

March 26, 2025

CURRENT PRICE: \$10.66

RATING: HOLD

PRICE TARGET: N/A

CURRENT YIELD: 5.3%

EPS Estimates - Non-GAAP

	DEC 24A	DEC 25E
1Q	\$0.21	\$0.23
2Q	\$0.21	\$0.23
3Q	\$0.20	\$0.22
4Q	\$0.20	\$0.22
	\$0.82	\$0.90

Trading Data

52-WEEK PRICE RANGE: **\$14.53-\$9.80**

SHARES OUTSTANDING: **120.8(M)**

MARKET CAP: **\$1,288(M)**

AVG. DAILY TRADING VOLUME: **0.74(M)**

S&P 500: **5,705**

Valuation Data

BOOK VALUE: **\$13.81**

PRICE TO BOOK: **0.77x**

DIVIDEND: **\$0.56**

HOPE Bancorp (Nasdaq: HOPE)

4Q24 Earnings Results

Highlights

- 4Q24 earnings of \$0.20/share vs. \$0.22/share during 4Q23
- Lower interest income impacted results
- Regulatory approval of Territorial Bancorp acquisition
- Management discussed earnings turnaround potential in 2025
- Maintain HOLD rating

Investment Thesis

Many US banks recovered from loan portfolio credit deterioration created by the 2008-2009 recession & recent challenges of the Covid pandemic. One such bank, is HOPE Bancorp. This bank's unique customer-niche, recent acquisitions, and balance sheet generated an earnings recovery in 2021 & 2022. The past year of rising interest rates has been a challenge to HOPE, and all US banks, resulting in lower earnings during past year. We currently rate HOPE a Hold.

Company Summary

Headquartered in Los Angeles CA, HOPE Bancorp Inc. (HOPE-\$10.66), formerly known as Nara Bancorp, Inc., originally began its operations in June 1989 operating under the name of "United Citizens National Bank". The name was changed to Nara Bank, National Association in 1994. In January 2005 the bank's name changed to Nara Bancorp after converting to a California state-chartered bank in conjunction with the holding company's reorganization transaction. Nara merged with Center Financial Corporation, on November 30, 2011, and changed its name to BBCN Bancorp Inc. Since then, the company merged with Wilshire Bancorp, Pacific International, Foster Bankshares, and changed its name to Hope Bancorp. A merger was recently completed with Hawaiiin-based Territorial Bancorp.

For Important Disclosure information regarding the Firm's rating system, valuation methods and potential conflicts of interest, please refer to the last two pages of this report.



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Upon completing the merger with Wilshire Bank, BBCN Bancorp changed its name to HOPE Bancorp. When it was known as BBCN Bancorp, it purchased Seattle-based Pacific International Bancorp (PIB) during 2013. PIB had total assets of \$185 million and four bank locations in the Seattle metro area. On a combined basis, HOPE now has 46 full service branches in CA, WA, TX, IL, NY, NJ, GA, and AL. The bank also has SBA offices in CA, CO, GA, NY, OR, TX, WA, and a representative office in Seoul, Korea. As of 12/31/24 HOPE had total assets of \$17.1 billion.

Business Overview

HOPE's primary focus is serving the Korean-American communities in Southern/Northern CA, Seattle, Chicago, and the New York City/New Jersey metropolitan areas. The bank offers deposit services, money markets, certificates of deposits, and a variety of loans to customers comprised mainly of small-to-mid size businesses and individuals in its service territories. The loan business consists of commercial business/real estate, trade finance, and SBAs. HOPE provides cash management services to its business customers. Its website offers internet banking services/applications in both Korean and American.

The 2013 acquisition of Pacific International Bank increased BBCN's banking footprint by adding 4 branches in Seattle WA. Additionally, it added \$130 million in loans and \$143 million in deposits to BBCN's balance sheet. Also, during 2013 BBCN merged with Foster Bank, headquartered in Chicago IL. Foster Bank was another financial institution serving the Korean-American community in Chicago and the Washington DC metropolitan areas. This added 10 branch offices in Chicago, as well as \$412.6 million in total assets. During 4Q24, HOPE sold its Annandale and Centreville VA branches to PromiseOne Bank.

Another acquisition was made during 2015 as BBCN merged with Wilshire Bancorp. The resulting company produced the largest Korean-American oriented bank in the US and BBCN Bancorp changed its name to HOPE Bancorp. On 4/6/24, HOPE announced a merger with Hawaii based Territorial Bancorp Inc. (TBNK). TBNK has \$2.24 billion of total assets and \$1.31 billion of total loans. HOPE believes the merger will add stable/low cost deposits & double the size of its mortgage portfolio. The merger was approved by regulatory authorities on 3/3/25.



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Recent Earnings

HOPE reported 4Q24 earnings of \$0.20/share vs. \$0.22/share. The decline occurred due to lower interest income (-\$42.6 million) and higher provision for credit losses (+\$7.6 million) during 4Q24. These were partly offset by lower interest expense (-\$18.8 million), higher non-interest income (+\$6.6 million), and lower non-interest expense (-\$21.6 million). When comparing 4Q24 and 4Q23, total assets decreased to \$17.1 billion from \$19.1 billion and total liabilities fell to \$14.9 billion from \$17.0 billion. Loans declined to \$13.6 billion from \$13.9 billion while deposits decreased to \$14.3 billion from \$14.8 billion. ROA increased to 0.57% from 0.54%, ROE fell to 4.51% from 5.17%, net interest margin declined to 2.50% from 2.70%, and tangible book value per share rose to \$13.81 from \$13.76. When looking at full-year results, FY24 earnings decreased to \$0.82/share from \$1.11/share during FY23.

4Q24 vs. 4Q23 RESULTS

LOANS/DEPOSITS: Gross loans, including those held for sale, decreased to \$13.63 billion from \$14.1 billion and the annualized average yield fell to 5.95% from 6.24%. 4Q24's loan portfolio composition consisted of \$8.5 billion of commercial real estate loans (-3%), \$4.0 billion of commercial/ industrial loans (-4%), \$1.1 billion of residential loans (+22%), \$14.5 million of loans held for sale vs. \$3.4 million (+325%).

Total interest-bearing deposits fell to \$11.0 billion from \$11.2 billion. This occurred as money market, interest bearing demand, and savings accounts increased to \$5.2 billion from \$4.8 billion and time deposits decreased to \$5.9 billion from \$6.3 billion. Selling of the VA branches caused HOPE's deposits to decline by \$128 million. Additionally, management noted the shift in 4Q's deposit mix, towards more liquid accounts, is a seasonal occurrence as customers move money to prepare for upcoming tax payments. The average cost of interest-bearing deposits was 4.38% vs. 4.32%, reflecting an increase in interest rates during the fall.

CREDIT QUALITY: Total non-performing assets increased to \$90.8 million from \$45.5 million. There was a rise in loans on non-accrual status (\$90.6 million vs. \$59.5 million), decrease in accruing loans past 90 days or more (\$229,000 vs. \$261,000) and other real estate owned (\$0 vs. \$63,000). In terms of non-accrual loan types, commercial/industrial rose to \$60.8 million from \$5.0 million, residential mortgage/others slightly grew to \$6.4 million from \$6.3 million, and commercial/real estate decreased to \$23.4 million from \$33.9 million.

Net loan charge offs rose to \$12.8 million from \$1.8 million due to higher charge offs in commercial/industrial loans (\$12.6 million vs. \$138,000) while seeing decreases in commercial/real estate loans (\$156,000 vs. \$545,000) and residential mortgage/other loans (\$80,000 vs. \$117,000). As a result, net charge offs to average loans (annualized) increased to 0.38% from 0.05%. When comparing FY24 to FY 23, this ratio decreased to 0.19% from 0.22%.



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INTEREST INCOME & NON-INTEREST INCOME: Total interest income fell 16% to \$226.6 million from \$269.2 million. This was due to lower interest/fees on loans (\$203.8 million vs. \$221.0 million), interest on investment securities (\$16.9 million vs. \$18.4 million), and interest on cash/deposits at other banks (\$4.7 million vs. \$29.0 million). These were partly offset by an increase in interest from other investments/FHLB dividends (\$1.2 million vs. \$777,000).

Total non-interest income rose 71% to \$15.9 million from \$9.3 million. This occurred due to increases in deposit account service fees (\$2.9 million vs. \$2.5 million), SBA loan net sales gains (\$3.1 million vs. \$0), net gains on securities available for sale (\$837,000 vs. \$0), net gain on sale of VA branches (\$1 million vs. \$0), and other income fees (\$8.2 million vs. \$6.8 million).

INTEREST EXPENSE & NON-INTEREST EXPENSE: Total interest expense fell 13% to \$124.5 million from \$143.3 million. This resulted interest on borrowings declining to \$2.8 million from \$22.0 million while interest on deposits increased to \$121.7 from \$121.3 million.

Total non-interest expense fell to \$77.6 million from \$99.2 million. The decrease came from lower salaries/employee benefits (\$42.0 million vs. \$47.4 million), occupancy costs (\$6.8 million vs. \$7.2 million), data processing/communications (\$2.96 million vs. \$2.98), FDIC assessment (\$2.7 million vs. \$3.1 million), FDIC special assessment (\$0 vs. \$4 million), earned interest credit (\$4.6 million vs. \$6.5 million), and restructuring related (reversals) costs (+\$152,000 vs. \$11.1 million). These declines were partly offset by higher furniture/equipment costs (\$5.4 million vs. \$5.3 million), merger-related costs (\$735,000 vs. \$0), and other interest expense (\$12.5 million vs. \$11.6 million).

Our Thoughts

While 4Q24 earnings decreased to \$0.20/share from \$0.22/share during 4Q23, HOPE believes earnings could rebound in 2025 due to improved deposit mix, organic loan growth, & higher fee income. Management is targeting a ROA level of 1.2% or better. During the 4Q24 earnings call, management stated 2025 loan growth could be in high-single digit with the majority coming mainly from commercial/industrial, and little, if any, from commercial real estate. Also, HOPE believes net interest income and non-interest income could improve by low double digits for 2025. Further, the acquisition of Territorial Bancorp, provides low-cost deposits/mortgages and may contribute towards HOPE's 2025 earnings.

Given recent uncertainty created by the Trump Administrations tariff polices, and potential drag they could pose on the US economy, bank earnings growth may be difficult in 2025. Given this back drop we continue to rate HOPE a HOLD until the effects of tariffs on the US economy become clearer later this year. Our 2025 earnings estimate is \$0.90/share.



Risks

There is no guarantee HOPE will improve earnings/cash flow. An economic slowdown could adversely impact the company's earnings/loan portfolio. Rising interest rates/inflation, increased regulatory compliance expense, tax issues, or rising operating costs could negatively impact HOPE's earnings. Negative interest rates could be negative for HOPE's future earnings. HOPE's stock may be adversely impacted by negative equity/credit markets, terrorist attacks, and failure to comply with Sarbanes Oxley, US Treasury, or bank accounting standard guidelines. Additionally, given its small-cap nature, there is limited liquidity in the trading of this stock. Given the relatively small amount of daily trading volume in HOPE's stock, any increase in trading volume could significantly accelerate the volatility of its share price movement.

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HOPE Bancorp & all subsidiaries
(in thousands, except per share amounts)

	1Q24	2Q24	3Q24	4Q24	2024	1Q25e	2Q25e	3Q25e	4Q25e	2025e
Interest Income	\$259,674	\$232,601	\$235,084	\$226,621	\$953,980	\$263,542	\$262,423	\$267,947	\$251,629	\$1,045,541
Interest Expense	144,627	126,741	130,275	124,486	526,129	146,627	149,892	154,726	138,421	889,666
Net Interest Income before loan losses	115,047	105,860	104,809	102,135	427,851	116,915	112,531	113,221	113,208	455,875
Provision for loan losses	2,600	1,400	3,280	10,000	17,280	2,100	3,700	2,600	1,200	9,600
Net Interest income net loan loss provisions	112,447	104,460	101,529	92,135	410,571	114,815	108,831	110,621	112,008	946,716
Non-Interest Income	8,286	11,071	11,839	15,881	47,077	8,479	12,129	13,424	12,957	46,989
Non-Interest Expense	84,839	80,987	81,268	77,590	324,684	86,117	86,432	90,751	91,862	355,162
Income before income taxes	35,894	34,544	32,100	30,426	132,964	34,177	34,528	33,294	33,103	135,102
Income taxes	10,030	9,274	7,941	6,089	33,334	6,835	6,906	6,659	6,621	27,021
Net Income	25,864	25,270	24,159	24,337	99,630	27,342	27,662	26,635	26,482	108,121
Dividends/disc. accretion on pref stock										
Net Income available to common stock	\$25,864	\$25,270	\$24,159	\$24,337	\$99,630	\$27,342	\$27,662	\$26,635	\$26,482	\$108,121
Diluted Earnings Per Share	\$0.21	\$0.21	\$0.20	\$0.20	\$0.82	\$0.23	\$0.23	\$0.22	\$0.22	\$0.90

Important Disclosures

Daily HOPE Bancorp Inc. C:10.66 Ctrg:0.05



5/09/13 \$12.80 Initiate BUY & \$15.30 px target
 9/09/13 Raise price target to \$15.90
 10/23/15 Raise price target to \$19.00
 12/27/16 Raise price target to \$24.00
 12/10/19 Lower price target to \$19.00
 5/11/20 Lower price target to \$14.00
 8/09/21 Raise price target to \$16.00
 3/10/22 Lowered rating to a HOLD
 Ratings:
 Buy: B
 Hold: H
 Sell: S

RISKS TO OUR PRICE TARGET: Failure of HOPE to grow cashflow/earnings, or an economic slowdown could adversely impact the company's earnings/loan portfolio. Rising interest rates, increased regulatory compliance expense, adverse tax or legal issues, or rising operating costs could have a negative impact on our price target. Additionally, negative equity/credit markets, a negative interest rate environment, terrorist attacks, wars, geopolitical issues, US politics, failure to comply with Sarbanes Oxley & US Treasury guidelines, or maintain accepted accounting standards could be risks to our price target for HOPE. Additionally, since HOPE is considered a small cap bank, there is limited liquidity in the trading of its stock. Given the relatively small amount of daily trading volume in HOPE's stock, any increase in trading volume could significantly accelerate the volatility of its stock to the downside, as well as upside.

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Stock ratings used in this report are defined as follows:

- (1) Buy – The stock's total return including dividends is expected to exceed the industry or market average by at least 10% over the next twelve months.
- (2) Hold – The stock's total return including dividends is expected to be in line with the industry or market average of +/- 10% over the next twelve months.
- (3) Sell – The Stock's total return including dividends is expected to be below the industry or market average by 10% or more over the next twelve months.

The distribution of investment ratings for all companies in our coverage universe are as follows: (1) 33.3%, (2) 66.7%, (3) 0%.

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