GENERAL AMERICAN INVESTORS CO INC
Form 4
October 26, 2016

# FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

OMB APPROVAL
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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
TRUST FBO ALTSCHUL CHARLES UAD 12 15 72

(Last) (First) (Middle)

C/O OVERBROOK MANAGEMENT CORP, 122 EAST 42ND STREET SUITE 2500

(Street)

NEW YORK, NY 10168-2500

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
GENERAL AMERICAN INVESTORS CO INC [GAM]

3. Date of Earliest Transaction (Month/Day/Year)
10/24/2016

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) __X__ Other (specify below)
Chairman

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 10/24/2016 | | S | | 2,000 | D | $ 31.902 | 8,108 | D | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Price of Derivative Security (Instr. 5) | 9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| TRUST FBO ALTSCHUL CHARLES UAD 12 15 72<br>C/O OVERBROOK MANAGEMENT CORP<br>122 EAST 42ND STREET SUITE 2500<br>NEW YORK, NY 10168-2500 | X | | | Chairman |

# Signatures

/s/ Spencer Davidson, Trustee, Trust FBO Arthur G. Altschul Jr. U/A/D 12/15/72 — 10/26/2016

**Signature of Reporting Person — Date

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. gn:left;font-size:10pt;">

Total loans outstanding

$
7,522,251

$
246,657

$
3,049,436

$
10,818,344

Allowance to total loans receivable ratio

0.87
%

4.89
%

0.09
%

0.74
%
Net loan charge offs to beginning allowance

2.10
%

—
%

0.04
%

1.71
%
Net loan charge offs to provision for loan losses

52.81
%

—
%

0.35
%

48.73

%

Acquired Loans [2]

Six Months Ended June 30, 2017

Legacy Loans [1]

PCI Loans

Non-PCI Loans

Total

(Dollars in thousands)
Balance, beginning of period

$
66,399

$
12,130

$
814

$
79,343

Provision (credit) for loan losses

6,254

(64
)

2,170

8,360

Loans charged off

(8,285
)

—

(442
)

(8,727
)
Recoveries of loan charge offs

887

—

211

1,098

Balance, end of period

$
65,255

$
12,066

$
2,753

$
80,074

Total loans outstanding

$
7,522,251

$
246,657

$
3,049,436

$
10,818,344

Allowance to total loans receivable ratio

0.87
%

4.89
%

0.09
%

0.74
%
Net loan charge offs to beginning allowance

11.14

%

—
%

28.38
%

9.62
%
Net loan charge offs to provision for loan losses

118.29
%

—
%

10.65
%

91.26
%

(1) Legacy Loans includes Acquired Loans that have been renewed or refinanced subsequent to the acquisition date.
(2) Acquired Loans were marked to fair value at the acquisition date and provisions for loan losses reflect credit deterioration subsequent to the acquisition date.

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The following table shows the provisions for loan losses, the amount of loans charged off and the recoveries on loans previously charged off, together with the balance of the ALLL at the beginning and end of each period, the amount of average and loans receivable outstanding, and certain other ratios as of the dates and for the periods indicated:

| | At or for the Three Months Ended June 30, | | At or for the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | (Dollars in thousands) | | | |
| LOANS: | | | | |
| Average loans, including loans held for sale | $11,364,229 | $10,536,428 | $11,230,788 | $10,459,527 |
| Loans receivable | $11,671,440 | $10,816,419 | $11,671,440 | $10,816,419 |
| ALLOWANCE: | | | | |
| Balance, beginning of period | $86,461 | $78,659 | $84,541 | $79,343 |
| Less loan charge offs: | | | | |
| Real estate - commercial | (236) | (873) | (401) | (2,363) |
| Commercial business | (798) | (480) | (1,354) | (3,740) |
| Trade finance | — | (528) | — | (2,104) |
| Consumer and other | (229) | (241) | (576) | (520) |
| Total loan charge offs | (1,263) | (2,122) | (2,331) | (8,727) |
| Plus loan recoveries: | | | | |
| Real estate - commercial | 627 | 43 | 829 | 89 |
| Commercial business | 1,734 | 728 | 1,987 | 1,000 |
| Trade Finance | 12 | 4 | 24 | 4 |
| Consumer and other | 10 | 2 | 31 | 5 |
| Total loans recoveries | 2,383 | 777 | 2,871 | 1,098 |
| Net loan recoveries (charge offs) | 1,120 | (1,345) | 540 | (7,629) |
| Provision for loan losses | 2,300 | 2,760 | 4,800 | 8,360 |
| Balance, end of period | $89,881 | $80,074 | $89,881 | $80,074 |
| Net loan charge offs (recoveries) to average loans, including loans held for sale* | (0.04)% | 0.05% | (0.01)% | 0.15% |
| Allowance for loan losses to loans receivable at end of period | 0.77% | 0.74% | 0.77% | 0.74% |
| Net loan charge offs (recoveries) to allowance for loan losses* | (4.98)% | 6.72% | (1.20)% | 19.05% |
| Net loan charge offs (recoveries) to provision for loan losses | (48.70)% | 48.73% | (11.25)% | 91.26% |

*Annualized

We believe the ALLL as of June 30, 2018 was adequate to absorb probable incurred losses in the loan portfolio. However, no assurance can be given that actual losses will not exceed the estimated amounts, and if actual losses exceed the estimated amounts it could have a material and adverse effect on our financial condition and results of operations.

At June 30, 2018, we had $74.5 million in remaining discount on loans acquired from previous transactions compared to $85.8 million at December 31, 2017.

Deposits, Other Borrowings, and Convertible Notes

Deposits

Deposits are our primary source of funds used in our lending and investment activities. At June 30, 2018, deposits increased $888.0 million, or 8.2%, to $11.73 billion from $10.85 billion at December 31, 2017. The increase in deposits was primarily due to an increase in demand deposits and time deposits offset by a decline in money market and NOW and savings.

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At June 30, 2018, 25.9% of total deposits were noninterest bearing demand deposits, 44.2% were time deposits, and 29.9% were interest bearing demand and savings deposits. At December 31, 2017, 27.7% of total deposits were noninterest bearing demand deposits, 39.4% were time deposits, and 32.9% were interest bearing demand and savings deposits.

At June 30, 2018, we had $1.20 billion in brokered deposits and $300.0 million in California State Treasurer deposits compared to $797.0 million in brokered deposits and $300.0 million in California State Treasurer deposits at December 31, 2017. The California State Treasurer deposits had six month maturities with a weighted average interest rate of 1.99% at June 30, 2018 and were collateralized with securities with a carrying value of $337.5 million. Time deposits of more than $250 thousand at June 30, 2018 totaled $1.54 billion compared to $1.28 billion at December 31, 2017.

The following is a schedule of certificates of deposit maturities as of June 30, 2018:

| | Balance | Percent (%) |
|---|---|---|
| | (Dollars in thousands) | |
| Three months or less | $1,198,537 | 23 % |
| Over three months through six months | 1,130,842 | 22 % |
| Over six months through nine months | 1,114,197 | 21 % |
| Over nine months through twelve months | 1,287,536 | 25 % |
| Over twelve months | 452,830 | 9 % |
| Total time deposits | $5,183,942 | 100 % |

Other Borrowings

From time to time we utilize FHLB advances as a secondary source of funds. FHLB advances are typically secured by a pledge of commercial real estate loans and/or securities with a market value at least equal to the outstanding advances plus our investment in FHLB stock.

At June 30, 2018, FHLB advances totaled $837.0 million and had an average weighted remaining maturity of 2.2 years compared to $1.16 billion with an average weighted remaining maturities of 2.0 years at December 31, 2017. Total FHLB advances at June 30, 2018 included $2.0 million in premiums recorded from prior acquisitions compared to $2.7 million in FHLB advance premiums at December 31, 2017.

We did not have federal funds purchased at June 30, 2018. At December 31, 2017, we had $69.9 million in federal funds purchased, which were all fully repaid during the first quarter of 2018.

Subordinated debentures totaled $101.4 million at June 30, 2018 and $100.9 million at December 31, 2017. The Trust Preferred Securities accrue and pay distributions periodically at specified annual rates as provided in the related indentures for the securities. The trusts used the net proceeds from their respective offerings to purchase a like amount of subordinated debentures (the “Debentures”) issued by us. The Debentures are the sole assets of the trusts. Our obligations under the Debentures and related documents, taken together, constitute a full and unconditional guarantee by us of the obligations of the trusts. The Trust Preferred Securities are mandatorily redeemable upon the maturity of the Debentures, or upon earlier redemption as provided in the indentures. We have the right to redeem the Debentures in whole (but not in part) on or after specific dates, at a redemption price specified in the indentures plus any accrued but unpaid interest to the redemption date.

Convertible Notes

During the second quarter of 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 investors under Rule 144A of the Securities Act of 1933. The convertible notes were issued as part of our plan to repurchase common stock. The convertible notes pay interest on a semi-annual basis to holders of the notes. The convertible notes can be called by us at any time after five years in part or whole for the original issued amount in cash. Holders of the notes can put or redeem the notes for cash on the fifth, tenth, and fifteenth year of the note. The carrying balance of convertible notes at June 30, 2018 was $192.1 million net of a $25.4 million discount, which represents the conversion option discount and issuance costs to be capitalized. (See footnote 10 “Subordinated Debentures and Convertible Notes” for additional information regarding convertible notes issued)

Off-Balance-Sheet Activities and Contractual Obligations

We routinely engage in activities that involve, to varying degrees, elements of risk that are not reflected, in whole or in part, in the consolidated financial statements. These activities are part of our normal course of business and include traditional off-balance-sheet credit-related financial instruments, interest rate swap contracts, operating leases and long-term debt.

Traditional off-balance-sheet credit-related financial instruments are primarily commitments to extend credit and standby letters of credit. These activities could require us to make cash payments to third parties if certain specified future events occur.

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The contractual amounts represent the extent of our exposure in these off-balance-sheet activities. These activities are necessary to meet the financing needs of our customers.

We enter into interest rate swap contracts under which we are required to either receive cash from or pay cash to counterparties depending on changes in interest rates. We also purchase interest rate caps to protect against increases in market interest rates. We utilize interest rate swap contracts and interest rate caps to help manage the risk of changing interest rates.

We sell interest rate swaps to certain adjustable rate commercial loan customers to fix the interest rate on their floating rate loans. When the fixed rate swap is originated with the customer, an identical offsetting swap is also entered into by us with a correspondent bank.

We enter into various stand-alone mortgage-banking derivatives in order to hedge the risk associated with the fluctuation of interest rates. The first type of derivative, an interest rate lock commitment, is a commitment to originate loans whereby the interest rate on the loan is determined prior to funding. To mitigate interest rate risk on these rate lock commitments we also enter into forward commitments, or commitments to deliver residential mortgage loans on a future date, also considered derivatives. Net change in the fair value of derivatives represents income recorded from changes of fair value for these mortgage derivatives instruments.

We do not anticipate that our current off-balance-sheet activities will have a material impact on our future results of operations or our financial condition. Further information regarding our financial instruments with off-balance-sheet risk can be found in Item 3 “Quantitative and Qualitative Disclosures about Market Risk.”

Stockholders’ Equity and Regulatory Capital

Historically, our primary source of capital has been the retention of earnings, net of dividend payments to stockholders. We seek to maintain capital at a level sufficient to assure our stockholders, our customers, and our regulators that we and the Bank are financially sound. For this purpose we perform ongoing assessments of our components of capital, as well as projected sources and uses of capital in conjunction with projected increases in assets and levels of risks.

Total stockholders’ equity was $1.91 billion at June 30, 2018 compared to $1.93 billion at December 31, 2017.

The federal banking agencies require a minimum ratio of qualifying total capital to risk-weighted assets of 8.0%, a minimum ratio of Tier I capital to risk-weighted assets of 6.0%, and a minimum ratio of Tier I common equity capital to risk-weighted assets of 4.5% to generally be considered “adequately capitalized” under the Prompt Corrective Action regulations. In addition to the risk-based guidelines, federal banking agencies require banking organizations to maintain a minimum amount of Tier I capital to average total assets, referred to as the leverage ratio, of 4.0% to generally be considered “adequately capitalized” under the Prompt Corrective Action regulations. Beginning January 1, 2016, federal banking agencies required a capital conservation buffer of 0.625% in addition to the ratios required to generally be considered “adequately capitalized” under the Prompt Corrective Action regulations. The capital conservation buffer increases at an annual increment of 0.625% until January 2019 and stands at 1.875% as of June 30, 2018. Failure to maintain this capital conservation buffer results in limits or prohibitions on capital distributions and discretionary compensation payments. Capital requirements apply to us and the Bank separately. In addition to these uniform risk-based capital guidelines and leverage ratios that apply across the industry, the regulators have the discretion to set individual minimum capital requirements for specific institutions at rates significantly above the minimum guidelines and ratios.

At June 30, 2018, our common equity Tier 1 capital was $1.47 billion compared to $1.47 billion at December 31, 2017. Our Tier I capital, defined as stockholders’ equity less intangible assets and including our trust preferred securities, was $1.57 billion at June 30, 2018 and at December 31, 2017. At June 30, 2018, the common equity Tier 1 capital ratio was 11.74%. The total capital to risk-weighted assets ratio was 13.24% and the Tier I capital to risk-weighted assets ratio was 12.52%. The Tier I leverage capital ratio was 11.06%.

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As of June 30, 2018 and December 31, 2017, the most recent regulatory notification generally categorized the Bank as "well capitalized" under the general regulatory framework for prompt corrective action. To be generally categorized as "well-capitalized" the Bank must maintain minimum common equity Tier 1 capital, total risk-based, Tier I risk-based and Tier I leverage capital ratios as set forth in the table below:

| | As of June 30, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Actual | | To Be Well-Capitalized | | Excess | |
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| | (Dollars in thousands) | | | | | |
| Hope Bancorp, Inc. | | | | | | |
| Common equity Tier 1 capital ratio (to risk-weighted assets) | $1,470,620 | 11.74% | N/A | N/A | N/A | N/A |
| Total risk-based capital ratio (to risk-weighted assets) | $1,658,771 | 13.24% | N/A | N/A | N/A | N/A |
| Tier 1 risk-based capital ratio (to risk-weighted assets) | $1,568,105 | 12.52% | N/A | N/A | N/A | N/A |
| Tier 1 capital to total assets (to average assets) | $1,568,105 | 11.06% | N/A | N/A | N/A | N/A |
| Bank of Hope | | | | | | |
| Common equity Tier 1 capital ratio (to risk-weighted assets) | $1,727,710 | 13.79% | $814,221 | 6.50% | $913,489 | 7.29% |
| Total risk-based capital ratio (to risk-weighted assets) | $1,818,376 | 14.52% | $1,252,648 | 10.00% | $565,728 | 4.52% |
| Tier 1 risk-based capital ratio (to risk-weighted assets) | $1,727,710 | 13.79% | $1,002,119 | 8.00% | $725,591 | 5.79% |
| Tier 1 capital to total assets (to average assets) | $1,727,710 | 12.21% | $707,314 | 5.00% | $1,020,396 | 7.21% |

| | As of December 31, 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Actual | | To Be Well-Capitalized | | Excess | |
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| | (Dollars in thousands) | | | | | |
| Hope Bancorp, Inc. | | | | | | |
| Common equity Tier 1 capital ratio (to risk-weighted assets) | $1,471,193 | 12.30% | N/A | N/A | N/A | N/A |
| Total risk-based capital ratio (to risk-weighted assets) | $1,653,521 | 13.82% | N/A | N/A | N/A | N/A |
| Tier 1 risk-based capital ratio (to risk-weighted assets) | $1,568,144 | 13.11% | N/A | N/A | N/A | N/A |
| Tier 1 capital to total assets (to average assets) | $1,568,144 | 11.54% | N/A | N/A | N/A | N/A |
| Bank of Hope | | | | | | |
| Common equity Tier 1 capital ratio (to risk-weighted assets) | $1,548,401 | 12.95% | $777,368 | 6.50% | $771,033 | 6.45% |
| Total risk-based capital ratio (to risk-weighted assets) | $1,633,778 | 13.66% | $1,195,951 | 10.00% | $437,827 | 3.66% |
| Tier 1 risk-based capital ratio (to risk-weighted assets) | $1,548,401 | 12.95% | $956,761 | 8.00% | $591,640 | 4.95% |
| Tier 1 capital to total assets | $1,548,401 | 11.40% | $679,301 | 5.00% | $869,100 | 6.40% |

(to average assets)

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Liquidity Management

Liquidity risk is the risk of reduction in our earnings or capital that would result if we were not able to meet our obligations when they come due without incurring unacceptable losses. Liquidity risk includes the risk of unplanned decreases or changes in funding sources and changes in market conditions that affect our ability to liquidate assets quickly and with minimum loss of value. Factors considered in liquidity risk management are the stability of the deposit base; the marketability, maturity, and pledging of our investments; the availability of alternative sources of funds; and our demand for credit. The objective of our liquidity management is to have funds available to meet cash flow requirements arising from fluctuations in deposit levels and the demands of daily operations, which include funding of securities purchases, providing for customers' credit needs, and ongoing repayment of borrowings.

Our primary sources of liquidity are derived from financing activities, which include customer and broker deposits, federal funds facilities, and borrowings from the FHLB and the FRB Discount Window. These funding sources are augmented by payments of principal and interest on loans and securities, proceeds from sale of loans and the liquidation or sale of securities from our available for sale portfolio. Primary uses of funds include withdrawal of and interest payments on deposits, originations of loans, purchases of investment securities, and payment of operating expenses.

At June 30, 2018, our total borrowing capacity from the FHLB was \$3.63 billion of which \$2.76 billion was unused and available to borrow. At June 30, 2018, our total borrowing capacity from the FRB was \$609.1 million, all of which was unused and available to borrow. In addition to these lines, our liquid assets, consisting of cash and cash equivalents, interest bearing cash deposits and time deposits with other banks, overnight federal funds sold to other banks, liquid investment securities available for sale, and loan repayments within 30 days, were \$1.85 billion at June 30, 2018 compared to \$1.73 billion at December 31, 2017. Cash and cash equivalents were \$466.4 million at June 30, 2018 compared to \$492.0 million at December 31, 2017. We believe our liquidity sources are sufficient to meet all reasonably foreseeable short-term and intermediate-term needs.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

The objective of our asset and liability management activities is to maximize our earnings while maintaining adequate liquidity and an exposure to interest rate risk deemed by management to be acceptable by adjusting the type and mix of assets and liabilities to seek to effectively address changing conditions and risks. Through overall management of our balance sheet and by seeking to manage various risks, we seek to optimize our financial returns within safe and sound parameters. Our operating strategies for attaining this objective include managing net interest margin through appropriate risk/return pricing of assets and liabilities and emphasizing growth in retail deposits, as a percentage of interest bearing liabilities, to reduce our cost of funds. We also seek to improve earnings by controlling noninterest expense, and enhancing noninterest income. We also use risk management instruments to modify interest rate characteristics of certain assets and liabilities to hedge against our exposure to interest rate fluctuations with the objective of reducing the effects fluctuations might have on associated cash flows or values. Finally, we perform internal analysis to measure, evaluate and monitor risk.

Interest Rate Risk

Interest rate risk is the most significant market risk impacting us. Interest rate risk occurs when interest rate sensitive assets and liabilities do not reprice simultaneously and in equal volume. A key objective of asset and liability management is to manage interest rate risk associated with changing asset and liability cash flows, values of our assets and liabilities, and market interest rate movements. The management of interest rate risk is governed by policies reviewed and approved annually by the Board of Directors. Our Board delegates responsibility for interest rate risk management to the Asset and Liability Committee of the Board (“ALCO”) and to the Asset and Liability Management Committee (“ALM”), which is composed of the Bank’s senior executives and other designated officers.

The fundamental objective of our ALM is to manage our exposure to interest rate fluctuations while maintaining adequate levels of liquidity and capital. Our ALM meets regularly to monitor interest rate risk, the sensitivity of our assets and liabilities to interest rate changes, the book and market values of our assets and liabilities, and our investment activities. It also directs changes in the composition of our assets and liabilities. Our strategy has been to reduce the sensitivity of our earnings to interest rate fluctuations by more closely matching the effective maturities or repricing characteristics of our assets and liabilities. Certain assets and liabilities, however, may react in different degrees to changes in market interest rates. Furthermore, interest rates on certain types of assets and liabilities may fluctuate prior to changes in market interest rates, while interest rates on other types may lag behind changes in market interest rates. We consider the anticipated effects of these factors when implementing our interest rate risk management objectives.

Interest Rate Sensitivity

We monitor interest rate risk through the use of a simulation model that provides us with the ability to simulate our net interest income. In order to measure, at June 30, 2018, the sensitivity of our forecasted net interest income to changing interest rates, both rising and falling interest rate scenarios were projected and compared to base market interest rate forecasts. One application of our simulation model measures the impact of market interest rate changes on the net present value of estimated cash flows from our assets and liabilities, defined as our market value of equity. This analysis assesses the changes in market values of interest rate sensitive financial instruments that would occur in response to immediate and parallel changes in market interest rates.

The impacts on our net interest income and market value of equity exposed to immediate and parallel hypothetical changes in market interest rates as projected by the model we use for this purpose are illustrated in the following table:

| | June 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| Simulated Rate Changes | Estimated Net Interest Income Sensitivity | Market Value Of Equity Volatility | Estimated Net Interest Income Sensitivity | Market Value Of Equity Volatility |
| + 200 basis points | 6.43 % | (4.52 )% | 2.18 % | (4.42 )% |

| | | | | |
|---|---|---|---|---|
| + 100 basis points | 3.12 % | (2.19 )% | 1.12 % | (2.08 )% |
| - 100 basis points | (3.72)% | 1.42 % | (2.22)% | 1.00 % |
| - 200 basis points | (9.22)% | 1.34 % | (8.56)% | 0.60 % |

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our President and Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We conducted an evaluation under the supervision and with the participation of our management, including our President and Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our President and Chief Executive Officer and our Chief Financial Officer determined that our disclosure controls and procedures were effective as of June 30, 2018.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II
OTHER INFORMATION

Item 1. Legal Proceedings

In the normal course of business, the Company is involved in various legal claims. The Company has reviewed all legal claims against us with counsel and have taken into consideration the views of such counsel as to the potential outcome of the claims in determining our accrued loss contingency. Accrued loss contingencies for all legal claims totaled approximately $420 thousand at June 30, 2018. It is reasonably possible the Company may incur losses in addition to the amounts currently accrued. However, at this time, the Company is unable to estimate the range of additional losses that are reasonably possible because of a number of factors, including the fact that certain of these litigation matters are still in their early stages and involve claims for which, at this point, the Company believes have little to no merit. Management has considered these and other possible loss contingencies and does not expect the amounts to be material to the consolidated financial statements.

Item 1A. Risk Factors

Other than the risk factors set forth below, management is not aware of any material changes to the risk factors discussed in Part 1, Item 1A, of the Annual Report on Form 10-K for the year ended December 31, 2017. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors discussed in Part 1, Item 1A, of the Annual Report on Form 10-K for the year ended December 31, 2017, which could materially and adversely affect the Company’s business, financial condition, results of operations and stock price. The risks described in this Quarterly Report on Form 10-Q and in the Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not presently known to management or that management presently believes not to be material may also result in material and adverse effects on our business, financial condition, and results of operations.

The conditional conversion features of the convertible note issued by the Company, if met, may adversely affect our financial condition and operating results.

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 ability to raise the funds 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.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Please see the Company's Current Reports on Form 8-K filed with the U.S. Securities and Exchange Commission on May 11, 2018 and June 8, 2018 for disclosure regarding the Company's unregistered sales of equity securities during the quarter ended June 30, 2018.
On April 26, 2018, the Company's Board of Directors approved a share repurchase program that authorizes the Company to repurchase up to $100.0 million in common stock. The following table summarizes share repurchase activities during the second quarter of 2018:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (Dollars in thousands) |
|---|---|---|---|---|
| April 1, 2018 to April 30, 2018 | — | $— | — | $ 100,000 |
| May 1, 2018 to May 31, 2018 | 4,205,576 | 18.1099 | 4,205,576 | 23,837 |
| June 1, 2018 to June 30, 2018 | 156,164 | 17.9232 | 156,164 | 21,039 |
| Total | 4,361,740 | $18.1032 | 4,361,740 | $ 21,039 |

Item 3. Defaults Upon Senior Securities
None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits
See "Index to Exhibits."

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INDEX TO EXHIBITS

| Exhibit Number | Description |
|---|---|
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002* |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002* |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |
| 101.INS | XBRL Instance Document* |
| 101.SCH | XBRL Taxonomy Extension Schema Document* |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document* |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document* |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document* |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document* |

*Filed herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HOPE BANCORP, INC.

Date: August 6, 2018 /s/ Kevin S. Kim
Kevin S. Kim
President and Chief Executive Officer

Date: August 6, 2018 /s/ Alex Ko
Alex Ko
Executive Vice President and Chief Financial Officer