

Fourth Quarter 2019 Earnings Presentation

January 27, 2020

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Forward Looking Statements

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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.

Fourth Quarter 2019 Results

Highlights

- Net income of \$23.8 million and EPS of \$0.53, or adjusted net income of \$19.6 million and EPS of \$0.51¹
- Commercial Banking division new loan fundings of \$130 million, up from \$99 million in the prior quarter
- Avg. deposits rose \$165 million, or 3%
- Efficiency ratio of 61.3%, or 61.2% adjusted¹
- NPAs decreased 19% to 0.07% of assets
- Classified loans down 51% to \$33 million
- Negative provision for loan losses of \$2.7 million driven by credit improvement
- Net charge-offs of \$1.6 million, or 0.11% of average loans annualized
- Tangible book value per share increased 44 cents to \$19.38
- Total risk-based capital of 15.08% and TCE ratio of 9.24%¹

Summary Income Statement

(\$ in millions)

	4Q19	3Q19	4Q18
Net Interest Income	\$ 49.6	\$ 49.6	\$ 50.4
Noninterest Income	13.9	13.1	3.4
Noninterest Expense	(39.7)	(40.1)	(53.7)
Pre-Provision Net Revenue	23.8	22.6	0.1
Provision for Loan Losses	2.7	7.7	(7.7)
Net Income (loss)	<u>\$ 20.3</u>	<u>\$ 22.0</u>	<u>\$ (6.9)</u>
Earnings Per Diluted Share	\$0.53	\$0.57	(\$0.20)
Return on Avg Assets	1.02%	1.13%	(0.38%)
Return on Avg TCE ¹	11.54%	12.88%	(4.24%)
Efficiency Ratio ²	61.30%	61.82%	81.49%
<i>Adjusted Performance¹</i>			
Adjusted Net Income	\$ 19.6	\$ 22.3	\$ 10.2
Adjusted Earnings Per Diluted Share	\$0.51	\$0.58	\$0.27
Adjusted Return on Average Assets	0.98%	1.14%	0.56%
Adjusted Return on Avg TCE	11.12%	13.04%	6.28%
Adjusted Efficiency Ratio ²	61.2%	61.6%	65.0%
<i>Other Ratios</i>			
Net Interest Margin	2.76%	2.82%	3.07%
Tangible Book Value per Share ¹	\$19.38	\$18.94	\$17.77
TCE Ratio ¹	9.24%	9.28%	9.41%

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

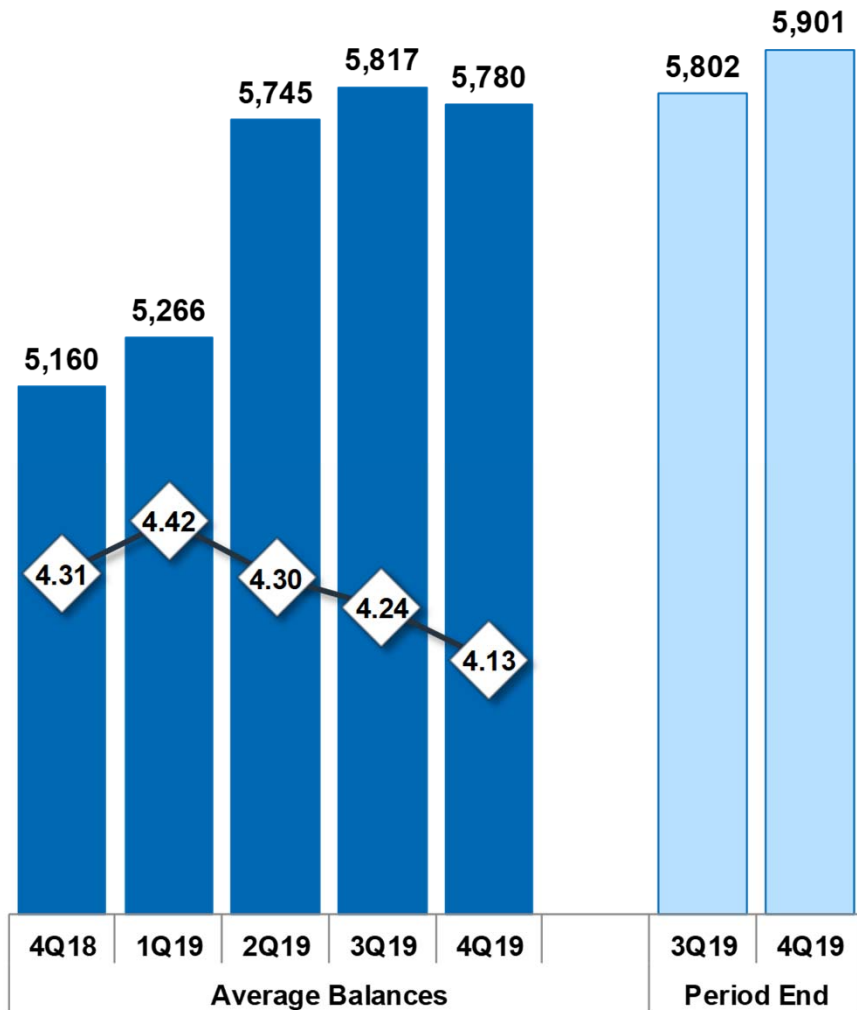
[2] The efficiency ratio is calculated by dividing noninterest expense less amortization of other intangible assets by the sum of tax-equivalent net interest income and noninterest income less gain (loss) on sale of loans, assets, OREO and other repossessed assets, and investment securities.

Loan Portfolio

Total Loans

(\$ in millions)

◆ Loan Yield (%)¹

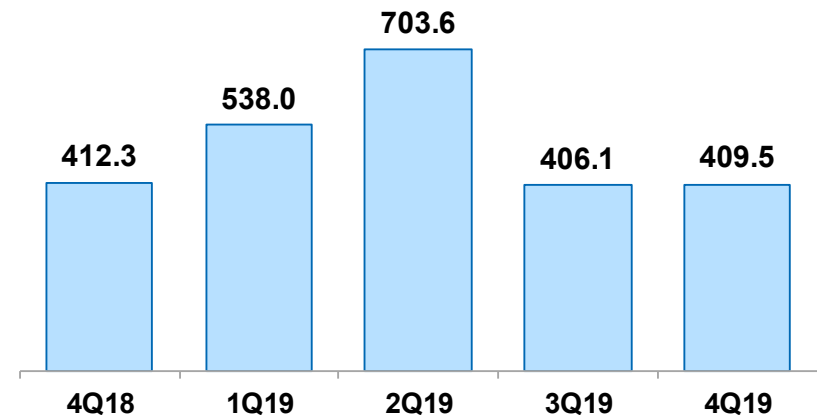


4Q 2019 Highlights

- Average loans decreased \$37.3 million, or 0.6%
 - Period-end loans rose 1.7%, as new loan fundings occurred later during the quarter
 - New loan fundings totaled \$409.5 million, flat compared to the prior quarter
 - Commercial Banking division funded \$129.9 million of loans in the fourth quarter of 2019, up from \$99.1 million last quarter
 - Loan payoffs totaled \$271.7 million, down from \$300.0 million in the prior quarter
- Total loan yield decreased 11 basis points to 4.13%¹

New Loan Fundings

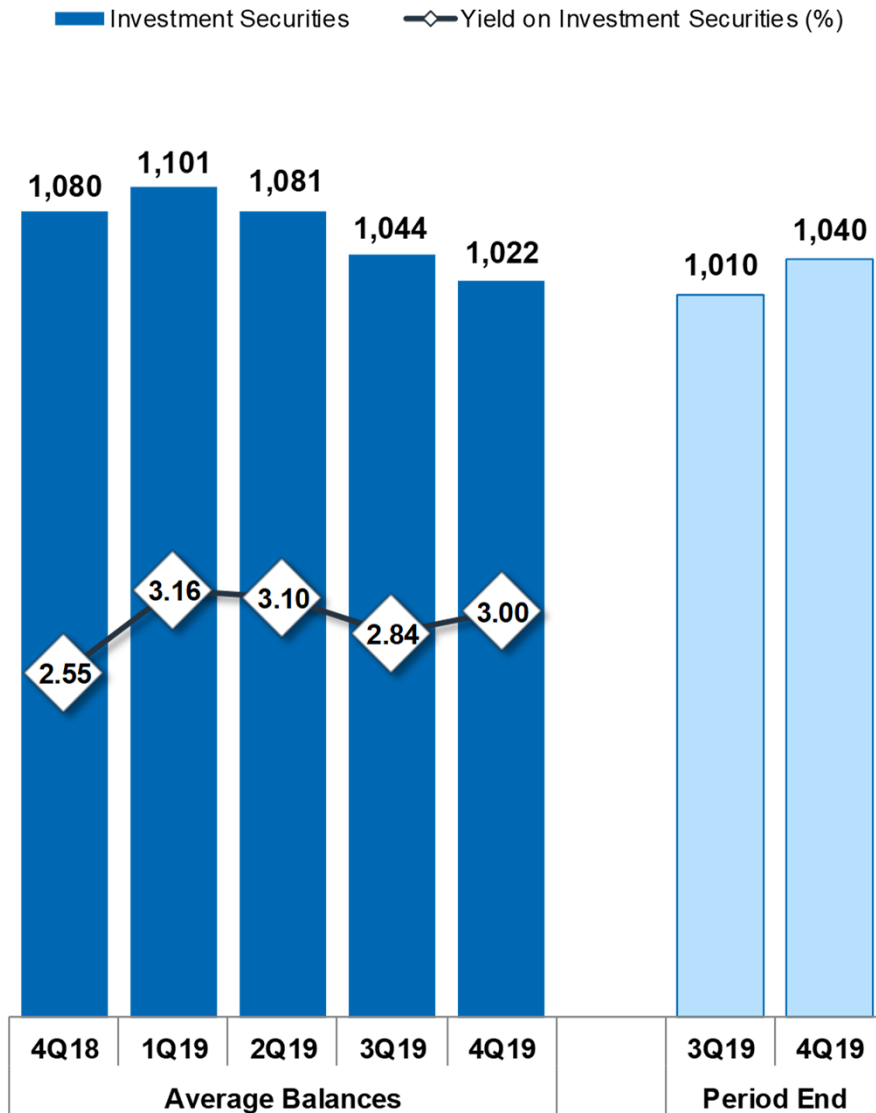
(\$ in millions)



Investment Securities

Investment Securities

(\$ in millions)



4Q 2019 Highlights

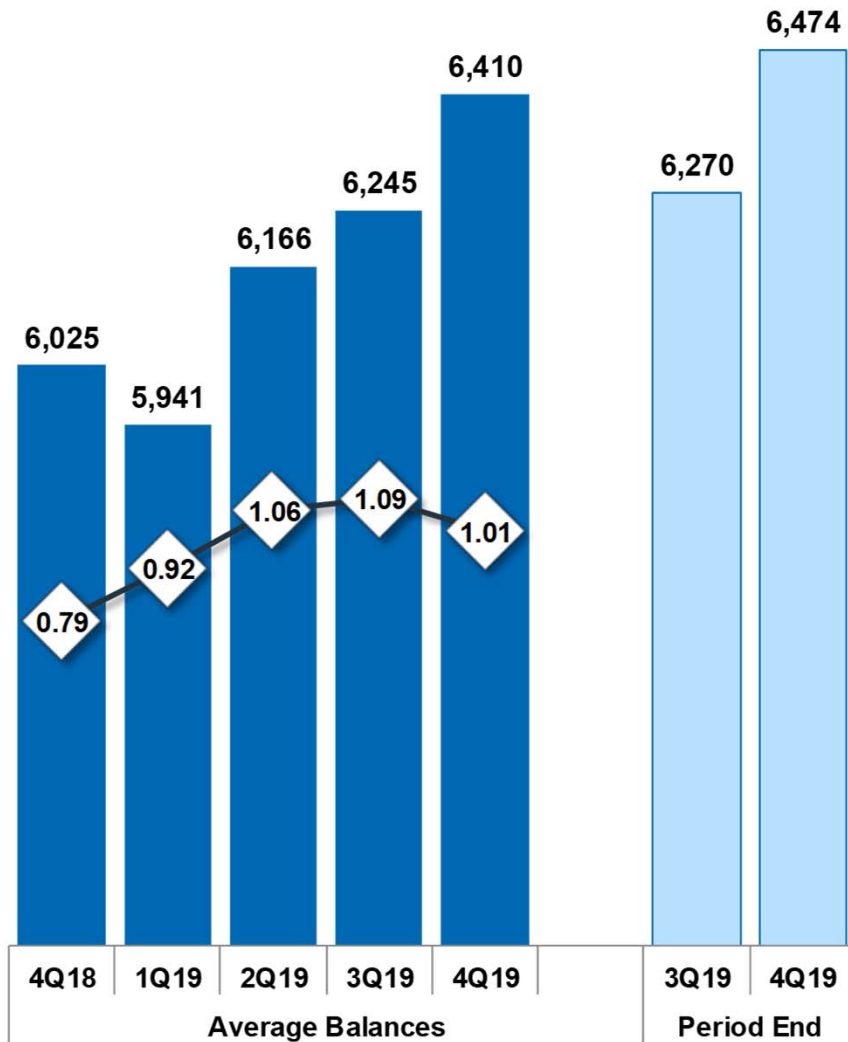
- Average investment securities decreased \$21.4 million, or 2.0%, from the prior quarter
 - Period-end securities balances increased \$29.3 million, or 2.9%, as securities sales occurred near the end of the third quarter
 - Purchased \$65 million during the fourth quarter
- Securities yield increased 16 basis points to 3.00% for 4Q 2019, primarily driven by lower premium amortization
- Investment securities comprised 13.0% of total assets in the fourth quarter of 2019

Deposit Portfolio

Total Deposits

(\$ in millions)

—◇— Cost of Total Deposits (%)



4Q 2019 Highlights

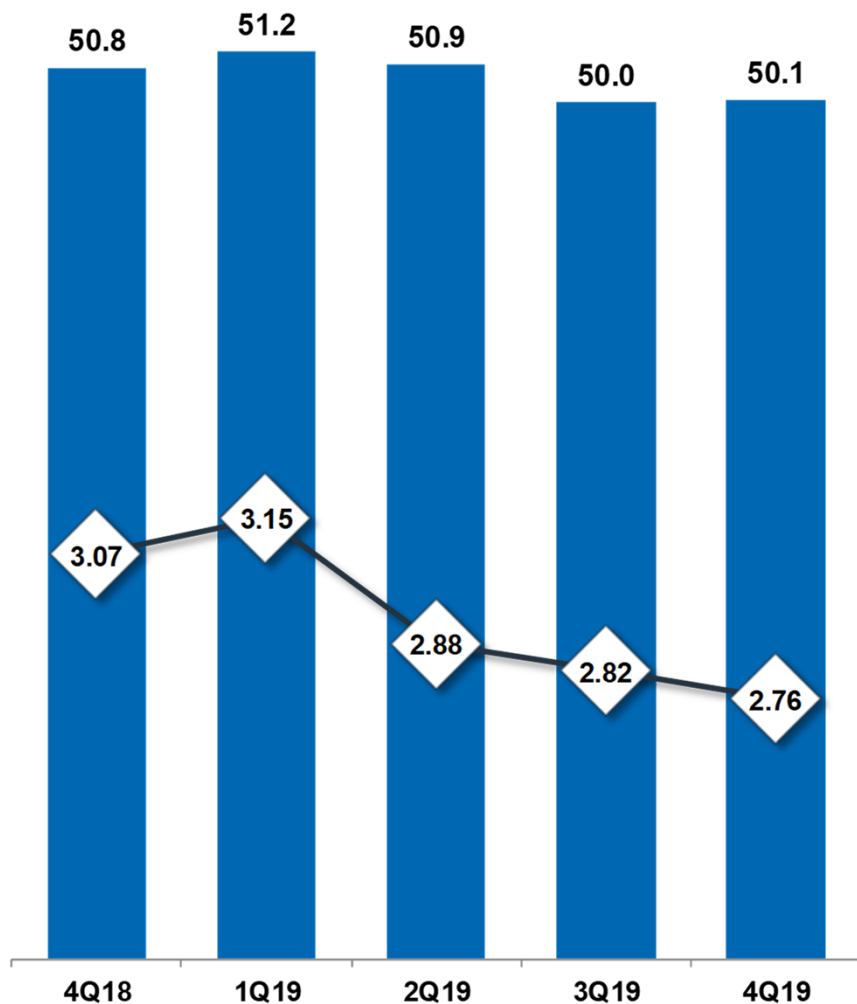
- Average deposits increased \$164.8 million, or 2.6%, from the prior quarter
- Period-end deposits increased \$203.8 million, or 3.3%
 - Interest-bearing demand deposits increased \$164.2 million, or 6.5%
 - Money market and savings accounts increased \$67.3 million, or 3.2%
- Cost of deposits decreased 8 bps to 1.01%
- Noninterest-bearing demand deposits comprise 11.9% of total deposits
- Zero brokered deposits as of December 31, 2019
- Loan-to-Deposit ratio decreased to 91.2%, down from 92.5% in the prior quarter

Net Interest Income and Margin

Net Interest Income (FTE)

(\$ in millions)

◆ Net Interest Margin (%)¹



4Q 2019 Highlights

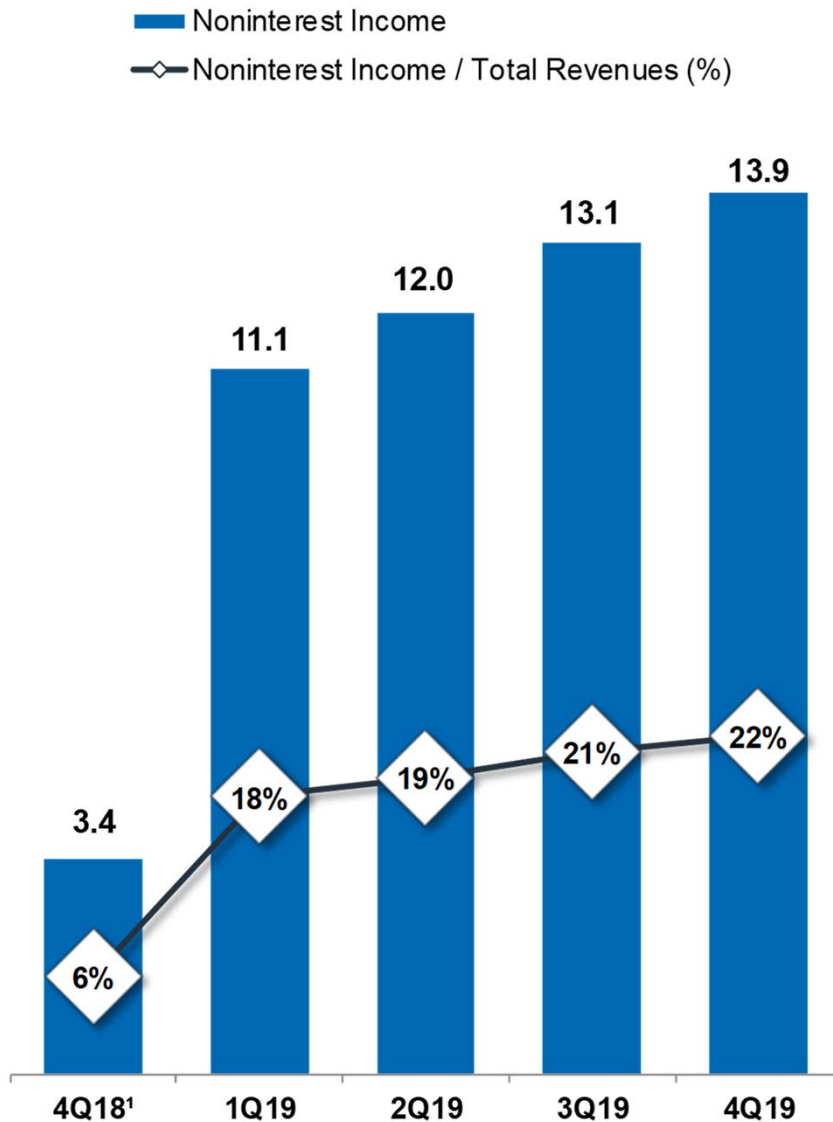
- Net interest income of \$50.1 million was largely unchanged from the prior quarter
 - Interest income down \$950,000, or 1.3%
 - Interest expense down \$1.0 million, or 4.9%, due to lower cost of deposits
- NIM decreased 6 bps to 2.76%
 - Loan yield down 11 bps to 4.13%
 - Securities yield up 16bps to 3.00%
 - Cost of deposits down 8 bps to 1.01%

\$49,562	3Q 2019	2.82%
(1,961)	Loan Impacts:	(0.19%)
	(1,364) Lower funding yield, higher payoff yield & lower average balances	
	(558) Repricing/rate decreases	
	(319) Net benefit from prepayments	
	177 Interest recoveries on nonaccrual loans	
	104 Acquired loan interest income/accretion	
992	Cash and Investment Securities:	0.05%
	782 Change in average balances	
	464 Lower premium amortization from prepays	
	(254) Repricing/rate decreases	
1,008	Deposits and Borrowings:	0.08%
	1,285 Lower rates on deposits	
	116 Lower average FHLB advances	
	(393) Higher average deposits	
\$49,600	4Q 2019	2.76%

Noninterest Income

Noninterest Income

(\$ in millions)



4Q 2019 Highlights

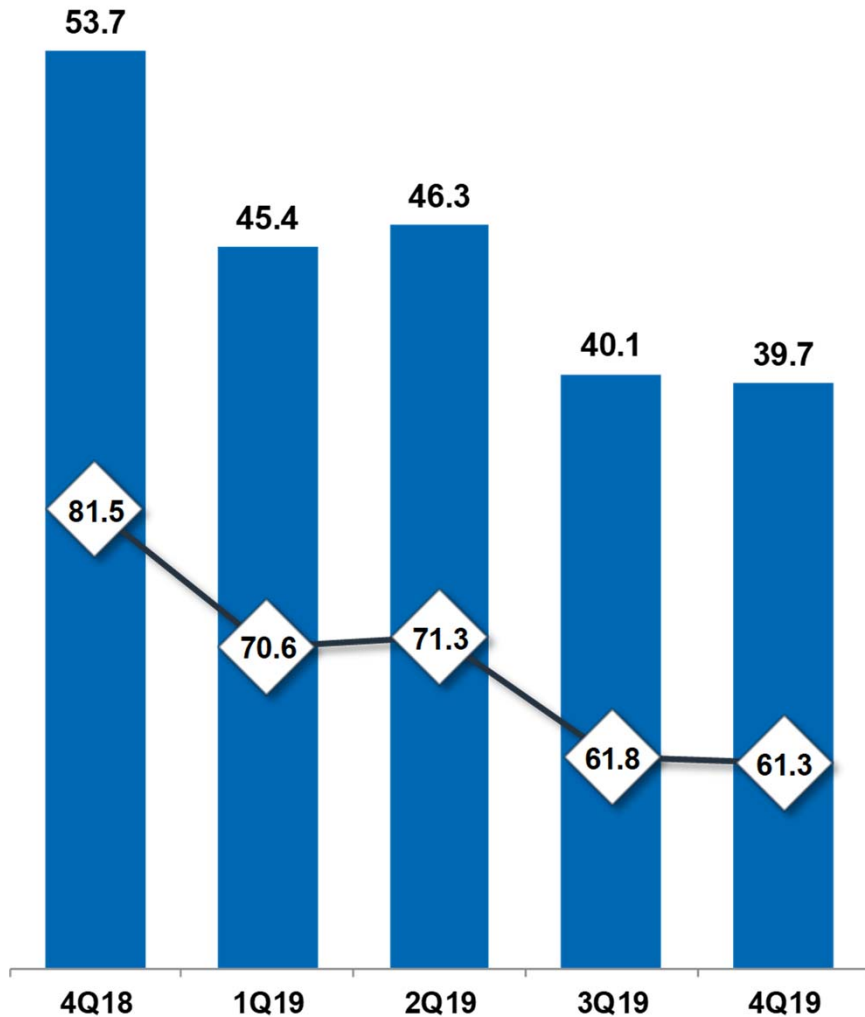
- Noninterest income totaled \$13.9 million for the fourth quarter of 2019
- \$851,000 gain on sale of a bank operations office building
- Diverse sources of noninterest income:
 - Trust Administrative fees from PENSCO were \$7.3 million
 - Escrow & Exchange fees of \$1.5 million
 - Deposit and Treasury Management fees were \$1.4 million
 - BOLI income of \$1.3 million
- Noninterest income equaled 22% of total revenues in 4Q 2019

Noninterest Expense and Efficiency

Noninterest Expense

(\$ in millions)

—◇— Efficiency Ratio (%)¹



4Q 2019 Highlights

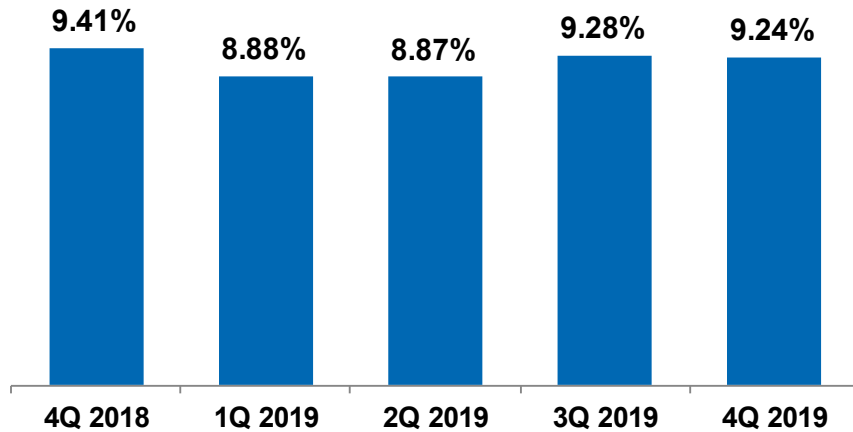
- Noninterest expense totaled \$39.7 million in the fourth quarter of 2019
 - Lower amortization expense due to prior acquisitions' CDI fully amortizing
 - FDIC small bank assessment credit reduced expense by \$461,000
- Efficiency ratio was 61.3% in the fourth quarter¹
 - Decrease from the prior quarter was driven by both lower expenses and higher total revenues
 - Adjusted efficiency ratio of 61.2%²

[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.

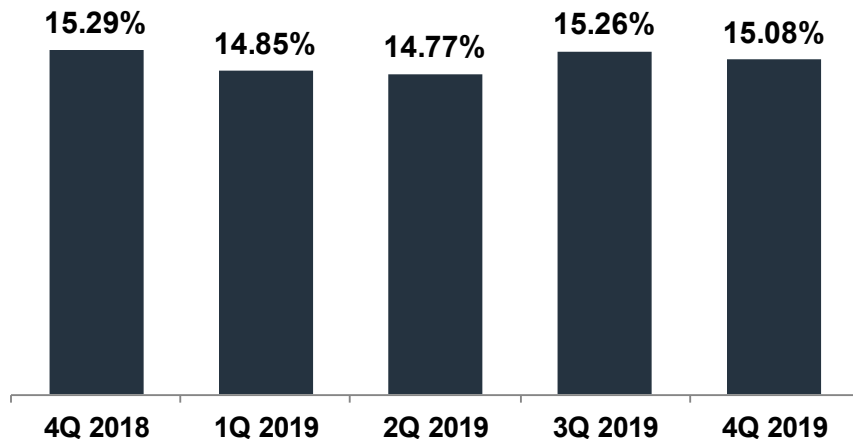
[2] See reconciliation of non-GAAP financial measures on pages 16-19

Capital

Tangible Common Equity Ratio¹



Total Risk Based Capital Ratio²



4Q 2019 Highlights

- Opus has ample capital, with tangible common equity of 9.24%
- Total Stockholders' Equity was \$1.1 billion as of December 31, 2019, up 1.5% from prior quarter
 - Retained earnings increased \$16.1 million
 - AOCI decreased \$755,000
- Regulatory capital ratios remain robust²
 - Tier 1 Leverage was unchanged from the prior quarter at 9.70%
 - Total Risk-based Capital decreased 18 bps to 15.08%
- Tangible book value per share increased 44 cents to \$19.38 as of December 31, 2019¹
- Board of Directors authorized the payment of a quarterly cash dividend of \$0.11 per share payable in 1Q 2020

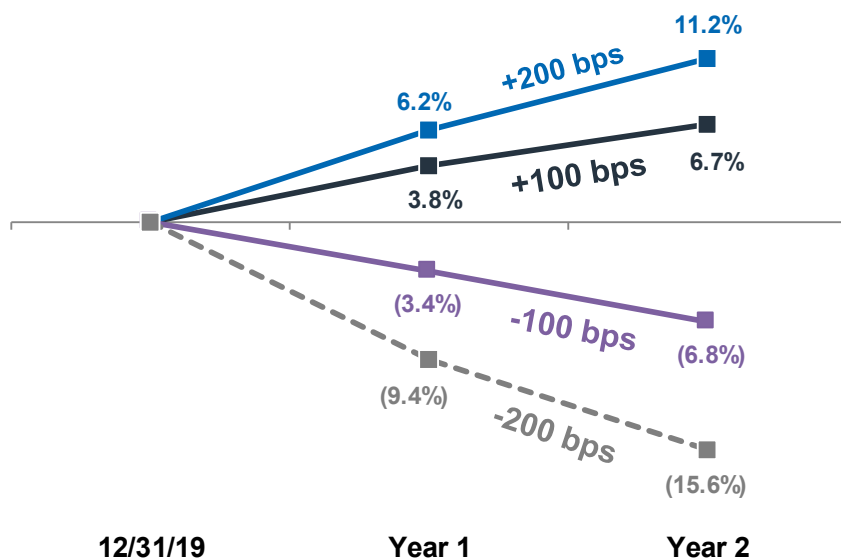
Asset Sensitivity

As of December 31, 2019

- Duration of total assets 2.5 years compared to total liabilities 3.0 years
- Our asset liability management modeling estimates net interest income increases by 3.8% with +100 bps shift and decreases by 9.4% with -200 bps shift

Simulations of Net Interest Income¹

Assumes instantaneous parallel shifts in the yield curve



[1] Beginning of simulation is December 31, 2019

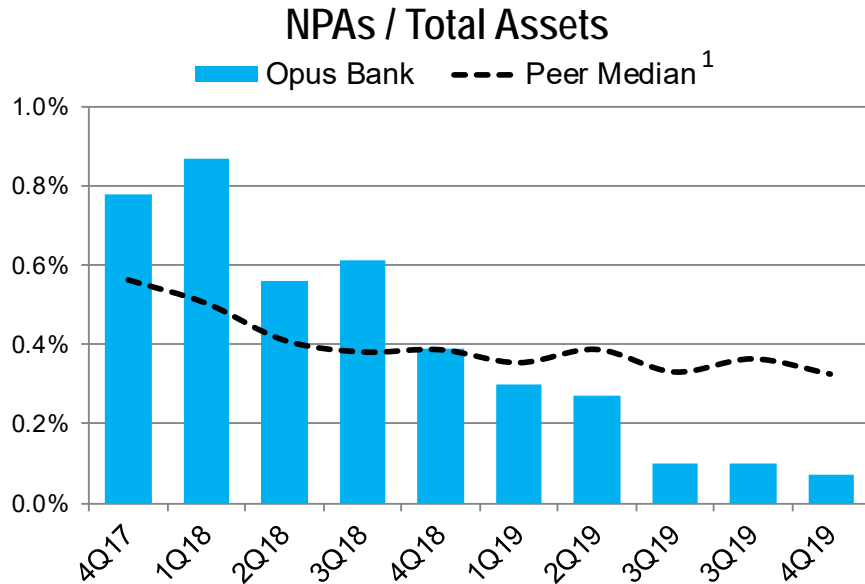
Asset and Liability Duration

<u>Assets</u>		<u>Liabilities</u>	
	Years		Years
Investment Securities	3.6	Borrowings	1.3
Loans	2.6	Deposits	3.1
○ Commercial & Industrial	2.0	○ Non-interest Checking	6.1
○ Commercial Real Estate	2.2	○ NOW	4.2
○ Multifamily	2.9	○ Money Market	1.4
Total Asset Duration	2.5	○ Savings	4.3
		○ Time Deposits	0.6
		Total Liability Duration	3.0

Loan Resets and Maturities ²	< 1 Yr	1-3 Yrs	3-5 Yrs	> 5 Yrs	Total
Prime and 1M LIBOR	12.0%	0.5%	0.3%	0.0%	12.7%
3M LIBOR	0.4%	0.0%	1.2%	0.0%	1.6%
6M LIBOR	10.0%	15.0%	10.2%	13.7%	48.9%
Other Indexed Rate Loans	1.2%	0.9%	18.9%	0.9%	22.0%
Total Variable Rate Loans	23.5%	16.4%	30.7%	14.6%	85.2%
Fixed Rate Loans	0.5%	2.2%	2.3%	9.8%	14.8%
Total Loans	24.0%	18.6%	33.0%	24.4%	100.0%

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

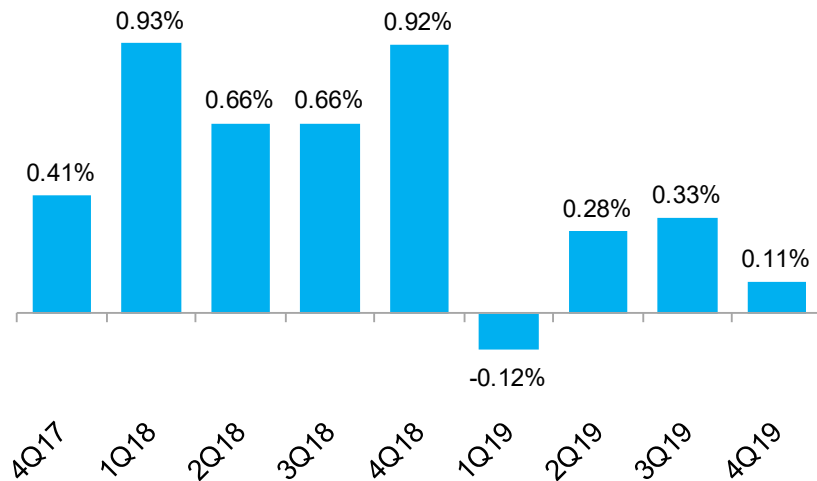
Credit Quality Overview



4Q 2019 Highlights

- Nonperforming assets decreased 19.5% to \$6.0 million, or 0.07% of total assets
- Net charge-offs of \$1.6 million, or 0.11% of average loans annualized
- Negative provision for loan losses of \$2.7 million
- Criticized loans decreased 27.5% to \$73.5 million as of December 31, 2019
 - Classified decreased \$35.2 million
 - Special Mention increased \$7.3 million

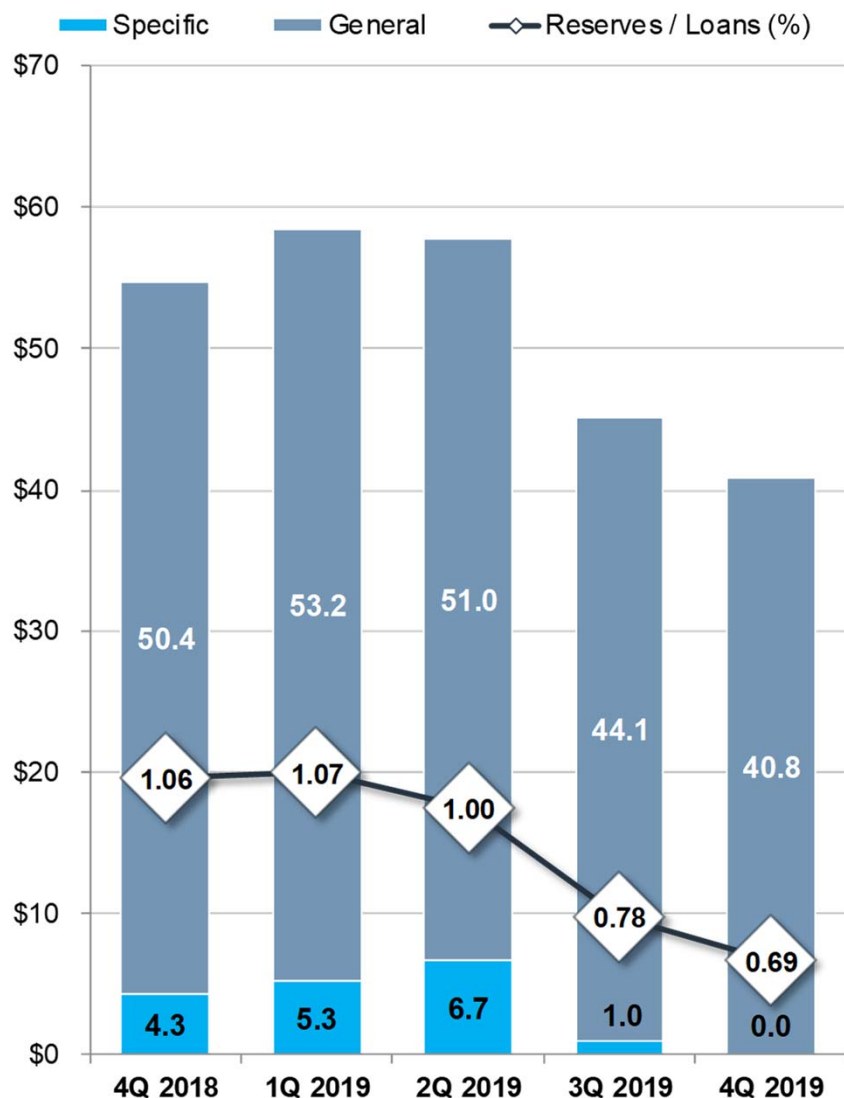
Net Charge-offs / Average Loans (annualized)



Allowance for Loan Losses

Allowance for Loan Losses

(\$ in millions)



4Q 2019 Highlights

- Negative provision for loan losses of \$2.7 million, compared to negative provision of \$7.7 million in the third quarter of 2019
 - Loan exits \$5.4 million
 - Specific reserves \$1.0 million
 - Risk rating migration \$402,000
 - + Net Charge-offs \$1.6 million
 - + Changes in portfolio mix and fundings \$2.6 million
- Allowance for loan losses totaled \$40.8 million
 - Down \$4.3 million from the prior quarter
 - 0.69% of loans
 - Zero specific reserves as of December 31, 2019

Estimate of CECL Impact

- Day 1 impact of 5-10% increase in the Allowance for Credit Losses (ACL)¹

Outlook for 2020

Assume continuation of current economic environment, with no rate cuts in 2020

Loans	<ul style="list-style-type: none">• Estimate annual loan growth rate in the high single digits• Maintain credit discipline
Deposits	<ul style="list-style-type: none">• Anticipate steady deposit growth
Net Interest Margin	<ul style="list-style-type: none">• Estimate stable to slightly declining NIM
Noninterest Expense	<ul style="list-style-type: none">• Disciplined expense management to increase operating leverage• Efficiency ratio in the low 60's for the full year, dropping into the 50's in last half of the year
Credit Quality	<ul style="list-style-type: none">• Expect stable credit trends
CECL Impact	<ul style="list-style-type: none">• Estimated impact of between 5 – 10% increase in credit allowance¹
Tax Rate	<ul style="list-style-type: none">• Estimate effective tax rate of approximately 26%
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		
	December 31, 2019	September 30, 2019	December 31, 2018
Tangible equity:			
Total stockholders' equity	\$1,099,147	\$1,083,043	\$1,040,813
Less:			
Preferred stock	29,110	29,110	29,110
Common equity	1,070,037	1,053,933	1,011,703
Less:			
Goodwill	331,832	331,832	331,832
Other intangible assets, net	33,875	34,884	38,926
Tangible common equity	\$704,330	\$687,217	\$640,945
Shares of common stock outstanding	36,347,615	36,286,598	36,608,375
Book value per common share	\$29.44	\$29.04	\$28.06
Tangible book value per common share	\$19.38	\$18.94	\$17.77

Reconciliation of Non-GAAP Financial Measures

Non-GAAP Stockholders' Equity, Tangible Equity, and Tangible Common Equity Ratios

(unaudited)

(\$ in thousands)	As of		
	December 31, 2019	September 30, 2019	December 31, 2018
Total assets	\$7,992,400	\$7,771,343	\$7,180,903
Less:			
Goodwill	331,832	331,832	331,832
Other intangible assets, net	33,875	34,884	38,926
Tangible assets	7,626,693	7,404,627	6,810,145
Total stockholders' equity	1,099,147	1,083,043	1,040,813
Less:			
Goodwill	331,832	331,832	331,832
Other intangible assets, net	33,875	34,884	38,926
Tangible equity	733,440	716,327	670,055
Less: preferred stock	29,110	29,110	29,110
Tangible common equity	\$704,330	\$687,217	\$640,945
Total stockholders' equity to total assets	13.75%	13.94%	14.49%
Tangible equity to tangible assets ratio	9.62%	9.67%	9.84%
Total common equity to total assets	13.39%	13.56%	14.09%
Tangible common equity to tangible assets ratio	9.24%	9.28%	9.41%

Reconciliation of Non-GAAP Financial Measures

Non-GAAP Financial Measures

(unaudited)

(\$ in thousands)	For the three months ended			For the year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net income	\$20,289	\$21,998	(\$6,861)	\$61,834	\$30,918
Adjustments to noninterest income:					
Impairment	—	—	—	489	—
(Gains) and losses on sales of securities, loans, and other repossessed assets	(851)	(220)	9,882	(1,024)	9,667
Adjustments to noninterest expense:					
Strategic actions	81	119	10,547	5,000	12,845
Litigation (recovery)	—	—	—	1,431	(2,734)
Pre-tax adjustments	(770)	(101)	20,429	5,896	19,778
Tax effect	34	383	(3,401)	(273)	(6,103)
Tax-effected adjustments ¹	(736)	282	17,028	5,623	13,675
Adjusted net income	\$19,553	\$22,280	\$10,167	\$67,457	\$44,593
Average assets	\$7,920,141	\$7,751,397	\$7,258,318	\$7,700,141	\$7,258,284
Average stockholders' equity	1,092,860	1,074,436	1,042,554	1,069,279	1,033,680
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	34,467	35,639	39,663	36,312	41,859
Average tangible common equity	\$697,451	\$677,855	\$641,949	\$672,025	\$630,879

[1] The tax effect of adjustments was computed using the combined federal and state marginal tax rate of 23.9%, 26.1%, 21.3%, 24.9% and 22.1% for the three months ended December 31, 2019, September 30, 2019, and December 31, 2018 and the year ended December 31, 2019 and December 31, 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 year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Earnings per diluted share	\$0.53	\$0.57	(\$0.20)	\$1.62	\$0.81
Adjusted earnings per diluted share	\$0.51	\$0.58	\$0.27	\$1.76	\$1.18
Return on average assets	1.02%	1.13%	(0.38%)	0.80%	0.43%
Adjusted return on average assets	0.98%	1.14%	0.56%	0.88%	0.61%
Return on average equity	7.37%	8.12%	(2.61%)	5.78%	2.99%
Adjusted return on average equity	7.10%	8.23%	3.87%	6.31%	4.31%
Return on average tangible common equity	11.54%	12.88%	(4.24%)	9.20%	4.90%
Adjusted return on average tangible common equity	11.12%	13.04%	6.28%	10.04%	7.07%
Efficiency ratio ¹	61.30%	61.82%	81.49%	66.25%	70.72%
Adjusted efficiency ratio ¹	61.17%	61.63%	65.03%	63.56%	66.71%

[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.