



# Bank of Hope

Bankers. Experts. Neighbors.

## ***NCPACA 37th Annual Professional Development Convention***

***Navigating the Cyber Landscape: Ensuring Security in Banking Operations***

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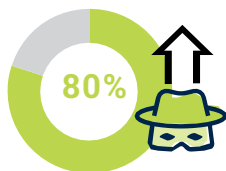
**August 31, 2024**



# Agenda

- **Fraud Awareness**
  - **Key Insights**
  - **Payment Methods Impacted by Fraud**
- **Business Email Compromise (BEC)**
  - **BEC Awareness**
  - **Recognizing BEC Fraud**
- **How to Protect Against Fraud**
  - **Fraud Awareness and Protection Checklist**
- **Bank of Hope Overview**
  - **GTMS**
- **Q & A**

# Key Insights



### Payments Fraud Activity on the Rise

Overall, 80% of organizations were targets of either an actual or attempted payments fraud attack in 2024. This is an uptick of 15percentage points from 2022. Organizations most impacted by fraud were those with at least \$1 billion in revenue and fewer than 26 payments accounts (86%).



### Discovering Fraud

Thirty percent of respondents report that after a successful fraud attempt, their organizations were unable to recover the funds lost due to fraud. At the other end of the spectrum, 29% were able to recoup up to 75% of the funds lost and 41% were successful in recouping more than 75% of the funds lost (mostly via checks).



### Checks Continue to be Vulnerable to Fraud

Checks continue to be the payment method most susceptible to fraud, as reported by 65% of respondents. Seventy percent of organizations using checks have no immediate plans to discontinue their use. The primary reason for continued check use is the requirement for checks by small businesses.



### Email Targets ACH Credits

This year, ACH credits have surpassed wires as the most vulnerable payment type for BEC fraud. Even as most payment methods continue to be vulnerable to BEC, payments made via ACH credits (47%), wire transfers (39%) and ACH debits (20%) were most often targeted.



### Business Email Compromise (BEC) Controls Have Room for Improvement

Less than 60% of organizations have completed the documentation that includes the creation of written policies and procedures which are required to safeguard against BEC, while less than half (49%) have completed testing these policies. Although BEC has been prevalent for over a decade, findings reveal a gap in preparedness to mitigate scams via email.



### Organizations Overlook the Vulnerability of Payments Sent by USPS

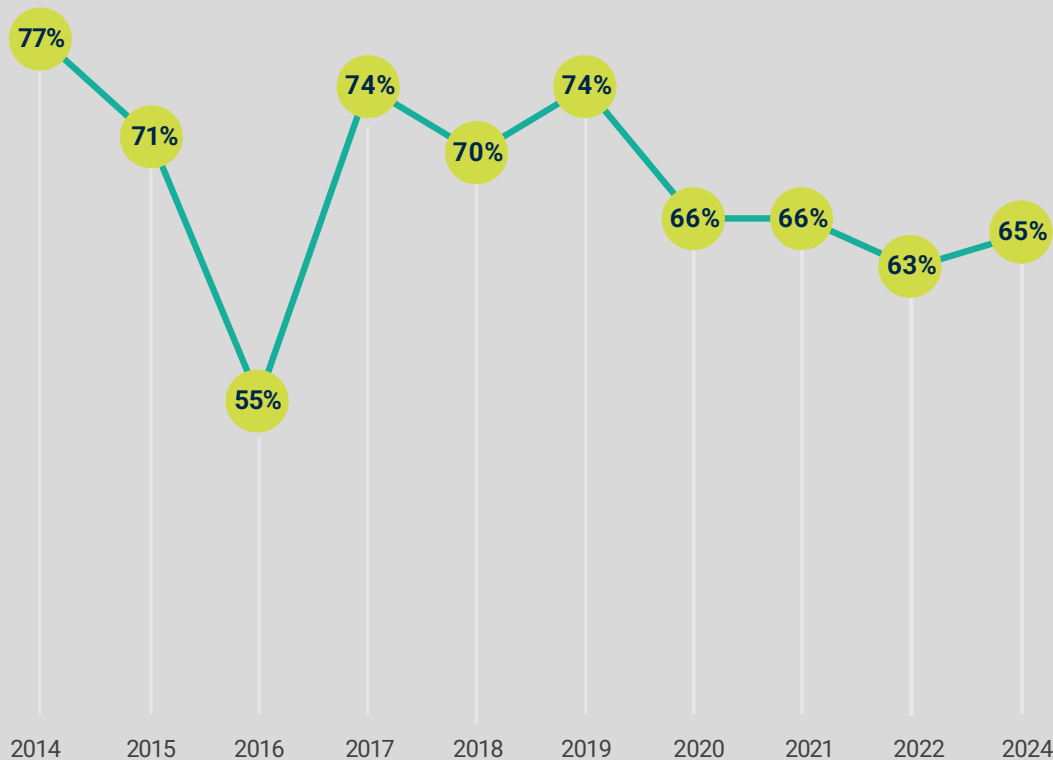
Over 20% of respondents report fraud due to interference with the United States Postal Service (USPS), which is 10 percentage points higher than the share reported for 2022. Despite alerts from the Financial Crimes Enforcement Network (FinCEN)<sup>2</sup> regarding increased fraud attempts via mail interception, over 80% of respondents indicate their organizations still deliver checks via the United States Postal Service (USPS) – without tracking.

<sup>2</sup> <https://www.fincen.gov/reports/sar-stats>

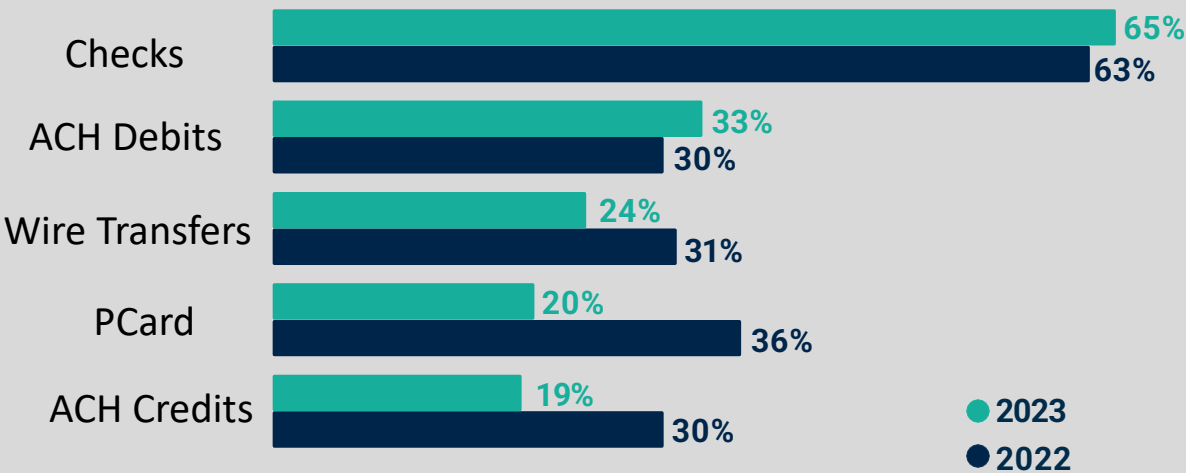
# Payment Methods Impacted By Fraud

In 2024, checks and ACH debits were the payment methods most impacted by fraud activity (65% and 33%, respectively).

Check Fraud Activity: Trends  
(Percent of Organizations)



Companies have become better at identifying wire fraud attempted via business email compromise (BEC) scams.



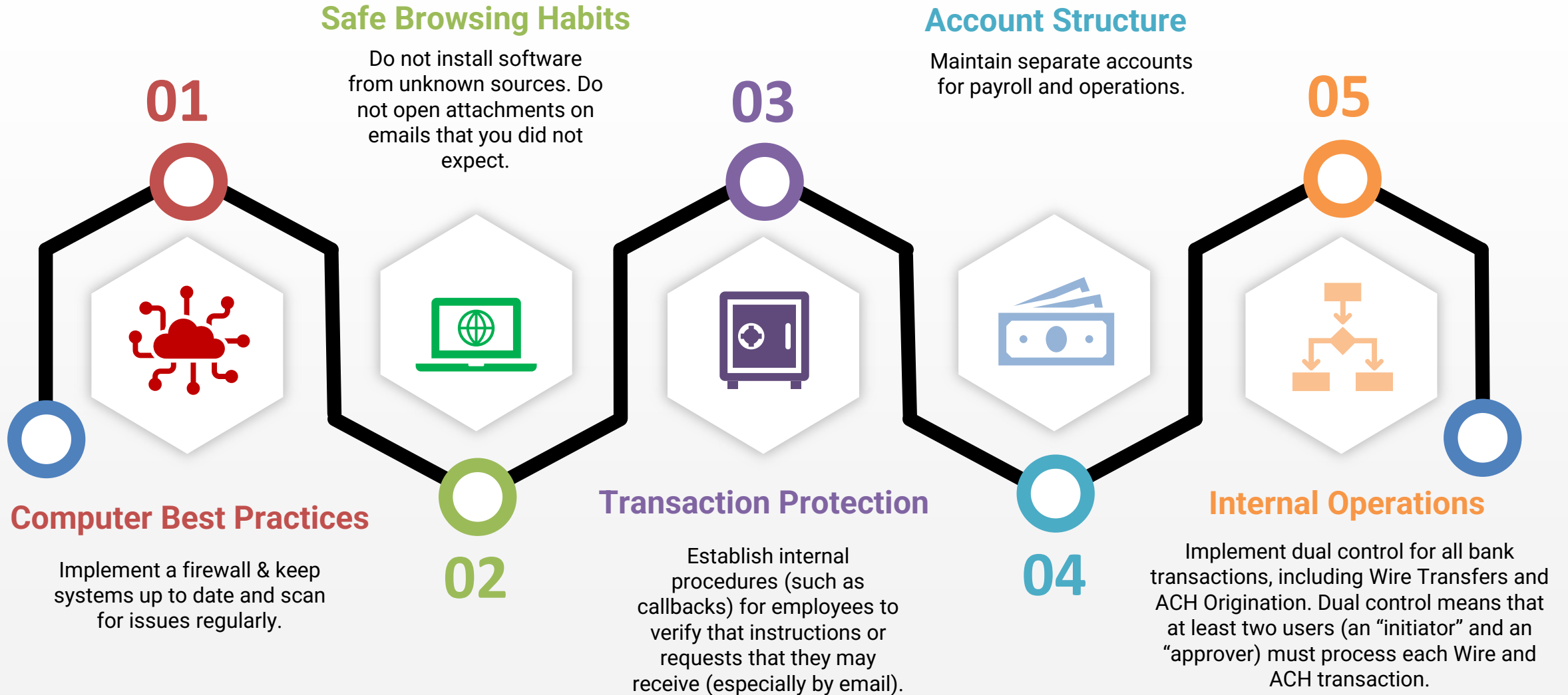


## Business Email Compromise (BEC) by the Numbers

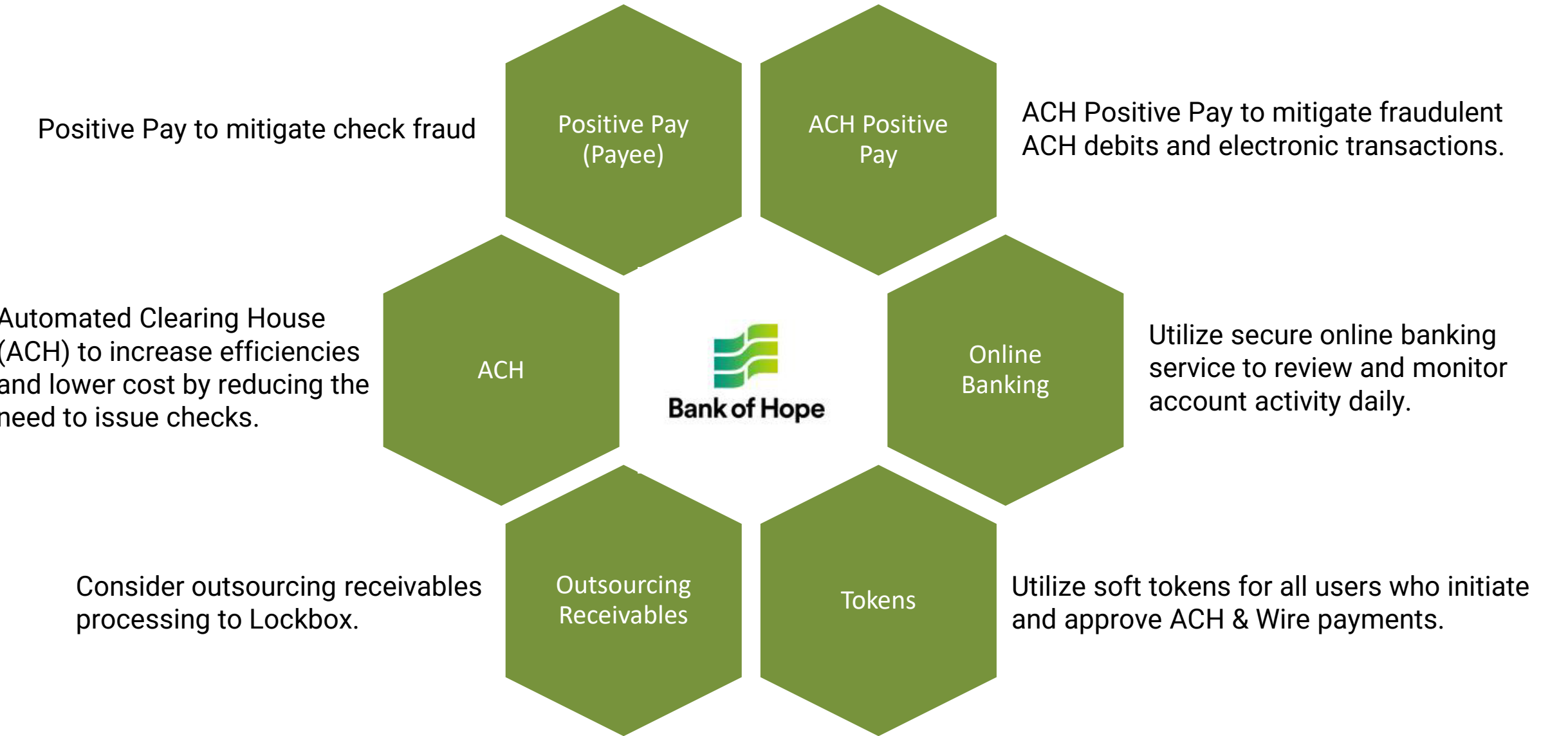
- According to the most recent Internet Crime Report, the FBI received **21,832** BEC complaints alone in 2023. The loss from those schemes amounts to over \$2.7 million.
- **62%** of companies that experienced attempted or actual payments fraud in 2023 did so because of business email compromise (BEC).
- In 2023, **74%** of organizations were targets of payment scams. While that is smaller than the shares reported in 2020 and 2021, it still indicates that a large percentage of companies continue to be impacted by payments fraud.
- Over three-fourths (**76%**) of respondent's report that their organizations had been targeted by business email compromise (BEC) attempts in 2023.
- Educating employees on the threat of BEC and training them to identify spear phishing attempts is an important component in controlling BEC, according to **77%** of treasury and finance practitioners.
- Accounts Payable departments are the most susceptible to BEC fraud. **61%** of respondents report that their Accounts Payable department was the most vulnerable business unit targeted. The department targeted second most-often by BEC fraud was Treasury, cited by **13%** of practitioners.



# Fraud Awareness and Protection Checklist



# Bank of Hope Banking Services to Help Protect You Against Fraud



# Full Suite of Global Treasury Management Solutions

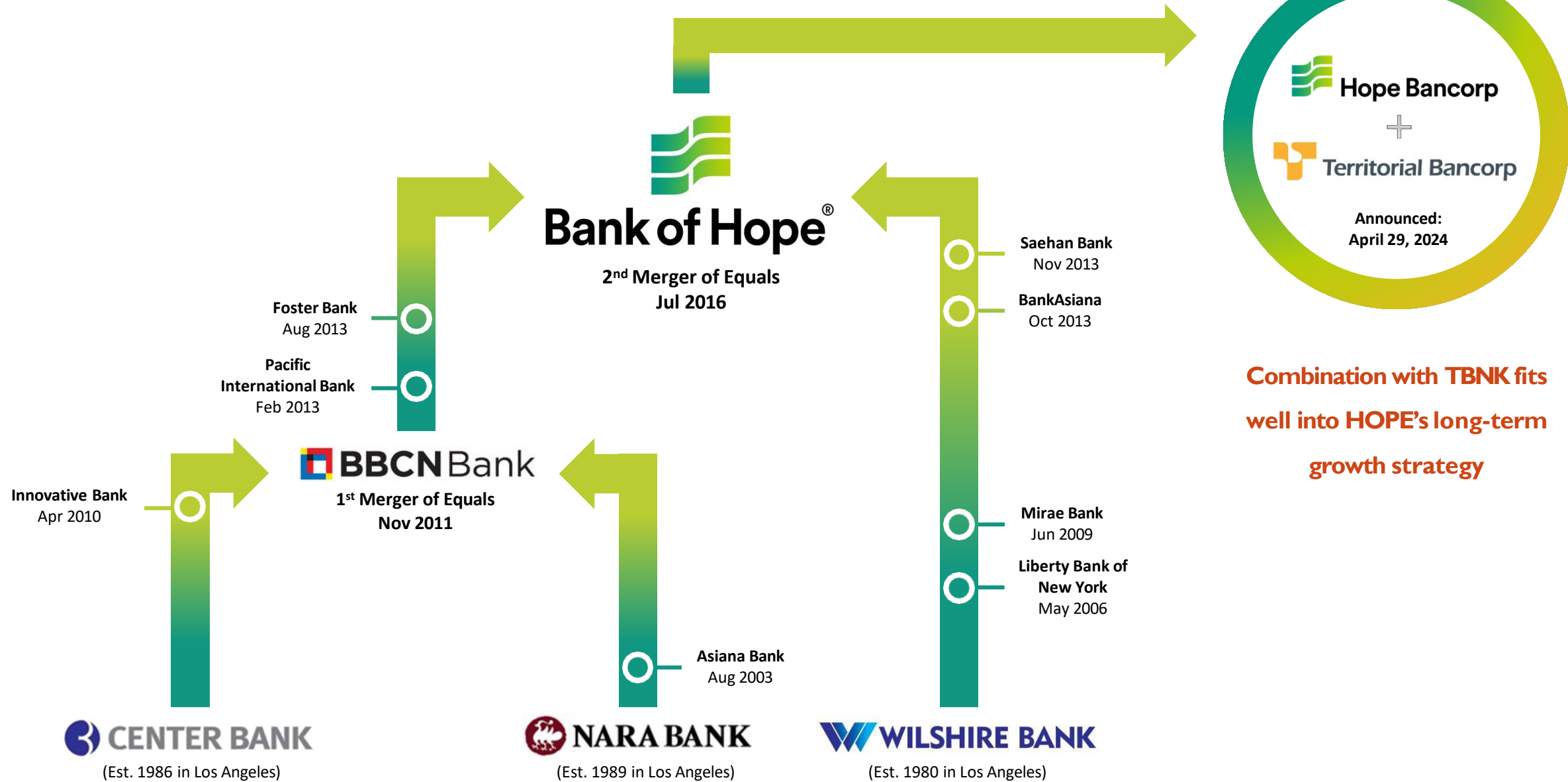
Take a holistic approach

Our smart solutions are designed to meet your objectives and serve your business at every touchpoint

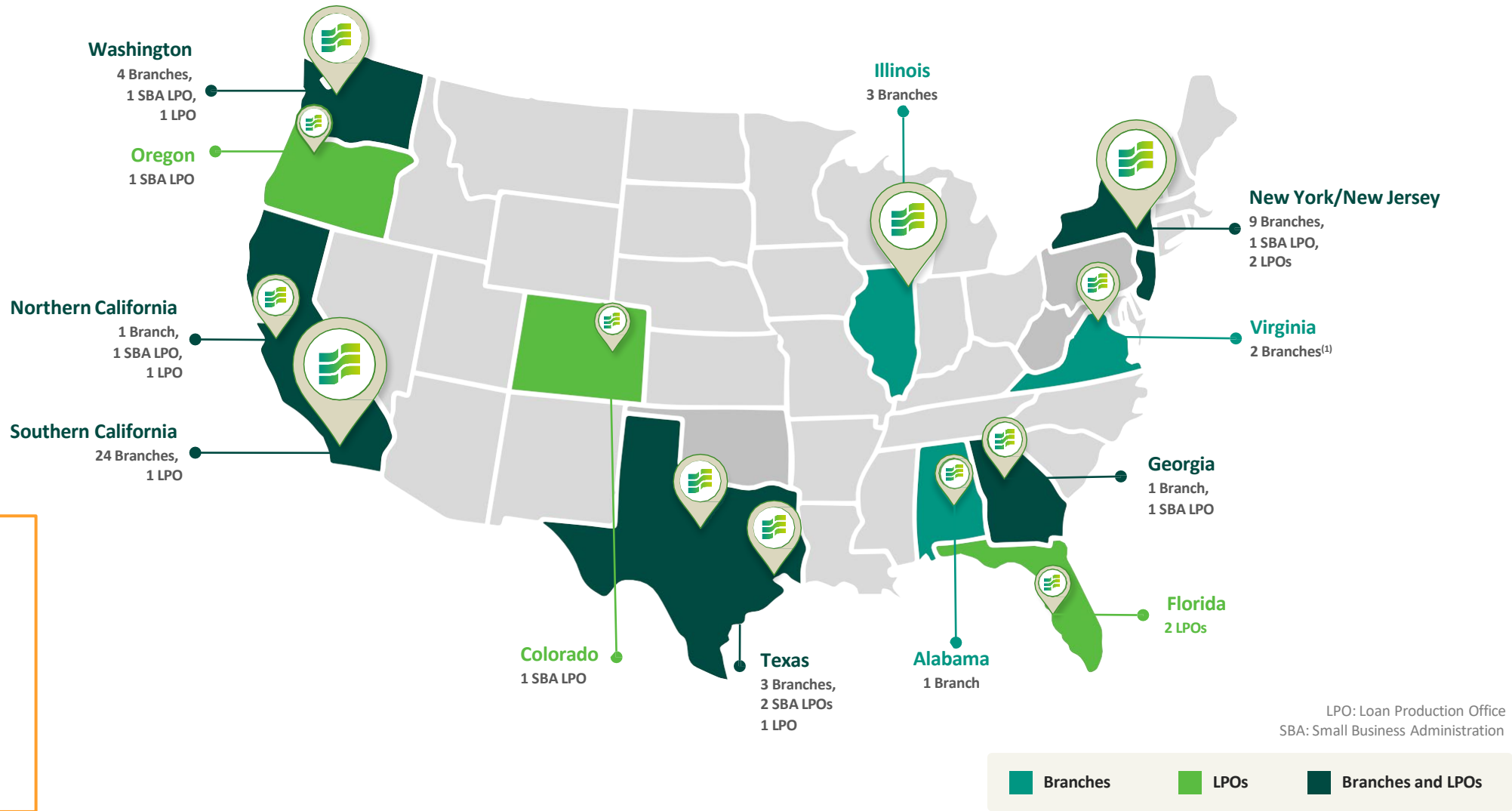
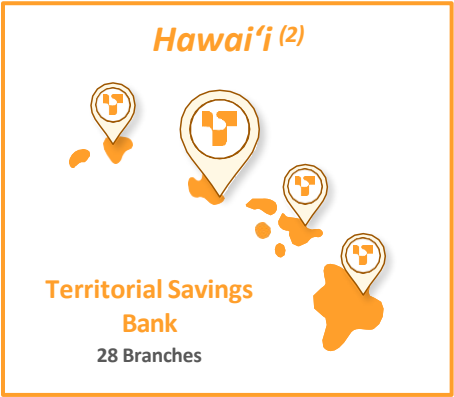
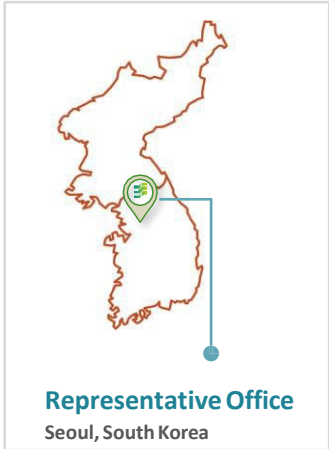




# Bank of Hope's Roots



# Nationwide Presence Anchored in Asian American Communities



Branch map is not presented in scale. Map as of 4/29/24.

<sup>(1)</sup> HOPE entered into branch purchase & assumption agreement for the sale of its two branches in Virginia. Transaction expected to close in 2H24.

<sup>(2)</sup> HOPE announced definitive merger agreement with Territorial Bancorp Inc. on 4/29/24. Transaction expected to close by YE 2024.

## Q2 2024 Financial Overview



**Total Capital & TCE Ratio**  
at 6/30/24

**14.42% / 9.72%**



**Total Deposits** at 6/30/24

**\$14.7B**



**Gross Loans** at 6/30/24

**\$13.6B**



**NPA/Total Assets** at 6/30/24

**0.39%**



**2Q24 Net Income & EPS**

**\$25.3MM / \$0.21**

*Excl. notable items*

**\$26.6MM / \$0.22**

### Strong Capital & Liquidity

- Total capital ratio was 14.42% at 6/30/24, +23bps QoQ. All regulatory capital ratios expanded QoQ
- Tangible common equity (“TCE”) ratio<sup>(1)</sup> was 9.72% at 6/30/24, +39bps QoQ
- Pending acquisition of Hawaiʻi-based Territorial Bancorp (TBNK), targeting merger close by year-end 2024

### Deposits

- Deposits of \$14.7B at 6/30/24, essentially stable QoQ
- Growth in customer deposits offset planned reduction of brokered time deposits
- Avg. cost of total deposits +3bps Q-o-Q, lowest rate of quarterly change since 1Q22

### Loans

- Gross loans of \$13.6B at 6/30/24 (-\$87MM QoQ). Sold \$30MM of SBA loans in 2Q24
- Growth in residential mortgage loans, stable CRE loans, decrease in commercial loans
- Gross loan-to-deposit ratio of 92.7% at 6/30/24

### Stable Asset Quality

- Nonperforming assets (“NPA”) down 37% QoQ to \$67MM, or 0.39% of total assets (-20bps QoQ)
- 2Q24 net charge offs of \$4MM, equivalent to 0.13% of average loans annualized

### Earnings

- 2Q24 net income: \$25.3MM (-2% QoQ), or \$0.21 per diluted share
- 2Q24 net income excl. notable items<sup>(1)</sup>: \$26.6MM, or \$0.22<sup>(1)</sup> per diluted share
- 2Q24 notable items after tax: merger-related expenses (+\$1MM), restructuring-related charges (+\$406K), and a partial reversal of the prior accrual for the FDIC special assessment (-\$218K)

<sup>(1)</sup> TCE ratio, net income excluding notable items and earnings per share excluding notable items are non-GAAP financial measures. Quantitative reconciliations of the most directly comparable GAAP to non-GAAP financial measures are provided in the Appendix of this presentation.

# Diversified Financial Institution



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