

HANMI FINANCIAL CORP  
Form 10-Q  
August 09, 2011

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**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 June 30, 2011**

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Transition Period From \_\_\_\_\_ To \_\_\_\_\_**

**Commission File Number: 000-30421**

**HANMI FINANCIAL CORPORATION**

*(Exact Name of Registrant as Specified in its Charter)*

**Delaware**

**95-4788120**

*(State or Other Jurisdiction of Incorporation or Organization)*

*(I.R.S. Employer Identification No.)*

**3660 Wilshire Boulevard, Penthouse Suite A  
Los Angeles, California**

**90010**

*(Address of Principal Executive Offices)*

*(Zip Code)*

**(213) 382-2200**

*(Registrant's Telephone Number, Including Area Code)*

**Not Applicable**

*(Former Name, Former Address and Former Fiscal Year, If Changed 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  No

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company   
(Do Not Check if a Smaller Reporting Company)

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

As of July 29, 2011, there were 151,258,390 outstanding shares of the Registrant's Common Stock.



**HANMI FINANCIAL CORPORATION AND SUBSIDIARIES**  
**QUARTERLY REPORT ON FORM 10-Q**  
**THREE AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010**  
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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****HANMI FINANCIAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (UNAUDITED)***(In Thousands, Except Share Data)*

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
<b>ASSETS</b>		
Cash and Due From Banks	\$ 67,166	\$ 60,983
Interest-Bearing Deposits in Other Banks	131,757	158,737
Federal Funds Sold		30,000
Cash and Cash Equivalents	198,923	249,720
Securities Held to Maturity, at Amortized Cost (Fair Value of \$835 as of June 30, 2011 and \$847 as of December 31, 2010)	833	845
Investment Securities Available for Sale, at Fair Value (Amortized Cost of \$386,299 as of June 30, 2011 and \$415,491 as of December 31, 2010)	390,212	413,118
Loans Receivable, Net of Allowance for Loan Losses of \$109,029 as of June 30, 2011 and \$146,059 as of December 31, 2010	1,959,564	2,084,447
Loans Held for Sale, at the Lower of Cost or Fair Value	44,105	36,620
Accrued Interest Receivable	7,512	8,048
Premises and Equipment, Net	16,869	17,599
Other Real Estate Owned, Net	1,340	4,089
Customers' Liability on Acceptances	1,629	711
Servicing Assets	2,545	2,890
Other Intangible Assets, Net	1,825	2,233
Investment in Federal Home Loan Bank Stock, at Cost	25,076	27,282
Investment in Federal Reserve Bank Stock, at Cost	7,489	7,449
Income Taxes Receivable	9,188	9,188
Bank-Owned Life Insurance	27,813	27,350
Other Assets	15,912	15,559
<b>TOTAL ASSETS</b>	<b>\$ 2,710,835</b>	<b>\$ 2,907,148</b>

**LIABILITIES AND STOCKHOLDERS' EQUITY****LIABILITIES:**

## Deposits:

Noninterest-Bearing	\$ 600,812	\$ 546,815
Interest-Bearing	1,797,563	1,919,906

Total Deposits	2,398,375	2,466,721
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Accrued Interest Payable	14,226	15,966
Bank's Liability on Acceptances	1,629	711
Federal Home Loan Bank Advances	3,479	153,650
Other Borrowings	1,034	1,570
Junior Subordinated Debentures	82,406	82,406
Accrued Expenses and Other Liabilities	11,321	12,868
<b>Total Liabilities</b>	<b>2,512,470</b>	<b>2,733,892</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Common Stock, \$0.001 Par Value; Authorized 500,000,000 Shares; Issued 155,890,890 Shares (151,258,390 Shares Outstanding) and 155,830,890 Shares (151,198,390 Shares Outstanding) as of June 30, 2011 and December 31, 2010, respectively	156	156
Additional Paid-In Capital	472,717	472,335
Unearned Compensation	(219)	(219)
Accumulated Other Comprehensive Income (Loss) - Unrealized Gain (Loss) on Securities Available for Sale and Interest-Only Strips, Net of Income Taxes of \$602 as of June 30, 2011 and December 31, 2010, respectively	3,325	(2,964)
Accumulated Deficit	(207,602)	(226,040)
Less Treasury Stock, at Cost: 4,632,500 Shares as of June 30, 2011 and December 31, 2010	(70,012)	(70,012)
<b>Total Stockholders' Equity</b>	<b>198,365</b>	<b>173,256</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 2,710,835</b>	<b>\$ 2,907,148</b>

See Accompanying Notes to Consolidated Financial Statements (Unaudited).

**Table of Contents****HANMI FINANCIAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)***(Dollars in Thousands, Except Per Share Data)*

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>INTEREST AND DIVIDEND INCOME:</b>				
Interest and Fees on Loans	\$ 29,249	\$ 34,486	\$ 60,154	\$ 71,181
Taxable Interest on Investment Securities	3,094	1,359	5,767	2,443
Tax-Exempt Interest on Investment Securities	37	77	77	154
Dividends on Federal Reserve Bank Stock	112	103	224	207
Dividends on Federal Home Loan Bank Stock	20	20	41	41
Interest on Interest-Bearing Deposits in Other Banks	79	99	168	154
Interest on Federal Funds Sold	9	16	17	33
Interest on Term Federal Funds Sold	18	11	45	11
Total Interest and Dividend Income	32,618	36,171	66,493	74,224
<b>INTEREST EXPENSE:</b>				
Interest on Deposits	6,192	8,813	12,927	18,517
Interest on Federal Home Loan Bank Advances	239	339	572	685
Interest on Other Borrowings	1	31	1	31
Interest on Junior Subordinated Debentures	711	692	1,409	1,361
Total Interest Expense	7,143	9,875	14,909	20,594
<b>NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES</b>				
Provision for Credit Losses	25,475	26,296	51,584	53,630
		37,500		95,496
<b>NET INTEREST INCOME (LOSS) AFTER PROVISION FOR CREDIT LOSSES</b>				
	25,475	(11,204)	51,584	(41,866)
<b>NON-INTEREST INCOME:</b>				
Service Charges on Deposit Accounts	3,278	3,602	6,419	7,328
Insurance Commissions	1,203	1,206	2,463	2,484
Remittance Fees	499	523	961	985

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Trade Finance Fees	328	412	625	763
Other Service Charges and Fees	368	372	701	784
Bank-Owned Life Insurance Income	233	235	463	466
Net Gain (Loss) on Sales of Investment Securities	(70)		(70)	105
Net Gain (Loss) on Sales of Loans	(77)	220	(415)	214
Other Operating Income	255	106	378	552
Total Non-Interest Income	6,017	6,676	11,525	13,681
NON-INTEREST EXPENSE:				
Salaries and Employee Benefits	8,762	9,011	17,886	17,797
Deposit Insurance Premiums and Regulatory Assessments	1,377	4,075	3,447	6,299
Occupancy and Equipment	2,650	2,674	5,215	5,399
Directors and Officers Liability Insurance	733	716	1,467	1,433
Other Real Estate Owned Expense	806	1,718	1,635	7,418
Data Processing	1,487	1,487	2,886	2,986
Professional Fees	1,138	1,022	1,927	2,088
Supplies and Communication	496	574	1,074	1,091
Advertising and Promotion	908	503	1,474	1,038
Loan-Related Expense	184	310	409	617
Amortization of Other Intangible Assets	190	301	408	629
Expenses Related to Unconsummated Capital Offerings	2,220		2,220	
Other Operating Expenses	1,935	2,374	3,899	4,194
Total Non-Interest Expense	22,886	24,765	43,947	50,989
INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	8,606	(29,293)	19,162	(79,174)
Provision (Benefit) for Income Taxes	605	(36)	724	(431)
<b>NET INCOME (LOSS)</b>	<b>\$ 8,001</b>	<b>\$ (29,257)</b>	<b>\$ 18,438</b>	<b>\$ (78,743)</b>
EARNINGS (LOSS) PER SHARE:				
Basic	\$ 0.05	\$ (0.57)	\$ 0.12	\$ (1.54)
Diluted	\$ 0.05	\$ (0.57)	\$ 0.12	\$ (1.54)
WEIGHTED-AVERAGE SHARES OUTSTANDING:				
Basic	151,104,636	51,036,573	151,082,945	51,017,885
Diluted	151,258,390	51,036,573	151,257,350	51,017,885
DIVIDENDS DECLARED PER SHARE	\$	\$	\$	\$

See Accompanying Notes to Consolidated Financial Statements (Unaudited).





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COMPREHENSIVE INCOME (LOSS)(UNAUDITED)***(In Thousands; Except Share Data)*

	Common Stock - Number of Shares			Stockholders Equity						
	Issued	Treasury Stock	Outstanding	Additional Common Stock	Paid-In Capital	Unearned Compensation	Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Treasury Stock, at Cost	Total Stockholders Equity
<b>BALANCE AS OF JANUARY 1, 2010</b>	<b>55,814,890</b>	<b>(4,632,500)</b>	<b>51,182,390</b>	<b>\$ 56</b>	<b>\$ 357,174</b>	<b>\$(302)</b>	<b>\$ 859</b>	<b>\$(138,031)</b>	<b>\$(70,012)</b>	<b>\$ 149,744</b>
Exercises of Stock Options and Stock Warrants	16,000		16,000		22					22
Share-Based Compensation Expense					445	41				486
Comprehensive Loss:										
Net Loss								(78,743)		(78,743)
Change in Unrealized Gain on Securities Available for Sale and Interest-Only Strips, Net of Income Taxes							1,671			1,671
Total Comprehensive Loss										(77,072)
<b>BALANCE AS OF JUNE 30, 2010</b>	<b>55,830,890</b>	<b>(4,632,500)</b>	<b>51,198,390</b>	<b>\$ 56</b>	<b>\$ 357,641</b>	<b>\$(261)</b>	<b>\$ 2,530</b>	<b>\$(216,774)</b>	<b>\$(70,012)</b>	<b>\$ 73,180</b>
<b>BALANCE AS OF JANUARY 1, 2011</b>	<b>155,830,890</b>	<b>(4,632,500)</b>	<b>151,198,390</b>	<b>\$ 156</b>	<b>\$ 472,335</b>	<b>\$(219)</b>	<b>\$(2,964)</b>	<b>\$(226,040)</b>	<b>\$(70,012)</b>	<b>\$ 173,256</b>

Share-Based Compensation Expense				304	78					382
Restricted Stock Awards	60,000		60,000	78	(78)					
Comprehensive Income:										
Net Income								18,438		18,438
Change in Unrealized Gain on Securities Available for Sale and Interest-Only Strips, Net of Income Taxes								6,289		6,289
Total Comprehensive Income										24,727
<b>BALANCE AS OF JUNE 30, 2011</b>	<b>155,890,890</b>	<b>(4,632,500)</b>	<b>151,258,390</b>	<b>\$ 156</b>	<b>\$ 472,717</b>	<b>\$(219)</b>	<b>\$ 3,325</b>	<b>\$(207,602)</b>	<b>\$(70,012)</b>	<b>\$ 198,365</b>

See Accompanying Notes to Consolidated Financial Statements (Unaudited).

**Table of Contents****HANMI FINANCIAL CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)***(In Thousands)*

	<b>Six Months Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income (Loss)	\$ 18,438	\$ (78,743)
Adjustments to Reconcile Net Loss to Net Cash Provided By Operating Activities:		
Depreciation and Amortization of Premises and Equipment	1,083	1,204
Amortization of Premiums and Accretion of Discounts on Investment Securities, Net	1,227	288
Amortization of Other Intangible Assets	408	629
Amortization of Servicing Assets	345	496
Share-Based Compensation Expense	382	486
Provision for Credit Losses		95,496
Net Gain (Loss) on Sales of Investment Securities	70	(105)
Net Gain on Sales of Loans	(2,489)	(214)
(Gain) Loss on Sales of Other Real Estate Owned	681	(154)
Provision for Valuation Allowance on Other Real Estate Owned	470	6,503
Lower of Cost or Fair Value Adjustment for Loans Held for Sale	2,903	
Deferred Tax Benefit		3,608
Origination of Loans Held for Sale	(16,056)	(1,782)
Net Proceeds from Sales of Loans Held for Sale		79,254
Loss on Investment in Affordable Housing Partnership	440	440
Decrease in Accrued Interest Receivable	536	1,690
Increase in Cash Surrender Value of Bank-Owned Life Insurance	(463)	(466)
Increase in Other Assets	(789)	(3,489)
Decrease in Income Tax Receivable		46,857
(Decrease) Increase in Accrued Interest Payable	(1,636)	1,418
(Decrease) Increase in Other Liabilities	(521)	682
<b>Net Cash Provided By Operating Activities</b>	<b>5,029</b>	<b>154,098</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from Redemption of Federal Home Loan Bank and Federal Reserve Bank Stock	2,206	2,236
Proceeds from Matured or Called Investment Securities Available for Sale	70,841	37,023
Proceeds from Matured or Called Investment Securities Held to Maturity	12	13
Proceeds from Sales of Investment Securities Available for Sale	157,777	3,252
Net Proceeds from Sales of Loans Held for Sale	45,963	
Proceeds from Sales of Other Real Estate Owned	3,736	5,042
Net Decrease in Loans Receivable	83,809	