,057
Less:			
Goodwill	331,832	331,832	331,832
Other intangible assets, net	36,095	37,510	41,842
Tangible equity	693,401	678,764	659,383
Less: preferred stock	29,110	29,110	29,110
Tangible common equity	664,291	649,654	630,273
Total stockholders' equity to total assets	13.51%	13.63%	14.36%
Tangible equity to tangible assets ratio	9.26%	9.27%	9.67%
Total common equity to total assets	13.14%	13.25%	13.96%
Tangible common equity to tangible assets ratio	8.87%	8.88%	9.24%

Reconciliation of Non-GAAP Financial Measures

Non-GAAP Financial Measures

(unaudited)

(\$ in thousands)	For the three months ended			For the six months ended	
	June 30, 2019	March 31, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net income	\$8,686	\$10,861	\$15,464	\$19,547	\$28,367
Adjustments to noninterest income:					
Impairment	-	489	-	489	-
(Gains) and losses on sales of securities, loans, and other repossessed assets	50	(2)	16	47	(215)
Adjustments to noninterest expense:					
Strategic actions	4,891	(91)	214	4,801	1,750
Litigation	-	1,431	-	1,431	(2,850)
Pre-tax adjustments	4,941	1,827	230	6,768	(1,315)
Tax effect	(319)	(383)	(327)	(672)	44
Tax-effected adjustments ¹	4,622	1,444	(97)	6,096	(1,271)
Adjusted net income	\$13,308	\$12,305	\$15,367	\$25,643	\$27,096
Average assets	\$7,793,539	\$7,328,422	\$7,212,123	\$7,562,266	7,260,338
Average stockholders' equity	1,058,336	1,050,967	1,028,136	1,054,672	1,026,207
Less:					
Average preferred stock	29,110	29,110	29,110	29,110	29,110
Average goodwill	331,832	331,832	331,832	331,832	331,832
Average other intangible assets	36,956	38,234	42,606	37,591	43,340
Average tangible common equity	\$660,438	\$651,791	\$624,588	\$656,139	\$621,925

(1) The tax effect of adjustments was computed using the combined federal and state marginal tax rate of 25.5%, 23.7%, 22.2%, 24.5%, and 23.0% for the three months ended June 30, 2019, March 31, 2019, and June 30, 2018 and the six months ended June 30, 2019 and June 30, 2018, respectively, adjusted for the tax effect of nondeductible strategic action expenses.

Reconciliation of Non-GAAP Financial Measures

Non-GAAP Financial Measures (continued)

(unaudited)

	For the three months ended			For the six months ended	
	June 30, 2019	March 31, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Earnings per diluted share	\$0.23	\$0.28	\$0.40	\$0.51	\$0.74
Adjusted earnings per diluted share	\$0.35	\$0.32	\$0.40	\$0.67	\$0.71
Return on average assets	0.45%	0.60%	0.86%	0.52%	0.79%
Adjusted return on average assets	0.68%	0.68%	0.85%	0.68%	0.75%
Return on average equity	3.29%	4.19%	6.03%	3.74%	5.57%
Adjusted return on average equity	5.04%	4.75%	6.00%	4.90%	5.32%
Return on average tangible common equity	5.27%	6.76%	9.93%	6.01%	9.20%
Adjusted return on average tangible common equity	8.08%	7.66%	9.87%	7.88%	8.79%
Efficiency ratio ¹	71.32%	70.61%	66.29%	70.96%	65.90%
Adjusted efficiency ratio	63.55%	67.93%	65.95%	65.73%	66.76%

(1) The efficiency ratio equals noninterest expense adjusted to exclude the amortization of other intangible assets divided by the sum of tax-equivalent net interest income and noninterest income adjusted to exclude the gains and losses on the sale of investment securities, loans, and other repossessed assets.