

HANMI FINANCIAL CORP
Form 10-Q
November 12, 2013
Table of Contents

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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2013

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
(State or Other Jurisdiction
of Incorporation or Organization)

95-4788120
(I.R.S. Employer
Identification No.)

3660 Wilshire Boulevard, Penthouse Suite A

Los Angeles, California
(Address of Principal Executive Offices)

90010
(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 (Do Not Check if a Smaller Reporting Company) 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 October 31, 2013, there were 31,756,615 outstanding shares of the Registrant's Common Stock.

Table of Contents

Hanmi Financial Corporation and Subsidiaries

Quarterly Report on Form 10-Q

Three and Nine Months Ended September 30, 2013

Table of Contents

Part I Financial Information

Item 1. <u>Financial Statements</u>	3
<u>Consolidated Balance Sheets (Unaudited)</u>	3
<u>Consolidated Statements of Operations (Unaudited)</u>	4
<u>Consolidated Statements of Comprehensive Income (Unaudited)</u>	5
<u>Consolidated Statements of Changes in Stockholders' Equity (Unaudited)</u>	6
<u>Consolidated Statements of Cash Flows (Unaudited)</u>	7
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	9
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	38
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	64
Item 4. <u>Controls and Procedures</u>	64

Part II Other Information

Item 1. <u>Legal Proceedings</u>	65
Item 1A. <u>Risk Factors</u>	65
Item 2. <u>Unregistered Sales of Equity Securities and use of Proceeds</u>	65
Item 3. <u>Defaults Upon Senior Securities</u>	65
Item 4. <u>Mine Safety Disclosures</u>	65
Item 5. <u>Other Information</u>	65
Item 6. <u>Exhibits</u>	65
<u>Signatures</u>	67

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)*

	September 30, 2013	December 31, 2012
Assets		
Cash and due from banks	\$ 78,810	\$ 92,350
Interest-bearing deposits in other banks	115,044	175,697
Cash and cash equivalents	193,854	268,047
Restricted cash		5,350
Securities available-for-sale, at fair value (amortized cost of \$392,773 as of September 30, 2013 and \$443,712 as of December 31, 2012)	383,057	451,060
Loans held for sale, at the lower of cost or fair value	5,228	8,306
Loans receivable, net of allowance for loan losses of \$57,639 as of September 30, 2013 and \$63,305 as of December 31, 2012	2,102,621	1,986,051
Accrued interest receivable	6,957	7,581
Premises and equipment, net	14,205	15,150
Other real estate owned, net	290	774
Customers' liability on acceptances	1,535	1,336
Servicing assets	6,385	5,542
Other intangible assets, net	1,212	1,335
Investment in federal home loan bank stock, at cost	14,060	17,800
Investment in federal reserve bank stock, at cost	13,200	12,222
Income tax assets	61,747	60,028
Bank-owned life insurance	29,468	29,054
Prepaid expenses	1,986	2,084
Other assets	9,332	10,800
Total assets	\$ 2,845,137	\$ 2,882,520
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 778,345	\$ 720,931
Interest-bearing	1,651,362	1,675,032
Total deposits	2,429,707	2,395,963
Accrued interest payable	2,705	11,775

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Bank's liability on acceptances	1,535	1,336
Federal home loan bank advances	2,645	2,935
Junior subordinated debentures		82,406
Accrued expenses and other liabilities	10,589	9,741
Total liabilities	2,447,181	2,504,156
Stockholders' equity:		
Common stock, \$0.001 par value; authorized 62,500,000 shares; issued 32,332,009 shares (31,754,115 shares outstanding) and 32,074,434 shares (31,496,540 shares outstanding) as of September 30, 2013 and December 31, 2012	257	257
Additional paid-in capital	551,881	550,066
Accumulated other comprehensive (loss) income, net of tax (benefit) expense of (\$5,230) as of September 30, 2013 and \$1,946 as of December 31, 2012	(4,469)	5,418
Accumulated deficit	(79,855)	(107,519)
Less: treasury stock, at cost; 577,894 shares as of September 30, 2013 and December 31, 2012	(69,858)	(69,858)
Total stockholders' equity	397,956	378,364
Total liabilities and stockholders' equity	\$ 2,845,137	\$ 2,882,520

See Accompanying Notes to Consolidated Financial Statements (Unaudited)

Table of Contents

Hanmi Financial Corporation and Subsidiaries
Consolidated Statements of Operations (Unaudited)

(In thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Interest and Dividend Income:				
Interest and fees on loans	\$ 29,098	\$ 26,781	\$ 83,736	\$ 81,564
Taxable interest on investment securities	2,040	1,992	6,256	6,280
Tax-exempt interest on investment securities	69	98	237	299
Interest on term federal funds sold		191		684
Interest on federal funds sold		20	6	53
Interest on interest-bearing deposits in other banks	28	142	140	269
Dividends on federal reserve bank stock	198	154	577	430
Dividends on federal home loan bank stock	194	24	449	82
Total interest and dividend income	31,627	29,402	91,401	89,661
Interest Expense:				
Interest on deposits	3,117	3,639	9,376	12,511
Interest on federal home loan bank advances	36	40	115	126
Interest on junior subordinated debentures		804	678	2,400
Total interest expense	3,153	4,483	10,169	15,037
Net interest income before provision for credit losses	28,474	24,919	81,232	74,624
Provision for credit losses				6,000
Net interest income after provision for credit losses	28,474	24,919	81,232	68,624
Non-Interest Income:				
Service charges on deposit accounts	2,730	2,851	8,662	8,955
Insurance commissions	1,273	1,092	3,904	3,622
Remittance fees	481	476	1,519	1,417
Trade finance fees	248	274	801	858
Other service charges and fees	349	361	1,082	1,105
Bank-owned life insurance income	230	235	693	872
Gain on sales of SBA loans guaranteed portion	994	1,772	6,064	7,245
Net loss on sales of other loans		(515)	(557)	(8,234)

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Net gain on sales of investment securities	611	10	923	1,392
Other-than-temporary impairment loss on investment securities		(176)		(292)
Other operating income	410	140	742	402
Total non-interest income	7,326	6,520	23,833	17,342
Non-Interest Expense:				
Salaries and employee benefits	9,926	9,148	28,692	27,707
Occupancy and equipment	2,634	2,623	7,745	7,839
Deposit insurance premiums and regulatory assessments	308	283	1,059	3,182
Data processing	1,158	1,211	3,470	3,762
Other real estate owned expense	(59)	352	(47)	377
Professional fees	907	1,112	5,428	2,950
Directors and officers liability insurance	219	296	658	888
Supplies and communications	562	669	1,687	1,803
Advertising and promotion	1,140	1,023	2,817	2,633
Loan-related expense	91	164	328	452
Amortization of other intangible assets	41	41	123	157
Other operating expenses	2,039	1,882	6,137	5,563
Total non-interest expense	18,966	18,804	58,097	57,313
Income before provision (benefit) for income taxes	16,834	12,635	46,968	28,653
Provision (benefit) for income taxes	6,584	(644)	17,089	(47,742)
Net income	\$ 10,250	\$ 13,279	\$ 29,879	\$ 76,395
Earnings per share:				
Basic	\$ 0.32	\$ 0.42	\$ 0.95	\$ 2.43
Diluted	\$ 0.32	\$ 0.42	\$ 0.94	\$ 2.42
Weighted-average shares outstanding:				
Basic	31,621,049	31,475,976	31,583,897	31,474,042
Diluted	31,733,004	31,545,111	31,652,795	31,506,767

See Accompanying Notes to Consolidated Financial Statements (Unaudited)

Table of Contents**Hanmi Financial Corporation and Subsidiaries****Consolidated Statements of Comprehensive Income (Unaudited)***(In thousands)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net Income	\$ 10,250	\$ 13,279	\$ 29,879	\$ 76,395
Other comprehensive (loss) income, net of tax				
Unrealized (loss) gain on securities				
Unrealized holding (loss) gain arising during period	(10,020)	1,655	(16,141)	2,248
Unrealized holding gain arising from the reclassification of held-to-maturity securities to available-for-sale securities		1,968		1,968
Less: reclassification adjustment for (gain) loss included in net income	(611)	166	(923)	(1,100)
Unrealized gain on interest rate swap			&	