HOPE BANCORP INC
Form 10-Q
May 07, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2018
Commission File Number: 000-50245

HOPE BANCORP, INC.
(Exact name of registrant as specified in its charter)

Delaware	95-4849715
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3200 Wilshire Boulevard, Suite 1400, Los Angeles, California	90010
(Address of principal executive offices)	(Zip Code)

(213) 639-1700
(Registrant’s telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if change since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o
		Emerging growth company	o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(d) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of May 2, 2018, there were 135,517,002 outstanding shares of Hope Bancorp, Inc. common stock, $0.001 par value.

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Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements relate to, among other things, expectations regarding the business environment in which we operate, projections of future performance, perceived opportunities in the market, and statements regarding our business strategies, objectives and vision. Forward-looking statements include, but are not limited to, statements preceded by, followed by or that include the words “will,” “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates” or similar expressions. With respect to any such forward-looking statements, the Company claims the protection provided for in the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, trends, uncertainties, and factors that are beyond the Company’s control or ability to predict. Our actual results, performance or achievements may differ significantly from the results, performance or achievements expressed or implied in any forward-looking statements. The risks and uncertainties include: the Company’s inability to remediate its presently identified material weaknesses or to do so in a timely manner, the possibility that additional material weaknesses may arise in the future, and that a material weakness may have an impact on our reported financial results; possible deterioration in economic conditions in our areas of operation; liquidity risks; risk of significant non-earning assets, and net credit losses that could occur, particularly in times of weak economic conditions or times of rising interest rates; and regulatory risks associated with current and future regulations. For additional information concerning these and other risk factors, see Part I, Item 1A. Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2017.
The Company does not undertake, and specifically disclaims any obligation, to update any forward looking statements to reflect the occurrence of events or circumstances after the date of such statements except as required by law.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

HOPE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

ASSETS	(Unaudited) March 31, 2018	December 31, 2017
	(Dollars in thousands, except share data)	
Cash and cash equivalents:		
Cash and due from banks	$ 160,372	$ 185,527
Interest bearing cash in other banks	451,981	306,473
Total cash and cash equivalents	612,353	492,000
Interest bearing deposits in other financial institutions and other investments	78,940	53,366
Securities available for sale, at fair value	1,699,315	1,720,257
Loans held for sale, at the lower of cost or fair value	33,689	29,661
Loans receivable (net of allowance for loan losses of $86,461 and $84,541 at March 31, 2018 and December 31, 2017, respectively)	11,206,022	11,018,034
Other real estate owned (“OREO”), net	8,261	10,787
Federal Home Loan Bank (“FHLB”) stock, at cost	28,966	29,776
Premises and equipment, net	56,564	56,714
Accrued interest receivable	29,154	29,979
Deferred tax assets, net	58,082	55,203
Customers’ liabilities on acceptances	1,220	1,691
Bank owned life insurance (“BOLI”)	75,302	74,915
Investments in affordable housing partnerships	78,379	81,009
Goodwill	464,450	464,450
Core deposit intangible assets, net	15,907	16,523
Servicing assets	24,866	24,710
Other assets	35,656	47,642
Total assets	$ 14,507,126	$ 14,206,717

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HOPE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) March 31, 2018	December 31, 2017
	(Dollars in thousands, except share data)	
LIABILITIES:		
Deposits:		
Noninterest bearing	$3,048,181	$2,998,734
Interest bearing:		
Money market and NOW accounts	3,454,660	3,332,703
Savings deposits	233,014	240,509
Time deposits	4,774,714	4,274,663
Total deposits	11,510,569	10,846,609
FHLB advances	862,346	1,157,693
Federal funds purchased	—	69,900
Subordinated debentures	101,117	100,853
Accrued interest payable	19,614	15,961
Acceptances outstanding	1,220	1,691
Commitments to fund investments in affordable housing partnerships	35,495	38,467
Other liabilities	31,432	47,288
Total liabilities	12,561,793	12,278,462
STOCKHOLDERS' EQUITY:		
Common stock, $0.001 par value; authorized 150,000,000 shares at March 31, 2018 and December 31, 2017: issued and outstanding, 135,516,119 and 135,511,891 shares at March 31, 2018 and December 31, 2017, respectively	136	136
Additional paid-in capital	1,405,806	1,405,014
Retained earnings	578,031	544,886
Accumulated other comprehensive loss, net	(38,640)	(21,781)
Total stockholders' equity	1,945,333	1,928,255
Total liabilities and stockholders' equity	$14,507,126	$14,206,717

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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HOPE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
	(Dollars in thousands, except per share data)	
INTEREST INCOME:		
Interest and fees on loans	$137,943	$123,294
Interest on securities	10,101	8,113
Interest on federal funds sold and other investments	2,366	1,336
Total interest income	150,410	132,743
INTEREST EXPENSE:		
Interest on deposits	24,849	14,511
Interest on FHLB advances	4,069	2,139
Interest on other borrowings	1,424	1,188
Total interest expense	30,342	17,838
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	120,068	114,905
PROVISION FOR LOAN LOSSES	2,500	5,600
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	117,568	109,305
NONINTEREST INCOME:		
Service fees on deposit accounts	4,801	5,338
International service fees	1,020	1,108
Loan servicing fees, net	1,579	1,438
Wire transfer fees	1,207	1,186
Net gains on sales of SBA loans	3,450	3,250
Net gains on sales of other loans	1,196	420
Other income and fees	6,597	4,863
Total noninterest income	19,850	17,603
NONINTEREST EXPENSE:		
Salaries and employee benefits	39,385	34,166
Occupancy	7,239	7,194
Furniture and equipment	3,721	3,413
Advertising and marketing	2,299	3,424
Data processing and communications	3,495	3,606
Professional fees	3,106	3,902
Loss on investments in affordable housing partnerships	2,630	2,160
FDIC assessments	1,767	1,010
Credit related expenses	772	1,883
OREO expense, net	(104)	997
Merger-related expenses	(7)	947
Other	4,150	4,997
Total noninterest expense	68,453	67,699
INCOME BEFORE INCOME TAXES	68,965	59,209
INCOME TAX PROVISION	17,733	22,999
NET INCOME	$51,232	$36,210

EARNINGS PER COMMON SHARE		
Basic	$0.38	$0.27
Diluted	$0.38	$0.27

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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HOPE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
	(Dollars in thousands)	
Net income	$51,232	$36,210
Other comprehensive (loss) income:		
Change in unrealized net holding (losses) gains on securities available for sale	(24,645)	3,181
Change in unrealized net holding losses on interest only strips	(4)	(49)
Tax effect	7,509	(1,324)
Other comprehensive (loss) income, net of tax	(17,140)	1,808
Total comprehensive income	$34,092	$38,018

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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HOPE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss, net	Total stockholders' equity
	Shares	Amount				
	(Dollars in thousands, except share data)					
BALANCE, JANUARY 1, 2017	135,240,079	$ 135	$1,400,490	$469,505	$ (14,657)	$1,855,473
Issuance of shares pursuant to various stock plans	8,106		252			252
Stock-based compensation			533			533
Cash dividends declared on common stock				(16,229)		(16,229)
Comprehensive income:						
Net income				36,210		36,210
Other comprehensive income					1,808	1,808
BALANCE, MARCH 31, 2017	135,248,185	$ 135	$1,401,275	$489,486	$ (12,849)	$1,878,047
BALANCE, JANUARY 1, 2018	135,511,891	$ 136	$1,405,014	$544,886	$ (21,781)	$1,928,255
Reclassification of unrealized losses on equity investments to retained earnings - ASU 2016-01				(469)	281	(188)
Issuance of shares pursuant to various stock plans	4,228		112			112
Stock-based compensation			680			680
Cash dividends declared on common stock				(17,618)		(17,618)
Comprehensive income:						
Net income				51,232		51,232
Other comprehensive loss					(17,140)	(17,140)
BALANCE, MARCH 31, 2018	135,516,119	$ 136	$1,405,806	$578,031	$ (38,640)	$1,945,333

See accompanying Notes to Consolidated Financial Statements (Unaudited)

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HOPE BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended March 31,	
	2018	2017
	(Dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$51,232	$36,210
Adjustments to reconcile net income to net cash from operating activities:		
Discount accretion, net of depreciation and amortization	(2,077)	(504)
Stock-based compensation expense	953	746
Provision for loan losses	2,500	5,600
Credit for unfunded loan commitments	(200)	241
Valuation adjustment of premises held for sale	—	1,084
Valuation adjustment of OREO	—	592
Net gains on sales of SBA and other loans	(4,646)	(3,670)
Earnings on BOLI	(387)	(394)
Net change in fair value of derivatives	(19)	33
Net losses on sale and disposal of premises and equipment	33	147
Net (gains) losses on sales of OREO	(72)	3
Net change in fair value of equity investments	(3,519)	—
Losses on investments in affordable housing partnership	2,546	2,077
Net change in deferred income taxes	4,442	7,182
Proceeds from sales of loans held for sale	92,850	70,254
Originations of loans held for sale	(90,004)	(53,903)
Originations of servicing assets	(1,716)	(1,296)
Net change in accrued interest receivable	825	1,197
Net change in other assets	11,515	6,981
Net change in accrued interest payable	3,653	(271)
Net change in other liabilities	(15,656)	(878)
Net cash provided by operating activities	52,253	71,431
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of interest bearing deposits in other financial institutions and other investments	(1,323)	—
Redemption of interest bearing deposits in other financial institutions and other investments	1,225	244
Purchase of securities available for sale	(77,531)	(94,890)
Proceeds from matured or paid-down securities available for sale	49,850	68,124
Proceeds from sales of other loans held for sale	6,296	—
Net change in loans receivable	(188,437)	(17,288)
Proceeds from sales of OREO	1,202	194
Redemption of FHLB stock	810	761
Purchase of premises and equipment	(2,302)	(2,491)
Investments in affordable housing partnerships	(2,972)	(1,379)
Net cash used in investing activities	(213,182)	(46,725)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	663,961	65,218
Proceeds from FHLB advances	—	50,000
Repayment of FHLB advances	(295,000)	(100,000)
Net change in federal funds sold	(69,900)	—

Cash dividends paid on common stock	(17,618)	(16,229)
Taxes paid in net settlement of restricted stock	(273)	(213)
Issuance of additional stock pursuant to various stock plans	112	252
Net cash provided by (used in) financing activities	281,282	(972)
NET CHANGE IN CASH AND CASH EQUIVALENTS	120,353	23,734
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	492,000	437,334
CASH AND CASH EQUIVALENTS, END OF PERIOD	$612,353	$461,068
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$26,773	$21,767
Income taxes paid	$1,249	$1,161
SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES		
Transfer from loans receivable to OREO	$806	$137
Transfer from loans receivable to loans held for sale	$6,155	$9,451
Transfer from loans held for sale to loans receivable	$43	$159
Transfer from premises and equipment to premises held for sale	$—	$3,300
New commitments to fund affordable housing partnership investments	$—	$8,500

See accompanying Notes to Consolidated Financial Statements (Unaudited)

1. Hope Bancorp, Inc.

Hope Bancorp, Inc. (“Hope Bancorp” on a parent-only basis and the “Company” on a consolidated basis), headquartered in Los Angeles, California, is the holding company for Bank of Hope (the “Bank”). As of March 31, 2018, the Bank operated branches in California, Washington, Texas, Illinois, Alabama, Georgia, Virginia, New Jersey, and New York, loan production offices in Colorado, Texas, Oregon, Washington, Georgia, Southern California, and Northern California, and a representative office in Seoul, Korea. The Company is a corporation organized under the laws of the state of Delaware and a bank holding company registered under the Bank Holding Company Act of 1956, as amended.

2. Basis of Presentation

The consolidated financial statements included herein have been prepared without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”), except for the Consolidated Statement of Financial Condition as of December 31, 2017 which was from the audited financial statements included in the Company’s 2017 Annual Report on Form 10-K. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such SEC rules and regulations.

The consolidated financial statements include the accounts of Hope Bancorp and its wholly owned subsidiaries, principally Bank of Hope. All intercompany transactions and balances have been eliminated in consolidation. The Company has made all adjustments, that in the opinion of management, are necessary to fairly present the Company’s financial position at March 31, 2018 and December 31, 2017 and the results of operations for the three months ended March 31, 2018 and 2017. Certain reclassifications have been made to prior period amounts to conform to the current year presentation. The results of operations for the interim periods are not necessarily indicative of results to be anticipated for the full year.

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

These unaudited consolidated financial statements should be read along with the audited consolidated financial statements and accompanying notes included in the Company’s 2017 Annual Report on Form 10-K.

Accounting Pronouncements Adopted

On May 28, 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, Revenue from Contracts with Customers (ASC Topic 606), with several subsequent updates. This series of comprehensive guidance has replaced all existing revenue recognition guidance and is effective for annual reporting periods beginning after December 15, 2017, and interim periods therein. Under the new guidance, there is a five-step model to apply to revenue recognition. The five-steps consist of: (1) determination of whether a contract, an agreement between two or more parties that creates legally enforceable rights and obligations, exists; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when (or as) the performance obligation is satisfied. The Company adopted this standard as of January 1, 2018, and applied the modified retrospective approach to reflect the aggregate effect of all modifications of those contracts that were not completed as of that date. There was no material impact on the consolidated financial statements or on how the Company recognizes revenue upon adoption. As such, prior period amounts were not adjusted and the prior period amounts continue to be reported in accordance with previous accounting guidance. See Note 18, “Revenue Recognition” for further details.

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In January 2016, the FASB issued ASU No. 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities.” This ASU addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments by making targeted improvements to GAAP as follows: (1) require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer; (2) simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value; (3) eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities; (4) eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; (5) require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (6) require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments; (7) require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; and (8) clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity’s other deferred tax assets. The adoption of ASU No. 2016-01 on January 1, 2018 did not have a material impact on the Company’s consolidated financial statements. In accordance with (1) above, the Company measured equity investments at fair value and recognized changes in fair value in net income as of March 31, 2018 (see Note 5 Equity Investment Securities). In accordance with (5) above, the Company measured the fair value of its loan portfolio as of March 31, 2018 using an exit price notion (see Note 15 Fair Value Measurements).

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)”. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently in the process of evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. ASU 2016-13 becomes effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019. The Company is currently in the process of evaluating the impact of the pending adoption of the new standard on its consolidated financial statements and is collaborating with a third party advisory team to develop and execute upon the Company’s implementation plan and methodology in order for the Company to be compliant with ASU 2016-13 by the effective date. The Company has established a CECL committee to oversee the development and implementation of ASU 2016-13. Based on the Company’s initial assessment of the ASU 2016-13, the Company expects the new guidance will result in additional required provision and allowance for loan losses which could have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, “Intangibles: Goodwill and Other: Simplifying the Test for Goodwill Impairment.” ASU 2017-04 will amend and simplify current goodwill impairment testing to eliminate Step 2 from the current provisions. Under the new guidance, an entity should perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying value and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value. An entity still has the option to perform the quantitative assessment for a reporting unit to determine if a quantitative impairment test is necessary. ASU 2017-04 should be adopted for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. The adoption of ASU 2017-04 is not expected to have a material impact on the Company’s consolidated financial statements.

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In March 2017, the FASB issued ASU 2017-08, “Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities”. ASU 2017-08 was issued to amend the amortization period for certain callable debt securities held at a premium. ASU 2017-08 shortens the amortization period of premiums on certain purchased callable debt securities to the earliest call date. ASU 2017-08 affect all entities that hold investments in callable debt securities that have an amortized cost basis in excess of the amount that is repayable by the issuer at the earliest call date (that is, at a premium). ASU 2017-08 does not impact securities purchased at a discount, which continue to be amortized to maturity. ASU 2017-08 is effective for annual period beginning after December 15, 2018, including interim periods within those annual periods. Early adoption is permitted in an interim period. If an entity chooses to adopt early, any adjustments should be reflected as of the beginning of the fiscal year that includes the interim period. The adoption of ASU 2017-08 is not expected to have a material impact on the Company’s consolidated financial statements.

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3. Stock-Based Compensation

The Company has a stock-based incentive plan (the “2016 Plan”) to award equity as a form of compensation. The 2016 Plan, was approved by the Company’s stockholders on September 1, 2016. The 2016 Plan provides for grants of stock options, stock appreciation rights (“SARs”), restricted stock, performance shares, and performance units (sometimes referred to individually or collectively as “awards”) to non-employee directors, employees, and consultants of the Company. Stock options may be either incentive stock options (“ISOs”), as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), or nonqualified stock options (“NQSOs”).

The 2016 Plan gives the Company flexibility to (i) attract and retain qualified non-employee directors, executives, other key employees, and consultants with appropriate equity-based awards to; (ii) motivate high levels of performance; (iii) recognize employee contributions to the Company’s success; and (iv) align the interests of the 2016 Plan participants with those of the Company’s stockholders. The plan initially had 2,400,000 shares available for grant to participants. The exercise price for shares under an ISO may not be less than 100% of fair market value on the date the award is granted under Code Section 422. Similarly, under the terms of the 2016 Plan, the exercise price for SARs and NQSOs may not be less than 100% of fair market value on the date of grant. Performance units are awarded to a participant at the market price of the Company’s common stock on the date of award (after the lapse of the restriction period and the attainment of the performance criteria). No minimum exercise price is prescribed for performance shares and restricted stock awarded under the 2016 Plan. All options not exercised generally expire 10 years after the date of grant.

ISOs, SARs and NQSOs have vesting periods of three to five years and have 10-year contractual terms. Restricted stock, performance shares, and performance units are granted with a restriction period of not less than one year from the grant date for performance-based awards and not more than three years from the grant date for time-based vesting of grants. Compensation expense for awards is recognized over the vesting period.

The Company had another stock-based incentive plan, the 2007 Equity Incentive Plan (“2007 Plan”), which was approved by stockholders in May 2007. Under the terms of this plan, awards cannot be granted under the plan more than ten years after the plan adoption date. Therefore, subsequent to May 2017, equity awards were not issued from this plan.

Under the 2016 Plan, 1,330,621 shares were available for future grants as of March 31, 2018.

The total shares reserved for issuance will serve as the underlying value for all equity awards under the 2016 Plan. With the exception of the shares underlying stock options and restricted stock awards, the board of directors may choose to settle the awards by paying the equivalent cash value or by delivering the appropriate number of shares.

The following is a summary of stock option activity under the 2016 Plan for the three months ended March 31, 2018:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (Dollars in thousands)
Outstanding - January 1, 2018	1,075,423	$ 15.06		
Granted	—	—		
Exercised	(11,000)	9.35		
Expired	(3,195)	16.66		
Forfeited	—	—		
Outstanding - March 31, 2018	1,061,228	$ 15.11	7.11	$ 3,267
Options exercisable - March 31, 2018	630,770	$ 13.88	6.43	$ 2,721

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The following is a summary of restricted stock and performance unit activity under the 2016 Plan for the three months ended March 31, 2018:

	Number of Shares	Weighted-Average Grant Date Fair Value
Outstanding - January 1, 2018	379,419	$ 16.42
Granted	13,000	18.91
Vested	(24,763)	15.11
Forfeited	(2,801)	14.84
Outstanding - March 31, 2018	364,855	$ 16.61

The total fair value of restricted stock and performance units vested for the three months ended March 31, 2018 and 2017 was $476 thousand and $735 thousand, respectively.

On August, 21, 2017 the Company adopted the Hope Employee Stock Purchase Plan ("ESPP"). The ESPP allows eligible employees to purchase the Company's common shares through payroll deductions which build up between the offering date and the purchase date. At the purchase date, the Company uses the accumulated funds to purchase shares in the Company on behalf of the participating employees at 10% discount of the closing price of the Company's common shares. The closing price is the lower of either the closing price on the first day of the offering period or on the closing price on the purchase date. The dollar amount of common shares purchased under the ESPP must not exceed 20% of the participating employee's base salary, subject to a cap of $25 thousand in stock value based on the grant date. The ESPP is considered compensatory under GAAP and compensation expense for the ESPP is recognized as part of the Company's stock based compensation expenses. The compensation expense for ESPP during the three months ended March 31, 2018 was $148 thousand. The Company did not have any compensation expenses for the ESPP during the three months ended March 31, 2017.

The amount charged against income related to stock-based payment arrangements, including ESPP, was $953 thousand and $746 thousand for the three months ended March 31, 2018 and 2017, respectively. The income tax benefit recognized was approximately $245 thousand and $290 thousand for the three months ended March 31, 2018 and 2017, respectively.

At March 31, 2018, the unrecognized compensation expense related to non-vested stock option grants was $880 thousand which is expected to be recognized over a weighted average vesting period of 2.75 years. Unrecognized compensation expense related to non-vested restricted stock and performance units was $3.9 million which is expected to be recognized over a weighted average vesting period of 2.46 years.

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4. Earnings Per Share ("EPS")

Basic EPS does not reflect the possibility of dilution that could result from the issuance of additional shares of common stock upon exercise or conversion of outstanding equity awards, and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised or converted to common stock that would then share in earnings. For the three months ended March 31, 2018 and 2017, stock options and restricted shares awards for 308,258 and 236,878 shares of common stock, respectively, were excluded in computing diluted earnings per common share because they were anti-dilutive. Additionally, warrants issued pursuant to the Company's participation in the U.S. Treasury's TARP Capital Purchase Plan, to purchase 20,520 shares and 19,963 shares of common stock were anti-dilutive and excluded for the three months ended March 31, 2018 and 2017, respectively.

The following tables show the computation of basic and diluted EPS for the three months ended March 31, 2018 and 2017.

	Three Months Ended March 31,					
	2018			2017		
	Net Income (Numerator)	Weighted-Average Shares (Denominator)	Per Share (Amount)	Net Income (Numerator)	Weighted-Average Shares (Denominator)	Per Share (Amount)
	(Dollars in thousands, except share and per share data)					
Basic EPS - common stock	$51,232	135,518,705	$ 0.38	$36,210	135,248,018	$ 0.27
Effect of dilutive securities:						
Stock options, restricted stock, and ESPP shares		296,557			520,627	
Diluted EPS - common stock	$51,232	135,815,262	$ 0.38	$36,210	135,768,645	$ 0.27

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5. Equity Investment Securities

On January 1, 2018, the Company adopted ASU 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities”. As a result of the adoption, the Company reclassified $469 thousand in net unrealized losses included in other comprehensive income and deferred tax assets as of December 31, 2017 to retained earnings on January 1, 2018. Equity investment securities measured at fair value at March 31, 2018, consisted of mutual funds and equity stock in other institutions in the amount of $21.6 million and $3.9 million, respectively.

In accordance with ASU 2016-01, the change in fair value for equity investment securities for the three months ended March 31, 2018 were recorded as noninterest income for the three months ended March 31, 2018, summarized in the table below:

	Three Months Ended March 31, 2018 (Dollars in thousands)
Net unrealized gains recorded during the period on equity investment securities	$ 3,519
Net gains (losses) recorded on equity investment securities sold during the period	—
Net unrealized gains on equity investment securities at end of period	$ 3,519

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6. Securities Available for Sale

The following is a summary of securities available for sale as of the dates indicated:

	At March 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
Debt securities:				
U.S. Government agency and U.S. Government sponsored enterprises:				
Collateralized mortgage obligations	$839,229	$ 39	$(27,258)	$812,010
Mortgage-backed securities:				
Residential	453,107	122	(14,559)	438,670
Commercial	375,880	147	(12,246)	363,781
Corporate securities	5,000	—	(561)	4,439
Municipal securities	81,897	311	(1,793)	80,415
Total investment securities available for sale	$1,755,113	$ 619	$(56,417)	$1,699,315

	At December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
Debt securities:				
U.S. Government agency and U.S. Government sponsored enterprises:				
Collateralized mortgage obligations	$856,193	$ 58	$(17,542)	$838,709
Mortgage-backed securities:				
Residential	477,676	521	(6,983)	471,214
Commercial	308,046	—	(6,681)	301,365
Corporate securities	4,997	—	(522)	4,475
Municipal securities	82,542	870	(875)	82,537
Total debt securities	1,729,454	1,449	(32,603)	1,698,300
Mutual funds	22,425	17	(485)	21,957
Total investment securities available for sale	$1,751,879	$ 1,466	$(33,088)	$1,720,257

As of March 31, 2018 and December 31, 2017, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders' equity.

At March 31, 2018 and December 31, 2017, $39.6 million and $19.0 million, respectively, in unrealized losses on securities net of taxes were included in accumulated other comprehensive loss. Also included in accumulated other comprehensive loss at March 31, 2018 and December 31, 2017, were unrealized losses on interest only strip net of taxes of $51 thousand and $41 thousand, respectively. There were no reclassifications out of accumulated other comprehensive income into earnings for the three months ended March 31, 2018 or 2017.

During the first quarter of 2018, the Company adopted ASU 2016-01 "Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities". As a result of the adoption of ASU 2016-01, the Company no longer accounts for mutual funds as available-for-sale securities and accounts for these investments as equity investments with changes in fair value recorded through earnings. In accordance with ASU 2016-01, the Company reclassified $469 thousand in net unrealized losses included in other comprehensive income and deferred tax assets as of December 31, 2017 to retained earnings on January 1, 2018. The subsequent change to fair value for mutual funds were recorded as noninterest income for the three months ended March 31, 2018.

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The amortized cost and estimated fair value of investment securities at March 31, 2018, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)	
Available for sale:		
Due within one year	$—	$—
Due after one year through five years	12,035	12,143
Due after five years through ten years	33,567	33,450
Due after ten years	41,295	39,261
U.S. Government agency and U.S. Government sponsored enterprises:		
Collateralized mortgage obligations	839,229	812,010
Mortgage-backed securities:		
Residential	453,107	438,670
Commercial	375,880	363,781
Total	$1,755,113	$1,699,315

Securities with carrying values of approximately $357.9 million and $359.2 million at March 31, 2018 and December 31, 2017, respectively, were pledged to secure public deposits, various borrowings and for other purposes as required or permitted by law.

The following tables show the Company's investments' gross unrealized losses and estimated fair value, aggregated by investment category and the length of time that the individual securities have been in a continuous unrealized loss position as of the dates indicated.

	As of March 31, 2018								
	Less than 12 months			12 months or longer			Total		
Description of Securities	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
	(Dollars in thousands)								
Collateralized mortgage obligations*	40	$400,036	$(10,841)	53	$386,009	$(16,417)	93	$786,045	$(27,258)
Mortgage-backed securities:									
Residential*	23	201,859	(5,252)	22	207,694	(9,307)	45	409,553	(14,559)
Commercial*	18	201,894	(4,659)	9	122,332	(7,587)	27	324,226	(12,246)
Corporate securities	1	4,439	(561)	—	—	—	1	4,439	(561)
Municipal securities	58	36,166	(419)	3	21,029	(1,374)	61	57,195	(1,793)
Total	140	$844,394	$(21,732)	87	$737,064	$(34,685)	227	$1,581,458	$(56,417)

* Investments in U.S. Government agency and U.S. Government sponsored enterprises

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Description of Securities	As of December 31, 2017								
	Less than 12 months			12 months or longer			Total		
	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
	(Dollars in thousands)								
Collateralized mortgage obligations	38	$425,198	$(5,954)	53	$408,526	$(11,588)	91	$833,724	$(17,542)
Mortgage-backed securities:									
Residential*	20	195,086	(1,282)	23	230,616	(5,701)	43	425,702	(6,983)
Commercial*	16	186,357	(1,614)	8	115,008	(5,067)	24	301,365	(6,681)
Corporate securities	1	4,475	(522)	—	—	—	1	4,475	(522)
Municipal securities	18	9,295	(69)	3	22,144	(806)	21	31,439	(875)
Mutual funds	1	8,899	(101)	3	11,579	(384)	4	20,478	(485)
Total	94	$829,310	$(9,542)	90	$787,873	$(23,546)	184	$1,617,183	$(33,088)

* Investments in U.S. Government agency and U.S. Government sponsored enterprises

The Company evaluates securities for other-than-temporary-impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the financial condition and near-term prospects of the issuer, the length of time and the extent to which the fair values of the securities have been less than the cost of the securities, and management's intention to sell, or whether it is more likely than not that management will be required to sell a security in an unrealized loss position before recovery of its amortized cost basis. In analyzing an issuer's financial condition, the Company considers, among other considerations, whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

The Company has certain collateralized mortgage obligations, mortgage backed securities, and municipal securities that were in a continuous unrealized loss position for twelve months or longer as of March 31, 2018. The collateralized mortgage obligations in a continuous loss position for twelve months or longer had an unrealized loss of $16.4 million at March 31, 2018 and total mortgage backed securities in a continuous loss position for twelve months or longer had a total unrealized loss of $16.9 million. These securities were issued by U.S. Government agency and U.S. Government sponsored enterprises and have high credit ratings of "AA" grade or better. Interest on U.S. Government agency and U.S. Government sponsored enterprise investments have been paid as agreed, and management believes this will continue in the future and that the securities will be repaid in full as scheduled. Municipal securities that were in a continuous loss position for twelve months or longer had an unrealized loss of $1.4 million at March 31, 2018. The market value declines for these securities were primarily due to movements in interest rates and are not reflective of management's expectations of the Company's ability to fully recover these investments, which may be at maturity. For these reasons, no OTTI was recognized on U.S. Government sponsored collateralized mortgage obligations and mortgage backed securities, and municipal securities that were in an unrealized loss position at March 31, 2018.

The Company considers the losses on the investments in unrealized loss positions at March 31, 2018 to be temporary based on: 1) the likelihood of recovery; 2) the information relative to the extent and duration of the decline in market value; and 3) the Company's intention not to sell, and management's determination that it is more likely than not that the Company will not be required to sell a security in an unrealized loss position before recovery of its amortized cost basis.

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7. Loans Receivable and Allowance for Loan Losses

The following is a summary of loans receivable by major category:

	March 31, 2018	December 31, 2017
	(Dollars in thousands)	
Loan portfolio composition		
Real estate loans:		
Residential	$47,662	$49,774
Commercial	8,180,537	8,142,036
Construction	300,954	316,412
Total real estate loans	8,529,153	8,508,222
Commercial business	1,818,291	1,780,869
Trade finance	189,395	166,664
Consumer and other	755,621	647,102
Total loans outstanding	11,292,460	11,102,857
Deferred loan costs (fees), net	23	(282)
Loans receivable	11,292,483	11,102,575
Allowance for loan losses	(86,461)	(84,541)
Loans receivable, net of allowance for loan losses	$11,206,022	$11,018,034

The loan portfolio is made up of four segments: real estate loans, commercial business, trade finance, and consumer and other. These segments are further segregated between loans accounted for under the amortized cost method ("Legacy Loans") and previously acquired loans that were originally recorded at fair value with no carryover of the related pre-acquisition allowance for loan losses ("Acquired Loans"). Acquired Loans are further segregated between purchased credit impaired loans (loans with credit deterioration on the acquisition date and accounted for under ASC 310-30, or "PCIs") and Acquired Performing Loans (loans that were pass graded on the acquisition date and the fair value adjustment is amortized over the contractual life under ASC 310-20, or "non-PCI loans").

The following table presents changes in the accretable discount on the PCI loans for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31, 2018	2017
	(Dollars in thousands)	
Balance at beginning of period	$55,002	$43,611
Accretion	(5,772)	(5,348)
Reclassification from nonaccretable difference	5,616	13,388
Balance at end of period	$54,846	$51,651

On the acquisition date, the amount by which the undiscounted expected cash flows exceed the estimated fair value of the PCI loans is the "accretable yield." The accretable yield is then measured at each financial reporting date and represents the difference between the remaining undiscounted expected cash flows and the current carrying value of the loans. The accretable yield will change from period to period due to the following: 1) estimates of the remaining life of acquired loans will affect the amount of future interest income; 2) indices for variable rates of interest on PCI loans may change; and 3) estimates of the amount of the contractual principal and interest that will not be collected (nonaccretable difference) may change.

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The following tables detail the activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2018 and 2017:

	Legacy Loans				Acquired Loans				
	Real Estate	Commercial Business	Trade Finance	Consumer and Other	Real Estate	Commercial Business	Trade Finance	Consumer and Other	Total
	(Dollars in thousands)								
Three Months Ended March 31, 2018									
Balance, beginning of period	$45,360	$ 17,228	$ 1,674	$ 3,385	$13,322	$ 3,527	$ 42	$ 3	$84,541
Provision (credit) for loan losses	479	3,289	81	877	(173)	(2,046)	(4)	(3)	2,500
Loans charged off	(63)	(342)	—	(347)	(102)	(214)	—	—	(1,068)
Recoveries of charge offs	201	212	12	19	1	41	—	2	488
Balance, end of period	$45,977	$ 20,387	$ 1,767	$ 3,934	$13,048	$ 1,308	$ 38	$ 2	$86,461

	Legacy Loans				Acquired Loans				
	Real Estate	Commercial Business	Trade Finance	Consumer and Other	Real Estate	Commercial Business	Trade Finance	Consumer and Other	Total
	(Dollars in thousands)								
Three Months Ended March 31, 2017									
Balance, beginning of period	$38,956	$ 23,430	$1,897	$ 2,116	$12,791	$ 117	$ —	$ 36	$79,343
Provision (credit) for loan losses	6,106	(2,884)	303	184	975	748	187	(19)	5,600
Loans charged off	(1,154)	(3,190)	(1,576)	(279)	(336)	(70)	—	—	(6,605)
Recoveries of charge offs	21	123	—	1	25	149	—	2	321
Balance, end of period	$43,929	$ 17,479	$624	$ 2,022	$13,455	$ 944	$ 187	$ 19	$78,659

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The following tables break out the allowance for loan losses and the recorded investment of loans outstanding (not including accrued interest receivable and net deferred loan costs or fees by individually impaired, general valuation, and PCI impairment, by portfolio segment, at March 31, 2018 and December 31, 2017:

	March 31, 2018								
	Legacy Loans				Acquired Loans				
	Real Estate	Commercial Business	Trade Finance	Consumer and Other	Real Estate	Commercial Business	Trade Finance	Consumer and Other	Total
	(Dollars in thousands)								
Allowance for loan losses:									
Individually evaluated for impairment	$6,966	$3,662	$—	$24	$267	$595	$—	$—	$11,514
Collectively evaluated for impairment	39,011	16,725	1,767	3,910	966	713	38	2	63,132
PCI loans	—	—	—	—	11,815	—	—	—	11,815
Total	$45,977	$20,387	$1,767	$3,934	$13,048	$1,308	$38	$2	$86,461
Loans outstanding:									
Individually evaluated for impairment	$52,454	$32,639	$2,597	$870	$18,414	$16,448	$3,368	$1,278	$128,068
Collectively evaluated for impairment	6,300,435	1,598,739	176,856	593,727	2,005,172	142,774	6,574	149,677	10,973,954
PCI loans	—	—	—	—	152,678	27,691	—	10,069	190,438
Total	$6,352,889	$1,631,378	$179,453	$594,597	$2,176,264	$186,913	$9,942	$161,024	$11,292,460

	December 31, 2017								
	Legacy Loans				Acquired Loans				
	Real Estate	Commercial Business	Trade Finance	Consumer and Other	Real Estate	Commercial Business	Trade Finance	Consumer and Other	Total
	(Dollars in thousands)								
Allowance for loan losses:									
Individually evaluated for impairment	$1,378	$2,807	$3	$35	$246	$854	$—	$—	$5,323
Collectively evaluated for impairment	43,982	14,421	1,671	3,350	1,036	2,673	42	3	67,178
PCI loans	—	—	—	—	12,040	—	—	—	12,040
Total	$45,360	$17,228	$1,674	$3,385	$13,322	$3,527	$42	$3	$84,541
Loans outstanding:									
Individually evaluated for impairment	$41,041	$31,322	$3,951	$908	$14,239	$18,733	$2,984	$1,171	$114,349

Collectively evaluated for impairment	6,172,448	1,459,273	152,204	477,375	2,120,001	244,980	7,525	157,794	10,791,600
PCI loans	—	—	—	—	160,493	26,561	—	9,854	196,908
Total	$6,213,489	$1,490,595	$156,155	$478,283	$2,294,733	$290,274	$10,509	$168,819	$11,102,857

As of March 31, 2018 and December 31, 2017, the reserve for unfunded loan commitments recorded in other liabilities was $636 thousand and $836 thousand, respectively. For the three months ended March 31, 2018 and 2017, the recognized (credit) provision for unfunded commitments recorded in credit related expense was $(200) thousand and $241 thousand, respectively.

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The recorded investment of individually impaired loans and the total impaired loans net of specific allowance is presented in the following table:

	March 31, 2018	December 31, 2017
	(Dollars in thousands)	
With allocated specific allowance		
Without charge off	$56,548	$ 28,614
With charge off	1,355	3,044
With no allocated specific allowance		
Without charge off	63,194	77,533
With charge off	6,971	5,158
Specific allowance on impaired loans	(11,514)	(5,323)
Impaired loans, net of specific allowance	$116,554	$ 109,026

The following tables detail the recorded investment of impaired loans (Legacy Loans and Acquired Loans that became impaired subsequent to being originated and acquired, respectfully) as of March 31, 2018 and December 31, 2017, and the average recorded investment and interest income recognized for the three months ended March 31, 2018 and 2017. Impaired loans with no related allowance are believed by management to be adequately collateralized.

Total Impaired Loans	As of March 31, 2018 Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance	As of December 31, 2017 Recorded Investment	Unpaid Contractual Principal Balance	Related Allowance
	(Dollars in thousands)					
With related allowance:						
Real estate—residential	$—	$ —	$ —	$—	$ —	$ —
Real estate—commercial						
Retail	6,384	6,384	5,740	532	531	131
Hotel & motel	2,826	4,982	232	2,931	5,090	284
Gas station & car wash	—	—	—	—	—	—
Mixed use	2,959	4,819	5	312	958	4
Industrial & warehouse	2,378	2,380	103	772	1,482	96
Other	9,391	9,397	1,153	4,397	4,401	1,109
Real estate—construction	—	—	—	—	—	—
Commercial business	30,876	32,791	4,257	18,330	22,757	3,661
Trade finance	2,597	2,597	—	3,861	3,861	3
Consumer and other	492	492	24	523	524	35
Subtotal	$57,903	$ 63,842	$ 11,514	$31,658	$ 39,604	$ 5,323
With no related allowance:						
Real estate—residential	$—	$ —	$ —	$—	$ —	$ —
Real estate—commercial						
Retail	13,968	16,973	—	11,792	13,923	—
Hotel & motel	3,038	5,767	—	2,841	5,288	—
Gas station & car wash	749	1,944	—	591	1,764	—
Mixed use	1,102	1,477	—	1,101	3,490	—
Industrial & warehouse	12,606	13,531	—	8,429	8,525	—
Other	14,167	18,064	—	20,282	24,412	—
Real estate—construction	1,300	1,441	—	1,300	1,441	—
Commercial business	18,211	22,961	—	31,725	33,207	—

Trade finance	3,368	3,368	—	3,074	3,091	—
Consumer and other	1,656	1,808	—	1,556	1,676	—
Subtotal	$70,165	$ 87,334	$ —	$82,691	$ 96,817	$ —
Total	$128,068	$ 151,176	$ 11,514	$114,349	$ 136,421	$ 5,323

* Unpaid contractual principal balance less charge offs, interest collected applied to principal if on nonaccrual and purchase discounts.

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Total Impaired Loans	For the Three Months Ended March 31, 2018 Average Recorded Investment*	2018 Interest Income Recognized during Impairment	2017 Average Recorded Investment*	2017 Interest Income Recognized during Impairment
	(Dollars in thousands)			
With related allowance:				
Real estate—residential	$—	$ —	$—	$ —
Real estate—commercial				
Retail	3,458	—	1,338	4
Hotel & motel	2,878	18	6,391	43
Gas station & car wash	—	—	108	—
Mixed use	1,635	36	228	2
Industrial & warehouse	1,575	23	1,706	32
Other	6,894	68	22,496	253
Real estate—construction	—	—	—	—
Commercial business	24,603	149	23,041	195
Trade finance	3,229	58	1,055	—
Consumer and other	508	—	87	1
Subtotal	$44,780	$ 352	$56,450	$ 530
With no related allowance:				
Real estate—residential	$—	$ —	$2,513	$ 28
Real estate—commercial				
Retail	12,880	110	14,752	159
Hotel & motel	2,940	—	6,198	7
Gas station & car wash	670	—	4,602	10
Mixed use	1,101	—	6,916	63
Industrial & warehouse	10,518	64	9,086	75
Other	17,225	125	17,915	130
Real estate—construction	1,300	—	2,078	20
Commercial business	18,204	94	9,289	30
Trade finance	3,221	44	4,184	51
Consumer and other	1,597	6	989	7
Subtotal	$69,656	$ 443	$78,522	$ 580
Total	$114,436	$ 795	$134,972	$ 1,110

* Unpaid contractual principal balance less charge offs, interest collected applied to principal if on nonaccrual and purchase discounts.

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Impaired Acquired Loans	As of March 31, 2018 Recorded Investment*	Unpaid Contractual Principal Balance	Related Allowance	As of December 31, 2017 Recorded Investment*	Unpaid Contractual Principal Balance	Related Allowance
	(Dollars in thousands)					
With related allowance:						
Real estate—residential	$—	$ —	$ —	$—	$ —	$ —
Real estate—commercial						
Retail	507	506	128	262	261	126
Hotel & motel	85	86	10	85	86	2
Gas station & car wash	—	—	—	—	—	—
Mixed use	2,959	4,819	5	129	129	1
Industrial & warehouse	264	266	102	221	896	96
Other	5,315	5,321	22	319	323	21
Real estate—construction	—	—	—	—	—	—
Commercial business	11,834	13,178	595	1,987	2,903	854
Trade finance	—	—	—	—	—	—
Consumer and other	—	—	—	—	—	—
Subtotal	$20,964	$ 24,176	$ 862	$3,003	$ 4,598	$ 1,100
With no related allowance:						
Real estate—residential	$—	$ —	$ —	$—	$ —	$ —
Real estate—commercial						
Retail	3,298	3,988	—	3,412	4,099	—
Hotel & motel	485	2,183	—	482	1,887	—
Gas station & car wash	199	236	—	1	28	—
Mixed use	—	—	—	152	2,240	—
Industrial & warehouse	863	1,635	—	45	45	—
Other	4,439	5,019	—	9,131	9,951	—
Real estate—construction	—	—	—	&		