Risk Factors Comparison 2024-02-28 to 2023-02-28 Form: 10-K

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In the course of conducting our business operations, we are exposed to a variety of risks, some of which are inherent in the financial services industry and others of which are more specific to our own business. The following discussion addresses the most significant risks that could affect our business, financial condition, liquidity, results of operations, and capital position. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs, our business, financial condition and results of operations may be materially and adversely effected. In that event, the market price for our common stock would likely decline. Risks Related to our Business Economic conditions in the markets in which we operate may adversely affect our loan portfolio and reduce the demand for our services. ~~We focus our business primarily in Korean- American communities in California, the greater New York City, Chicago, Houston, Dallas, Tampa, and Seattle metropolitan areas, New Jersey, Virginia, Georgia and Alabama.~~ Adverse economic conditions in our market areas could potentially have a material adverse impact on the quality of our business. **An** ~~A renewed~~ economic slowdown in the markets in which we operate ~~currently and~~ **, or may do so** in the future may have any or all of the following consequences, any of which may reduce our net income and adversely affect our financial condition: • loan delinquencies may increase; • problem assets and foreclosures may increase; • the level and duration of deposits may decline; • demand for our products and services may decline; and • collateral for loans may decline in value below the principal amount owed by the borrower. We have a high level of loans secured by real estate collateral. A downturn in the real estate market may seriously impair our loan portfolio. As of December 31, ~~2022~~ **2023** , approximately ~~61~~ **64** % of our loan portfolio consisted of loans secured by various types of commercial real estate (excluding 1- 4 family residential mortgage loans). A slowdown in the economy is often accompanied by declines in the value of real estate ~~. In the height of the COVID- 19 pandemic, the impact of the virus resulted in renewed deterioration in the real estate market generally and in commercial real estate values in particular. Such developments may result in additional loan charge- offs and provisions for credit losses~~ , which may have a material and adverse effect on our net income and capital levels. Our commercial loan and commercial real estate loan portfolios expose us to risks ~~that may be greater than the risks related to our other loans~~ . ~~Our loan portfolio includes commercial loans and commercial real estate loans, which are secured by hotels and motels, shopping / retail centers, service station and car wash, industrial and warehouse properties, and other types of commercial properties. Commercial and commercial real estate loans carry more risk as compared to other types of lending, because they typically involve larger loan balances often concentrated with a single borrower or groups of related borrowers. Accordingly, charge~~ **Charge** - offs on commercial and commercial real estate loans may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios ~~. In addition, these loans expose a lender to greater credit risk than loans secured by residential real estate~~ . The payment experience on commercial real estate loans that are secured by income producing properties are typically dependent on the successful operation of the related **property tenants** ~~real estate project~~ and thus, may subject us to adverse conditions in the real estate market or to the general economy. The collateral securing these loans typically cannot be liquidated as easily as residential real estate. If we foreclose on these loans, our holding period for the collateral typically is longer than residential properties because there are fewer potential purchasers of the collateral. Unexpected deterioration in the credit quality of our commercial or commercial real estate loan portfolios would require us to increase our provision for credit losses, which would reduce our profitability and could materially adversely affect our business, financial condition, results of operations and prospects. In addition, with respect to commercial real estate loans, federal and state banking regulators **have expressed concerns about weakness in the commercial real estate market. As a result, banking regulators** are examining commercial real estate lending activity with heightened scrutiny and may require banks with higher levels of commercial real estate loans to implement more stringent underwriting, internal controls, risk management policies and portfolio stress testing, as well as possibly higher levels of allowances for losses and capital levels as a result of commercial real estate lending growth and exposures. Because a significant portion of our loan portfolio is comprised of commercial real estate loans, the banking regulators may require us to maintain higher levels of capital than we would otherwise be expected to maintain, which could limit our ability to leverage our capital and have a material adverse effect on our business, financial condition, results of operations and prospects. Our allowance for credit losses may not cover our actual loan losses. As a lender, we are exposed to the risk that the principal of, or interest on, a loan will not be paid timely or at all or that the value of any collateral supporting a loan will be insufficient to cover our outstanding exposure. In accordance with U. S. GAAP, we maintain an allowance for credit losses to provide for loan defaults and non- performance. If our actual credit losses exceed the amount we have allocated for estimated current expected credit losses, our business will be adversely affected. We attempt to limit the risk that borrowers will fail to repay loans by carefully underwriting our loans, but losses nevertheless occur in the ordinary course of business operations. We create allowances for estimated credit losses through provisions that are recorded as reductions in income in our accounting records. We base these allowances on estimates of the following: • historical experience with our loans; • evaluation of current economic conditions and other factors; • reviews of the quality, mix and size of the overall loan portfolio; • reviews of delinquencies; and • the quality of the collateral underlying our loans. If our allowance estimates are inadequate, we may incur losses, our financial condition may be materially and adversely affected and we may be required to try and raise additional capital to enhance our capital position. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the adequacy of our allowance. These agencies may require us to establish additional allowances based on their judgment of the information available at the time of their examinations. No assurance can be given that we will not sustain loan losses in excess of present or future levels of the allowance for credit losses or that regulatory agencies will not require us to increase our allowance thereby impacting our profitability. An increase in nonperforming assets would reduce our income and increase our expenses. If the level of nonperforming assets increases in the future, it may adversely affect our operating results and financial condition. Nonperforming assets are mainly loans on which the borrowers are not making their required payments. Nonperforming assets also include loans that have been restructured to permit the borrower to make payments and real estate that has been acquired through foreclosure or deed in lieu of foreclosure of unpaid loans. To the extent that assets are nonperforming, we **would** have ~~less~~ **a lower balance of** earning assets generating interest income and an increase in credit related expenses, including provisions for credit losses. Increases in the level of our problem assets, occurrence of operating losses or a failure to comply with requirements of the agencies which regulate us may result in regulatory actions against us which may materially and adversely affect our business and the market price of our common stock. The DFPI, the FDIC, and the FRB each have authority to take actions to require that we comply with applicable regulatory capital requirements, cease engaging in what they perceive to be unsafe or unsound practices or make other changes in our business. Among others, the corrective measures that such regulatory authorities may take include requiring us to enter into informal or formal agreements regarding our operations, the issuance of cease and desist orders to refrain from engaging in unsafe and unsound practices, removal of officers and directors and the assessment of civil monetary penalties. See ~~“~~Item 1 ~~.~~**“** Business – Supervision and Regulation ” for a further description of such regulatory powers. Our use of appraisals in deciding whether to make loans secured by real property does not ensure that the value of the real property collateral will be sufficient to repay our loans. In considering whether to make a loan secured by real property, we require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made and requires the exercise of a considerable degree of judgment. If the appraisal does not accurately reflect the amount that may be obtained upon sale or foreclosure of the property, whether due to a decline in property value after the date of the original appraisal or defective preparation of the appraisal, we may not realize an amount equal to the indebtedness secured by the property and as a result, we may suffer losses. Changes in interest rates affect our profitability. The interest rate risk inherent in our lending, investing, and deposit taking activities is a significant market risk to us and our business. We derive our income mainly from the difference or “ spread ” between the interest earned on loans, securities and other interest earning assets, and interest paid on deposits, borrowings and other interest bearing liabilities. In general, the wider the spread, the more net interest income we earn. When market rates of interest change, the interest we receive on our assets and the interest we pay on our liabilities will fluctuate. This can cause decreases in our spread and can greatly affect our income. In addition, interest rate fluctuations can affect how much money we may be able to lend. There can be no assurance that we will be successful in minimizing the potentially adverse effects of changes in interest rates. ~~We face risks associated with the replacement of LIBOR. The London Interbank Offered Rate, or LIBOR, was largely phased out at the end of 2021 with the exception of certain U. S. dollar- based benchmarks that will be phased out in 2023. The U. S. federal banking agencies have issued guidance strongly encouraging banking organizations to cease using the U. S. Dollar LIBOR as a reference rate in new agreements. LIBOR has served as the benchmark rate worldwide for many financial assets, such as loans, bonds and other securities. While a working group comprised of the Federal Reserve and other market participants proposed an alternative, the Secured Overnight Financing Rate (“ SOFR ”), there is no consensus on what rate or rates may become accepted alternatives to LIBOR. The market transition away from LIBOR to an alternative reference rate, such as SOFR, is complex and could have a range of adverse effects on our business, financial condition and results of operations. The transition could, for example: • Adversely affect the interest rates we pay or receive on, the revenue and expenses associated with or the value of our LIBOR- based assets and liabilities, which include our subordinated debentures, certain variable rate loans and certain other securities and financial arrangements; • Adversely affect the interest rates paid or received on, the revenue and expenses associated with or the value of other securities or financial arrangements, given LIBOR' s role in determining market interest rates globally; • Prompt inquiries or other actions from banking regulators regarding our preparation and readiness for the replacement of LIBOR with an alternative reference rate; and • Result in disputes, litigation or other actions with counterparties, including disputes regarding the interpretation and enforceability of fallback language in LIBOR- based contracts and securities. The manner and impact of the transition from LIBOR to an alternative reference rate and the effect of these developments on our funding costs, loan and investment and trading securities portfolios, asset- liability management, and business, is uncertain. Accordingly, it is not currently possible for us to determine whether, or to what extent, any such changes would affect us. However, the discontinuation of existing benchmark rates could have a material adverse effect on our business, financial condition, results of operations, prospects and customers.~~ If we lose key employees, our business may suffer. There is intense competition for experienced and highly qualified personnel in the ~~Korean- American~~ banking industry ~~and the banking industry more broadly~~ . Our future success depends on the continued employment of existing senior management personnel. If we lose key employees temporarily or permanently, it may hurt our business. We may be particularly hurt if our key employees, including any of our executive officers, became employed by our **direct** competitors ~~in the Korean- American banking industry. We face continuing risks related to the COVID- 19 pandemic. Beginning in 2020, the overall economic climate in the U. S., generally, and in our market areas specifically, experienced material disruption due to the COVID- 19 pandemic. The extent to which the COVID- 19 pandemic will continue to negatively affect our business, financial condition and results of operations will depend on future developments, including the emergence and spread of new strains of COVID- 19, which are highly uncertain and cannot be predicted. Additionally, the responses of various governmental and nongovernmental authorities and consumers to the pandemic may have material long term effects on us and our customers, which are difficult to quantify. We could be subject to a number of risks as the result of the COVID- 19 pandemic, any of which could have a material, adverse effect on our business, financial condition and results of operations. These risks include but are not limited to increased credit losses or other impairments in our loan portfolios and increases in our allowance for credit losses; changes in demand for our products and services; a decline in the collateral value for our loans, especially real estate;~~

~~unavailability of employees; increased cyber security risks as employees work remotely; a prolonged weakness in economic conditions resulting in a reduction of future projected earnings; a triggering event leading to impairment testing on our goodwill and other assets, which could result in impairment charges; and increased costs as we and our regulators, customers and vendors adapt to evolving pandemic conditions. Our inability to successfully manage the increased credit and other risks caused by the COVID- 19 pandemic could have a material adverse effect on our business, financial condition and results of operations~~ . We are exposed to the risks of natural disasters. A significant portion of our operations ~~is~~ **are** concentrated in Southern California, which is an earthquake and fire prone region. A major earthquake or fire may result in material loss to us. A significant percentage of our loans are and will be secured by real estate. Many of our borrowers may suffer uninsured property damage, experience interruption of their businesses or lose their jobs after an earthquake or fire. Those borrowers might not be able to repay their loans, and the collateral for such loans may decline significantly in value. Unlike a bank with operations that are more geographically diversified, we are vulnerable to greater losses if an earthquake, fire, flood, mudslide or other natural catastrophe occurs in Southern California. We may experience adverse effects from acquisitions. We have acquired other banking companies and bank offices in the past, and will consider additional acquisitions as opportunities arise. If we do not adequately address the financial and operational risks associated with acquisitions of other companies, we may incur material unexpected costs and disruption of our business. Future acquisitions may increase the degree of such risks. Risks involved in acquisitions of other companies include: • the risk of failure to adequately evaluate the asset quality of the acquired company; • difficulty in assimilating the operations, technology and personnel of the acquired company; • diversion of management' s attention from other important business activities; • difficulty in maintaining good relations with the loan and deposit customers of the acquired company; • inability to maintain uniform and effective operating standards, controls, procedures and policies; • potentially dilutive issuances of equity securities or the incurrence of debt and contingent liabilities; and • amortization of expenses related to acquired intangible assets that have finite lives. Liquidity risks may impair our ability to fund operations and jeopardize our financial condition. Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans, and other sources may have a material adverse effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities may be impaired by factors that affect us specifically or the financial services industry in general. Factors that may detrimentally impact our access to liquidity sources include a decrease in the level of our business activity due to a market downturn or adverse regulatory action against us. Our ability to acquire deposits or borrow may also be impaired by factors that are not specific to us, such as a disruption of the financial markets or negative views and expectations about the prospects for the banking industry or the general financial services industry as a whole. Fraudulent activity ~~,~~ **or** breaches or failures of our information ~~security~~ **system** controls ~~or~~ **, including those related to** cybersecurity ~~- related~~ incidents **,** could have a material adverse effect on our business. As a financial institution, we are susceptible to fraudulent activity **and** ~~, information~~ security breaches ~~and~~ **, including those related to** cybersecurity **incidents, that may materially and adversely affect us or our clients or our third** - **party service providers** ~~related incidents that may be committed against us or our clients, which may result in financial losses or increased costs to us or our clients, disclosure or misuse of our information or our client information, misappropriation of assets, privacy breaches against our clients, litigation, or damage to our reputation~~ . ~~Such fraudulent~~ **Fraudulent** activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering, and other dishonest acts. Information ~~security~~ **system** breaches and **other** cybersecurity **threats** ~~- related incidents~~ may include fraudulent or unauthorized access to systems used by us or our clients, denial or degradation of service attacks, and **ransomware** ~~malware,~~ or other cyber- attacks. ~~In recent periods, there~~ **There** continues to be a rise in electronic fraudulent activity, security breaches, and cyber- attacks within the financial services industry, especially in the commercial banking sector due to cyber criminals targeting commercial bank accounts. Consistent with industry trends, we have also experienced an increase in attempted electronic fraudulent activity **and information system breaches in recent periods. As a financial institution** , **we receive and maintain the business and personal information of our customers on a daily basis. Information pertaining to us and our clients is maintained, and transactions are executed, on the networks and information systems owned or used by us, our clients and certain of our third- party service providers, such as our online banking or reporting systems. The secure maintenance and transmission of confidential information, as well as execution of transactions over these information systems, are essential to protect us and our clients against fraud and** security breaches and ~~cybersecurity~~ **to maintain our clients' confidence. We face the risk that this information may be fraudulently or otherwise improperly accessed, used or disclosed in a cyber** - ~~related incidents in recent periods~~ **attack or other security breach of the information systems we rely upon** . ~~Moreover, in recent periods, several large~~ **Large** corporations, including financial institutions and retail companies, have **increasingly** suffered major ~~data~~ **cybersecurity incidents relating to information system** breaches, in some cases exposing not only confidential and proprietary corporate information, but also sensitive financial and other personal information of their customers and employees and subjecting them to potential fraudulent activity. ~~Some~~ **In the ordinary course** of our ~~clients may~~ **business, we** have ~~been affected by~~ **experienced and expect to continue to experience cyber- based attacks and other cybersecurity threats that may compromise our information systems,** ~~these~~ -- **the** ~~breaches,~~ **consequences of** which **could be material** ~~increase their risks of identity theft, credit card fraud~~ and ~~other~~ **adverse. Our inability to anticipate or adequately mitigate against** fraudulent activity **, cybersecurity incidents and other security breaches may result in financial losses, litigation, increased regulatory scrutiny or supervisory actions and / or damage to our reputation, any of which may be material. We rely on technology and information systems** that **may be disrupted, which** ~~could~~ **would pose** ~~involve their accounts with us. We are subject to~~ operational risks ~~relating to~~ **. Our business depends on the continuous operation of** our ~~technology and~~ information **and data processing** systems ~~. The continued efficacy of our technology~~ and ~~information systems,~~ related operational infrastructure ~~and relationships with~~ **, some of which are provided by** third party vendors ~~in our ongoing operations is integral to our performance~~ . **We rely on these systems for, among other things, communications, processing customer**

transactions, recordkeeping and financial controls. The ~~Failure~~ **failure** of any of these resources, including but not limited to **failures due to cybersecurity incidents,** operational or systems failures, interruptions of client service operations ~~and ineffectiveness of~~ or ~~interruption~~ **interruptions** in third party data processing or other vendor support, may cause material disruptions in our business, impairment of customer relations ~~and~~ **,** exposure to **our customers for** liability ~~for our customers~~ , ~~as well as~~ **reputational harm and** action by bank regulatory authorities. **Breaches of the** ~~Information~~ **information** ~~pertaining to~~ **systems owned or used by** us ~~and~~ **also may** ~~our~~ **occur** ~~clients is maintained~~ , and ~~transactions are executed,~~ on **occasion** ~~the networks and systems of us, our clients and certain of our third party partners, such as our online banking or reporting systems. The secure maintenance and transmission of confidential information, as well as execution of transactions over these systems, are essential to protect us and our clients against fraud and security breaches and to maintain our clients' confidence. Breaches of information security also may occur, and in infrequent cases~~ have occurred, through intentional or unintentional acts by those having access to our systems or our clients' or counterparties' confidential information, including employees. In addition, increases in criminal activity, **and the** levels and sophistication **of the same** , advances in computer capabilities ~~, new discoveries~~ , vulnerabilities in third- party technologies (including browsers and operating systems) ~~or~~ **and** other developments could result in a compromise or breach of the technology, processes and controls that we use ~~to prevent fraudulent transactions and to protect data about us, our clients and underlying transactions, as well as the technology used by our clients to access our systems. Although we have developed, and continue to invest~~ in **the operation of** ~~, systems and processes that are designed to detect and prevent security breaches and cyber- attacks and periodically test our security, our inability to anticipate, or~~ **our** ~~failure to adequately mitigate, breaches of security could result in: losses to us or our clients; our loss of~~ business **,** ~~and / or clients; damage to our reputation; the incurrence of additional expenses; disruption to our business; our inability to grow our online services or other businesses; additional regulatory scrutiny or penalties; or our exposure to civil litigation and possible financial liability any of~~ which could have a material **and** adverse effect on our business, **results of operation and** financial condition ~~and results of operations. More generally, publicized information concerning security and cyber- related problems could inhibit the use or growth of electronic or web- based applications or solutions as a means of conducting commercial transactions. Such publicity may also cause damage to our reputation as a financial institution. As a result, our business, financial condition and results of operations could be adversely affected~~ . Increasing scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to our environmental, social and governance practices may impose additional costs on us or expose us to new or additional risks. Companies are facing increasing scrutiny from customers, regulators, investors, investor advocacy groups, and other stakeholders related to their ~~environmental, social, and governance ("~~ ESG ~~")~~ practices and disclosure, especially as they relate to the environment, health and safety, diversity, labor conditions, and human rights. Increased ESG related compliance costs ~~will~~ **could** result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, and our financial condition and results of operations. New government regulations could also result in new or more stringent forms of ESG oversight and expand mandatory and voluntary reporting, diligence, and disclosure. Additionally, concerns over the long- term impacts of climate change have led and ~~will~~ **could** continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses also may change their behavior on their own as a result of these concerns. We, along with our customers, will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. We may also face cost increases, asset value reductions, **and** operating process changes, among other impacts. In addition, we could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans ~~. In 2022, we launched and published our initial ESG report and webpage in our investor relations website (www. ir- hopebancorp. com). The initial ESG report contains our ESG progress including the establishment of an ESG framework, ESG policy, and our achievements on the ESG compliance. However, there is no guarantee that our efforts will adequately address new laws and regulations and governmental efforts as well as investor concerns. Our efforts to take these risks into account in making lending and other decisions may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior~~ . Our business reputation is important and any damage to it may have a material adverse effect on our business. Our reputation is very important for our business, as we rely on our relationships with our current, former, and potential clients and stockholders in the communities we serve. Any damage to our reputation, whether arising from regulatory, supervisory or enforcement actions, matters affecting our financial reporting or compliance with SEC and exchange listing requirements, negative publicity, our conduct of our business or otherwise may have a material adverse effect on our business. As we expand outside our traditional geographic markets, we may encounter additional risks that may adversely affect us. Currently, the majority of our offices are located in California, but we also have offices in the greater New York City, Chicago, Houston, Dallas, Tampa, and Seattle metropolitan areas, New Jersey, Virginia, Colorado, Georgia, and Alabama. Over time, we may seek to establish offices ~~to serve Korean- American and other ethnic communities~~ in other parts of the United States as well. **We** ~~In the course of these expansion activities, we~~ may encounter significant risks, including unfamiliarity with the characteristics and business dynamics of new markets, increased marketing and administrative expenses and operational difficulties arising from our efforts to attract business in new markets, manage operations in noncontiguous geographic markets, comply with local laws and regulations and effectively and consistently manage our non- California personnel and business. If we are unable to manage these risks, our operations may be materially and adversely affected. Adverse conditions in South Korea or globally may adversely affect our business. A substantial number of our customers have economic and cultural ties to South Korea and, as a result, we are likely to feel the effects of adverse economic and political conditions there. If economic or political conditions in South Korea deteriorate, we may, among other things, be exposed to economic and transfer risk, and may experience an outflow of deposits by our customers with connections to South Korea. Transfer risk may result when an entity is unable to obtain the foreign exchange needed to meet its obligations or to provide liquidity. This may materially and adversely impact the recoverability of investments in or loans made to such entities. Adverse economic conditions in South Korea may also negatively impact asset values and the profitability and liquidity of our customers who operate in this region. In addition, a general overall decline in global economic conditions may materially and adversely affect our profitability and overall results of operations. Legal and Regulatory Risks Governmental regulation and regulatory actions against us may further impair our operations or restrict our growth. We are subject to significant governmental supervision and regulation. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Statutes and regulations affecting our business may be changed at any time and the interpretation of these statutes and regulations by examining authorities may also change. In addition, regulations may be adopted which increase our deposit insurance premiums and enact special assessments which could increase expenses associated with running our business and adversely affect our earnings. There can be no assurance that such statutes and regulations, any changes thereto or to their interpretation will not adversely affect our business. In particular, these statutes and regulations, and any changes thereto, could subject us to additional costs (including legal and compliance costs), limit the types of financial services and products we may offer and / or increase the ability of non- banks to offer competing financial services and products, among other things. In addition to governmental supervision and regulation, we are subject to changes in other federal and state laws, including changes in tax laws, which could materially affect us and the banking industry generally. We are subject to the rules, regulations of, and examination by the FRB, the FDIC, the DFPI, and the CFPB. In addition, we are subject to the rules and regulation of the Nasdaq Stock Market and the SEC and are subject to enforcement actions and other punitive actions by these agencies. If we fail to comply with federal and state regulations, the regulators may limit our activities or growth, impose fines on us or in the case of our bank regulators, ultimately require our bank to cease its operations. Bank regulations can hinder our ability to compete with financial services companies that are not regulated in the same manner or are less regulated. Federal and state bank regulatory agencies regulate many aspects of our operations. These areas include: • the capital that must be maintained; • the kinds of activities that can be engaged in; • the kinds and amounts of investments that can be made; • the locations of offices; • insurance of deposits and the premiums that we must pay for this insurance; • procedures and policies we must adopt; • conditions and restrictions on our executive compensation; and • how much cash we must set aside as reserves for deposits. In addition, bank regulatory authorities have the authority to bring enforcement actions against banks and bank holding companies, including the Bank and Hope Bancorp, for unsafe or unsound practices in the conduct of their businesses or for violations of any law, rule or regulation, any condition imposed in writing by the appropriate bank regulatory agency or any written agreement with the authority. Enforcement actions against us could include a federal conservatorship or receivership for the bank, the issuance of additional orders that could be judicially enforced, the imposition of civil monetary penalties, the issuance of directives to enter into a strategic transaction, whether by merger or otherwise, with a third party, the termination of insurance of deposits, the issuance of removal and prohibition orders against institution- affiliated parties, and the enforcement of such actions through injunctions or restraining orders. In addition, as we have grown ~~beyond~~ **over** $ 10 billion in assets, we are subject to enhanced CFPB examination and required to perform more comprehensive stress- testing on our business and operations. We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti- money laundering statutes and regulations. The BSA, the USA PATRIOT Act of 2001, the Anti- Money Laundering Act of 2020, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti- money laundering program and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U. S. Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. We are also subject to increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control and compliance with the Foreign Corrupt Practices Act. If our policies, procedures and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions, ~~which may include~~ **on our ability to engage in expansionary activities, such as mergers and acquisitions, and** restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Any of these results could materially and adversely affect our business, financial condition and results of operations. SBA lending is an important part of our business. Our SBA lending program is dependent upon the federal government, and we face specific risks associated with originating SBA loans. Our SBA lending program is dependent upon the federal government. As an SBA Preferred Lender, we enable our clients to obtain SBA loans without being subject to the potentially lengthy SBA approval process required for lenders that are not SBA Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders to assess, among other things, whether the lender exhibits prudent risk management. When weaknesses are identified, the SBA may request corrective actions or impose enforcement actions, including revocation of the lender' s Preferred Lender status. If we lose our status as a Preferred Lender, we may lose some or all of our customers to lenders who are SBA Preferred Lenders, and as a result we could experience a material adverse effect to our financial results. Any changes to the SBA program, including changes to the level of guarantee provided by the federal government on SBA loans, may also have a material adverse effect on our business. The sales of SBA 7 (a) loans results in both premium income ~~for us~~ at the time of sale ~~,~~ and ~~creates~~ a stream of future servicing income. We may not be able to continue originating these loans or selling them in the secondary market. Furthermore, even if we are able to continue originating and selling SBA 7 (a) loans in the secondary market, we might not continue to realize premiums upon the sale of the guaranteed portion of these loans. When we sell the guaranteed portion of our SBA 7 (a) loans, we incur credit risk on the non- guaranteed portion of the loans, and if a customer defaults on the non- guaranteed portion of a loan, we share any loss and recovery related to the loan pro- rata with the SBA. If the SBA establishes that a loss on an SBA guaranteed loan is attributable to significant technical deficiencies in the manner in which the loan was originated, funded or serviced by us, the SBA may seek recovery of the principal loss related to the deficiency from us, which could materially adversely affect our business, financial condition, results of operations and prospects. The laws, regulations and standard operating procedures that are applicable to SBA loan products may change in the future. We cannot predict the effects of these changes on our business and profitability. Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies and especially our organization, changes in the laws, regulations and procedures applicable to SBA loans could adversely affect our ability to operate profitably. Environmental laws may force us to pay for environmental problems. The cost of cleaning up or paying damages and penalties associated with environmental problems may increase our operating expenses. When a borrower defaults on a loan secured by real property, we often purchase the property in foreclosure or accept a deed to the property surrendered by the borrower. We may also take over the management of commercial properties whose owners have defaulted on loans. We also lease premises where our branches and other facilities are located, all where environmental problems may exist. Although we have lending, foreclosure and facilities guidelines that are intended to exclude properties with an unreasonable risk of contamination, hazardous substances may exist on some of the properties that we own, lease, manage or occupy. We may face the risk that environmental laws may force us to clean up the properties at our expense. The cost of cleaning up a property may exceed the value of the property. We may also be liable for pollution generated by a borrower' s operations if we take a role in managing those operations after a default. We may find it difficult or impossible to sell contaminated properties. Changes in accounting standards may affect how we record and report our financial condition and results of operations. Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time, the Financial Accounting Standards Board and SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes and their impacts on us can be hard to predict and may result in unexpected and materially adverse impacts on our reported financial condition and results of operations. Financial and Market Risks We may reduce or discontinue the payment of dividends on common stock. Our stockholders are only entitled to receive such dividends as our **board of directors (the "** Board **")** may declare out of funds legally available for such payments. Although we have historically declared cash dividends on our common stock, we are not required to do so and may **need to** reduce or eliminate our common stock dividend in the future. Our ability to pay dividends to our stockholders is subject to the restrictions set forth in Delaware law, by the FRB, and by certain covenants contained in our subordinated debentures. Notification to the FRB is also required prior to our declaring and paying a cash dividend to our stockholders during any period in which our quarterly and / or cumulative twelve-month net earnings are insufficient to fund the dividend amount, among other requirements. We may not pay a dividend if the FRB objects or until such time as we receive approval from the FRB or we no longer need to provide notice under applicable regulations. In addition, we **often rely on cash distributions from the Bank to fund dividends to our stockholders. The Bank' s ability to make cash distributions to Hope Bancorp is subject to the restrictions set forth under the California Financial Code and would also be subject to prior approval or restriction by the DFPI if the distribution by the Bank exceeds the lesser of (a) the retained earnings of the Bank or (b) three fiscal years net income, less distributions made by the Bank during such period. We cannot provide assurance that the Bank will be able to continue making cash distributions to Hope Bancorp, which could in turn, affect our ability to continue paying dividends on our common stock. The Bank may not be able to distribute cash to us if the DFPI objects or until such time as the Bank receives approval from the DFPI or the Bank no longer needs to obtain approval under applicable regulations. Further, the Bank** may be restricted by applicable law or regulation or actions taken by **its regulators, now or in the future, from making cash distributions to Hope Bancorp, which could, in turn, adversely impact our ability to pay dividends to our stockholders. Likewise, we may be restricted by applicable law or regulation or actions taken by** our regulators, now or in the future, from paying dividends to our stockholders. ~~We~~ **Lastly, we** cannot provide assurance that we will continue paying dividends on our common stock at current levels or at all. A reduction or discontinuance of dividends on our common stock could have a material adverse effect on our business, including the market ~~price of our common stock. The conditional conversion features of the convertible notes issued by the Company, if met, may adversely affect our financial condition and operating results. In 2018, we issued $ 217. 5 million aggregate principal amount of 2. 00 % convertible senior notes maturing on May 15, 2038 in a private offering to qualified institutional buyers under Rule 144A of the Securities Act of 1933. In the event the conditional conversion features of the convertible notes issued by the Company are met, holders of convertible notes will be entitled to convert the notes at any time during specified periods at their option. If one or more holders elect to convert their notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. We may not have the capital resources necessary to settle conversions of the convertible notes in cash or to repurchase the convertible notes if holders of the convertible note exercise their repurchase rights or upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the convertible notes. Holders of the convertible notes will have the right to require us to repurchase all or a portion of their convertible notes on certain specified dates or upon the occurrence of a fundamental change at a repurchase price equal to 100 % of the principal amount of the convertible notes to be repurchased, plus accrued and unpaid special interest, if any. We may not have enough available cash or be able to obtain financing at the time we are required to repurchase convertible notes surrendered or pay cash with respect to the convertible notes being converted if we elect not to issue shares, which could harm our reputation and affect the trading~~ price of our common stock. The value of our securities in our investment portfolio may decline in the future. The fair value of our investment securities may be adversely affected by market conditions, including changes in interest rates, implied credit spreads, and the occurrence of any events adversely affecting the issuer of particular securities in our investments portfolio or any given market segment or industry in which we are invested. We analyze our securities available for sale on a quarterly basis to determine if there is a requirement to recognize current expected credit losses.

The process for determining current expected credit losses usually requires complex, subjective judgments about the future financial performance of the issuer in order to assess the probability of receiving all contractual principal and interest payments sufficient to recover our amortized cost of the security. Because of changing economic and market conditions affecting issuers, we may be required to recognize credit losses in future periods, which could have a material adverse effect on our business, financial condition, or results of operations. If we fail to maintain an effective system of internal controls and disclosure controls and procedures, we may not be able to accurately report our financial results or prevent fraud. Effective internal control over financial reporting and disclosure controls and procedures are necessary for us to provide reliable financial reports, effectively prevent fraud and to operate successfully as a public company. If we cannot provide reliable financial reports or prevent fraud, our reputation and business would be harmed. In addition, failure in our internal control over financial reporting and disclosure controls and procedures could cause us to fail to meet the continued listing requirements of the Nasdaq Global Select Market and, as a result, adversely impact the liquidity and trading price of our securities. Anti- takeover provisions in our charter documents and applicable federal and state law may limit the ability of another party to acquire us, which could cause our stock price to decline. Various provisions of our charter documents could delay or prevent a third- party from acquiring us, even if doing so might be beneficial to our stockholders. These include, among other things, advance notice requirements to submit stockholder proposals at stockholder meetings and the authorization to issue " blank check " preferred stock by action of the Board ~~of Directors~~ acting alone, thus without obtaining stockholder approval. In addition, applicable provisions of federal and state banking law require regulatory approval in connection with certain acquisitions of our common stock and supermajority voting provisions in connection with certain transactions. In particular, both federal and state law limit the acquisition of ownership of, generally, 10 % or more of our common stock without providing prior notice to the regulatory agencies and obtaining prior regulatory approval or non- objection or being able to rely on an exemption from such requirement. We are also subject to Section 203 of the Delaware General Corporation Law that, subject to exceptions, prohibits us from engaging in any business combinations with any interested stockholder, as defined in that section, for a period of three years following the date on which that stockholder became an interested stockholder. Collectively, these provisions of our charter documents and applicable federal and state law may prevent a merger or acquisition that would be attractive to stockholders and could limit the price investors would be willing to pay in the future for our common stock. Our common stock is not insured and you could lose the value of your entire investment. An investment in our common stock is not a deposit and is not insured against loss by any government agency. General Risk Factors Our common stock is equity and therefore is subordinate to indebtedness and preferred stock. Our common stock constitutes equity interests and does not constitute indebtedness. As such, common stock will rank junior to all current and future indebtedness and other non- equity claims on us with respect to assets available to satisfy claims against us, including in the event of our liquidation. We may, and the Bank and our other subsidiaries may also, incur additional indebtedness from time to time and may increase our aggregate level of outstanding indebtedness. Additionally, holders of common stock are subject to the prior dividend and liquidation rights of any holders of our preferred stock that may be outstanding from time to time. The Board ~~of Directors~~ is authorized to cause us to issue additional classes or series of preferred stock without any action on the part of our stockholders. If we issue preferred shares in the future that have a preference over our common stock with respect to the payment of dividends or upon liquidation, or if we issue preferred shares with voting rights that dilute the voting power of the common stock, then the rights of holders of our common stock or the market price of our common stock could be materially adversely affected. ~~Our stock price may be volatile, which may result in substantial losses for our stockholders. The market price of our common stock may be subject to fluctuations in response to a number of factors, including: • issuing new equity securities; • the amount of our common stock outstanding and the trading volume of our stock; • actual or anticipated changes in our future financial performance; • changes in financial performance estimates by us or by securities analysts; • competitive developments, including announcements by us or our competitors of new products or services or acquisitions, strategic partnerships, joint ventures or capital commitments; • the operating and stock performance of our competitors; • changes in interest rates; • changes in key personnel; • changes in economic conditions that affect the Bank' s performance; and • changes in legislation or regulations that affect the Bank.~~ We may raise additional capital, which could have a dilutive effect on the existing holders of our common stock and adversely affect the market price of our common stock. We periodically evaluate opportunities to access capital markets, taking into account our financial condition, regulatory capital ratios, business strategies, anticipated asset growth and other relevant considerations. It is possible that future acquisitions, organic growth or changes in regulatory capital requirements could require us to increase the amount or change the composition of our current capital, including our common equity. For all of these reasons and others, and always subject to market conditions, we may issue additional shares of common stock or other capital securities in public or private transactions. The issuance of additional common stock, debt, or securities convertible into or exchangeable for our common stock or that represent the right to receive common stock, or the exercise of such securities, could be substantially dilutive to holders of our common stock. Holders of our common stock have no preemptive or other rights that would entitle them to purchase their pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in dilution of the ownership interests of our stockholders. Climate change concerns could adversely affect our business and our customers. Concerns over the long- term impacts of climate change have led and ~~will~~ **could** continue to lead to governmental efforts around the world to mitigate those impacts. Climate change presents multi- faceted risks, including operational risk from the physical effects of climate events on us; credit risk from borrowers with significant exposure to climate risk; transition risks associated with the transition to a less carbon- dependent economy; and reputational risk from stakeholder concerns about our practices related to climate change. Consumers and businesses are changing their behavior and business preferences as a result of these concerns. New governmental regulations or guidance relating to climate change, as well as changes in consumers' and businesses' behaviors and business preferences, may affect whether and on what terms and conditions we will engage in certain activities or offer certain products or services. The governmental and supervisory focus on climate change could also result in our becoming subject to new or heightened regulatory requirements relating to climate change, such as requirements relating to operational resiliency or stress testing for various climate stress scenarios. Any such new or heightened requirements could result in increased regulatory, compliance or other costs or higher capital requirements. In connection with the transition to a low carbon economy, legislative or public policy changes and changes in consumer sentiment could negatively impact the businesses and financial condition of our clients, which may decrease revenues from those clients and increase the credit risk associated with loans and other credit exposures to those clients. Our business, reputation and ability to attract and retain employees may also be harmed if our response to climate change is perceived to be ineffective or insufficient. ~~24~~ **We may be adversely affected by the lack of soundness of other financial institutions. The recent failures of some depository institutions have raised concerns among depositors that their deposits may be at risk. While we believe the Bank is operated in a safe and sound manner, a market- wide loss of depositor confidence caused by the failures, or the perceived unsoundness, of other depository institutions could lead to deposit outflows at the Bank, potentially at levels that could materially and adversely affect our business, financial condition, results of operations and stock price. Our ability to engage in routine funding transactions could be adversely affected by the actions and lack of soundness of other financial institutions. Financial services companies may be interrelated as a result of trading, clearing, counterparty, and other relationships. We have exposure to different industries and counterparties, and through transactions with counterparties in the financial services industry, including broker- dealers, commercial banks, investment banks, and other financial intermediaries. As a result, defaults by, declines in the financial condition of, or even rumors or questions about, one or more financial services companies, or the financial services industry in general, could lead to market- wide liquidity problems and losses or defaults by financial institutions. These losses could have a material and adverse effect on our business, financial condition, results of operations and stock price.**