# Hanmi Financial Corporation

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FOR 40 YEARS

# 4Q22 Earnings Supplemental Presentation

January 24, 2023

# Forward-Looking Statements

Hanmi Financial Corporation (the “Company”) cautions investors that any statements contained herein that are not historical facts are forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, including, but not limited to, those statements regarding operating and financial performance, financial position and liquidity, business strategies, regulatory, economic and competitive outlook, investment and expenditure plans, capital and financing needs and availability, litigation, plans and objectives, merger or sale activity, the effects of COVID-19 on our business, financial condition and results of operations, and all other forecasts and statements of expectation or assumption underlying any of the foregoing. These statements involve known and unknown risks and uncertainties that are difficult to predict. Investors should not rely on any forward-looking statement and should consider risks, such as changes in governmental policy, legislation and regulations, economic uncertainty and changes in economic conditions, inflation, the continuing impact of the COVID-19 pandemic on our business and results of operations, fluctuations in interest rate and credit risk, competitive pressures, the ability to succeed in new markets, balance sheet management, the ability to identify and remediate any material weakness in internal controls over financial reporting, and other operational factors.

Forward-looking statements are based upon the good faith beliefs and expectations of management as of this date only and are further subject to additional risks and uncertainties, including, but not limited to, the risk factors set forth in our earnings release dated January 24, 2023, including the section titled “Forward Looking Statements and the Company’s most recent Form 10-K, 10-Q and other filings with the Securities and Exchange Commission (“SEC”). Investors are urged to review our earnings release dated January 24, 2023, including the section titled “Forward Looking Statements and the Company’s SEC filings. The Company disclaims any obligation to update or revise the forward-looking statements herein.

# Non-GAAP Financial Information

This presentation contains financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America (“GAAP”). These non-GAAP measures include tangible common equity to tangible assets, and tangible common equity per share. Management uses these “non-GAAP” measures in its analysis of the Company’s performance. Management believes these non-GAAP financial measures allow for better comparability of period to period operating performance. Additionally, the Company believes this information is utilized by regulators and market analysts to evaluate a company’s financial condition and therefore, such information is useful to investors. These disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. A reconciliation of the non-GAAP measures used in this presentation to the most directly comparable GAAP measures is provided in the Appendix to this presentation.

# 4Q22 Highlights

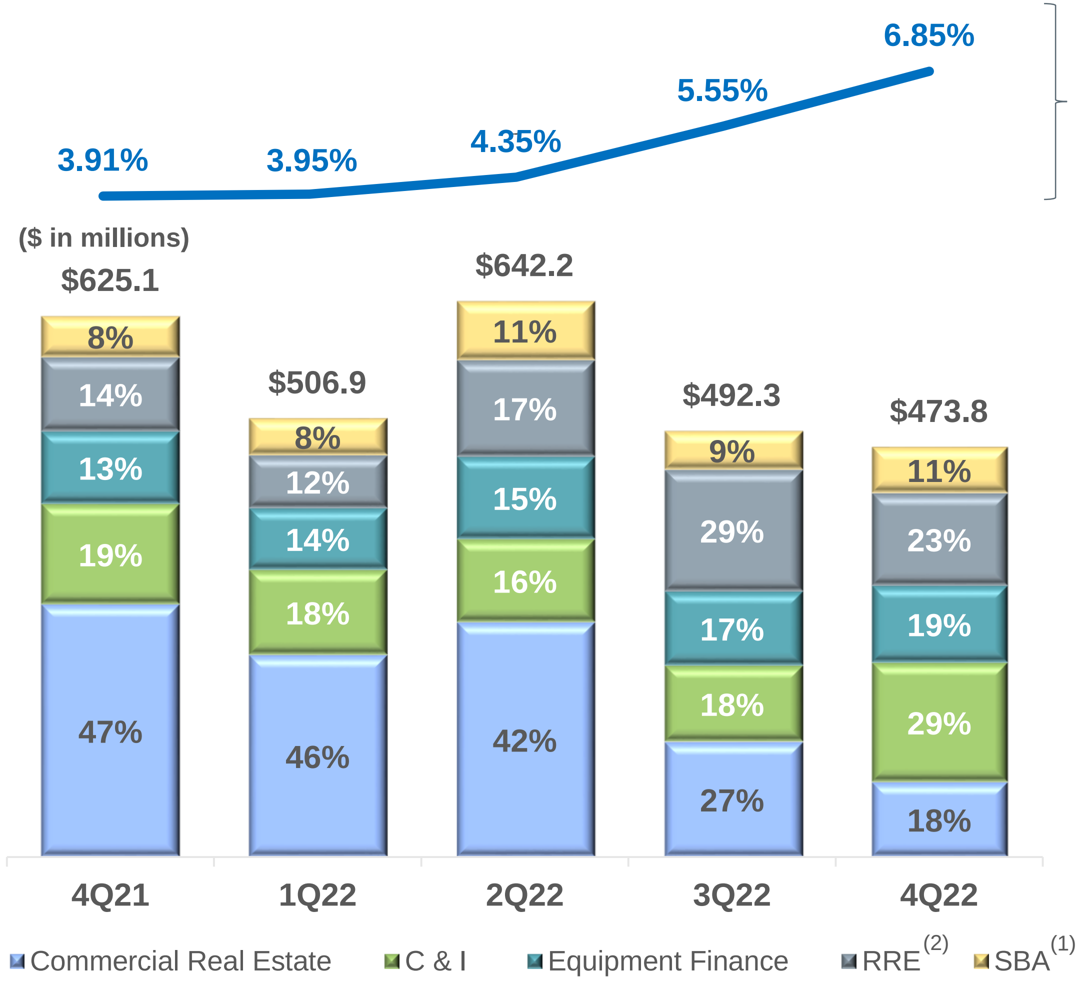
| Net Income | Diluted EPS | ROAA | ROAE | NIM | Efficiency Ratio | TBVPS[1] |
|---|---|---|---|---|---|---|
| $28.5M | $0.93 | 1.56% | 15.90% | 3.67% | 46.99% | $20.54 |

- **Net income** was $28.5 million, or $0.93 per diluted share, up 4.8% from $27.2 million, or $0.89 per diluted share, for the prior quarter and down 14.6% from $33.3 million, or $1.09 per diluted share, for the fourth quarter in 2021
  - **Net interest income** was $64.6 million, up 2.3% from the prior quarter
  - **Noninterest income** decreased by 16.3% from the prior quarter to $7.5 million primarily due to lower SBA gain on sale income
  - **Noninterest expense** was $33.8 million, up 1.7% from the prior quarter
  - **Efficiency ratio** was 46.99%, compared with 46.22% for the prior quarter
- **Loans receivable** increased by 2.9% from the prior quarter to $5.97 billion
  - **Loan production** was $473.8 million with an average rate of 6.85%
- **Deposits** decreased by 0.5% from the prior quarter to $6.17 billion with noninterest-bearing demand deposits representing 41.2% of total deposits
  - **Cost of interest-bearing deposits** increased 92 basis points from the prior quarter to 1.70%
- **Credit loss expense** was $0.1 million; allowance for credit losses to loans was 1.20% at December 31, 2022
- **Tangible common equity to tangible assets[1]** was 8.50%, Common equity tier 1 capital ratio was 11.37% and total capital ratio was 14.49%

(1) Non-GAAP financial measure; refer to the non-GAAP reconciliation slide

# Loan Production

## Loan production, reflecting higher interest rates, of $473.8 million for 4Q22.




- Average interest rate on new production up 130 basis points sequentially.
- Residential mortgage[(2)] loan production was $107.0 million and commercial real estate loan production was $86.5 million for the fourth quarter.
- Commercial and industrial loan production was $137.9 million and equipment finance production was $89.2 million for the fourth quarter.
- SBA[(1)] loan production was $53.2 million for the fourth quarter.

(1) $47.4M, $42.6M, $67.9M, $44.9M, and $53.2M of SBA loan production includes $21.7M, $26.9M, $47.3M, $27.1M, and $36.7M of loans secured by CRE and the remainder representing C&I as of 4Q21, 1Q22, 2Q22, 3Q22, and 4Q22, respectively

(2) Residential mortgage includes $1.2M, $1.1M, $0.3M, $0, and $0.1M of consumer loans for 4Q21, 1Q22, 2Q22, 3Q22, and 4Q22, respectively

# Loan Portfolio

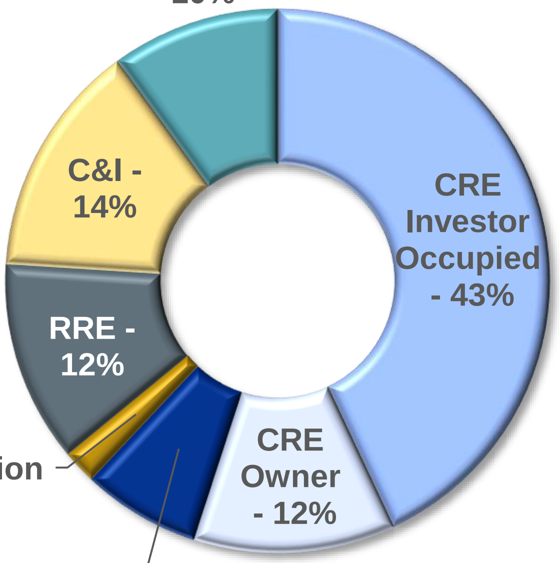
## $5.97 Billion Loan Portfolio
### (as of 12/31/22)

| Commercial Real Estate[1] Portfolio | |
|---|---|
| Outstanding ($ in millions) | $3,833 |
| Median Balance ($ in millions) | $0.71 |
| 4Q22 Average Yield | 5.00% |

| RRE[2] Portfolio | |
|---|---|
| Outstanding ($ in millions) | $734 |
| Median Balance ($ in millions) | $0.44 |
| 4Q22 Average Yield | 4.19% |

| Commercial & Industrial Portfolio | |
|---|---|
| Outstanding ($ in millions) | $805 |
| Median Balance ($ in millions) | $0.06 |
| 4Q22 Average Yield | 7.30% |

| Equipment Finance Portfolio | |
|---|---|
| Outstanding ($ in millions) | $595 |
| Median Balance ($ in millions) | $0.04 |
| 4Q22 Average Yield | 5.17% |




| CRE Investor (Non-owner) Occupied | |
|---|---|
| # of Loans | 943 |
| Median Balance ($ in millions) | $1.09 |
| Weighted Average Loan-to-Value Ratio[3] | 51.0% |
| Weighted Average Debt Coverage Ratio | 2.07x |

| CRE Owner Occupied | |
|---|---|
| # of Loans | 788 |
| Median Balance ($ in millions) | $0.29 |
| Weighted Average Loan-to-Value Ratio[3] | 48.2% |
| Weighted Average Debt Coverage Ratio | 2.68x |

| CRE Multifamily | |
|---|---|
| # of Loans | 157 |
| Median Balance ($ in millions) | $0.98 |
| Weighted Average Loan-to-Value Ratio[3] | 57.1% |
| Weighted Average Debt Coverage Ratio | 1.67x |

Note: Numbers may not add due to rounding

(1) Commercial Real Estate (CRE) is a combination of Investor Occupied, Construction, Multi Family, and Owner Occupied

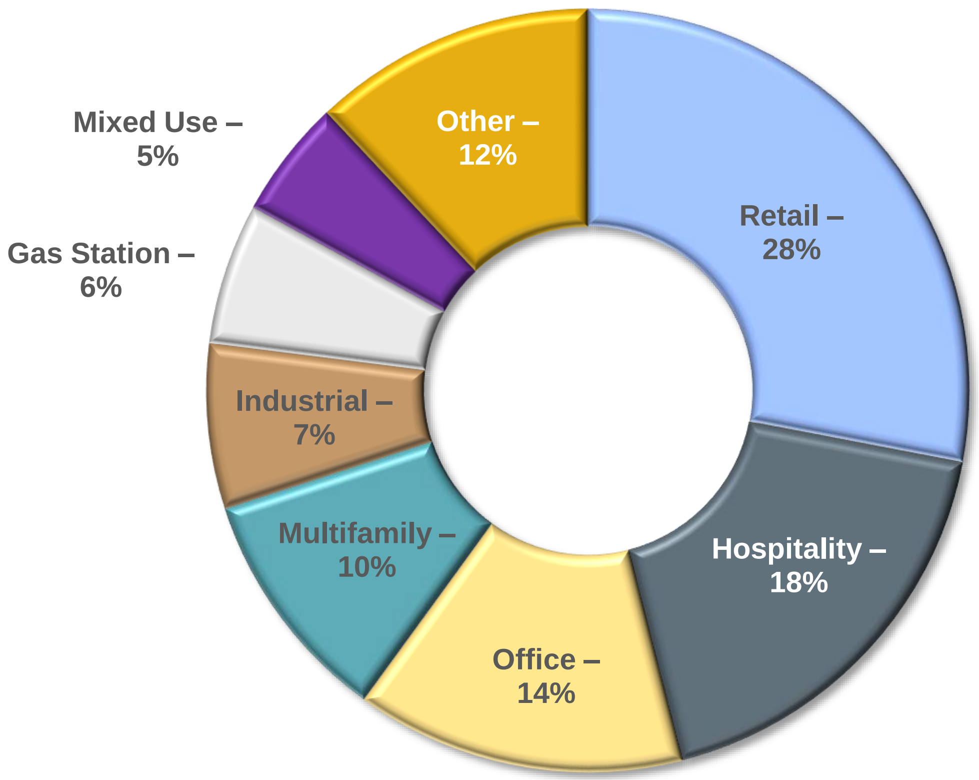
(2) RRE includes $2.4 million of HELOCs and $4.6 million in consumer loans

(3) Original LTV and weighted average DCR, when the loan was first underwritten

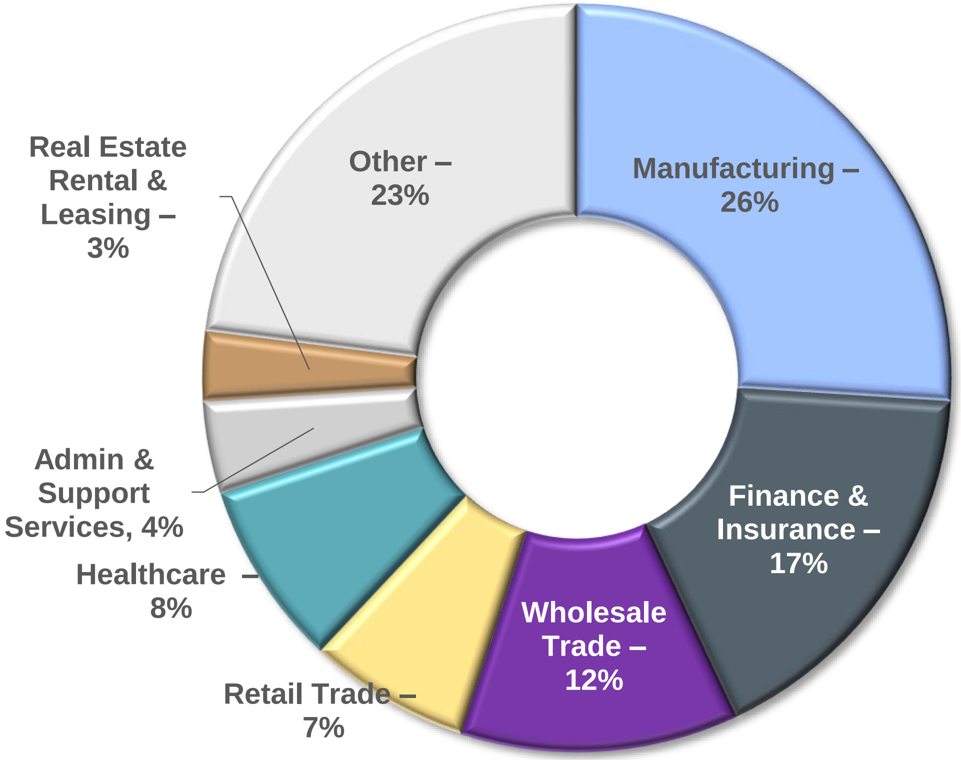
# Loan Portfolio Diversification

**Loan portfolio is well diversified across collateral types and industry types; CRE represents 64% of the total portfolio and C&I represents 14%.**

## CRE Portfolio(1)
## $3.83B




## C&I Portfolio(2)
## $804M

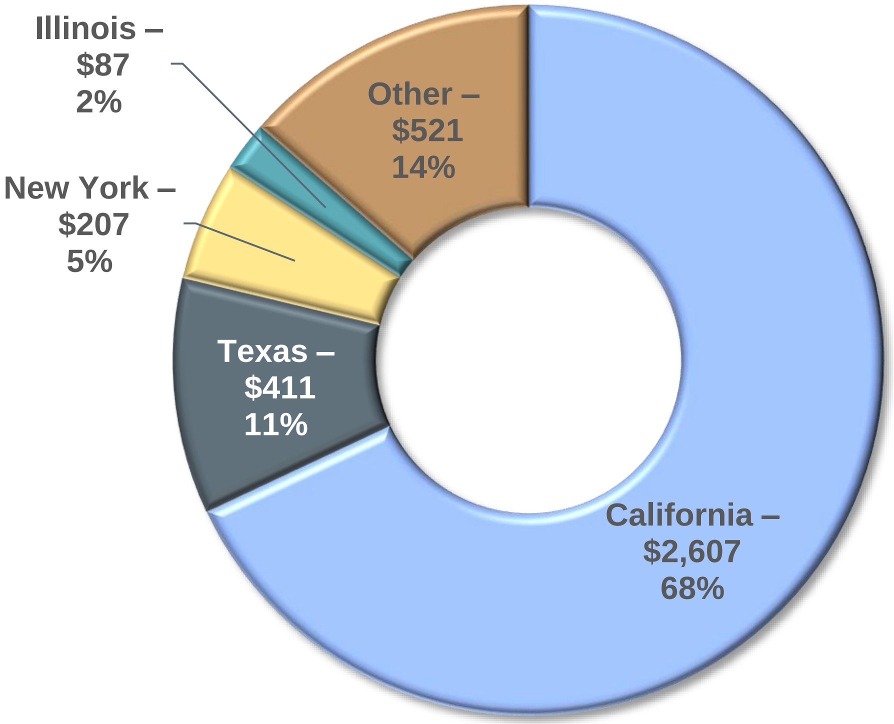



(1) $108.1M or 2.8% of the CRE portfolio is unguaranteed SBA loans
(2) $47.7M or 5.9% of the C&I portfolio is unguaranteed SBA loans

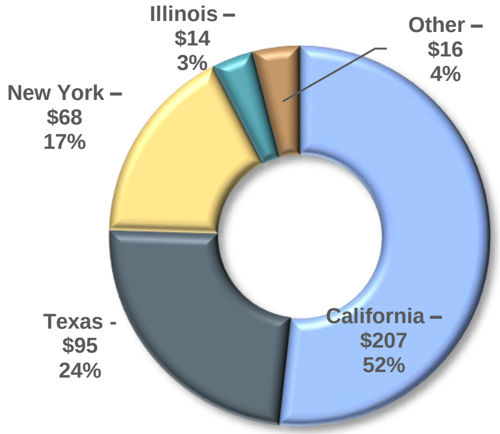
# CRE Portfolio Geographical Exposure

($ in millions)

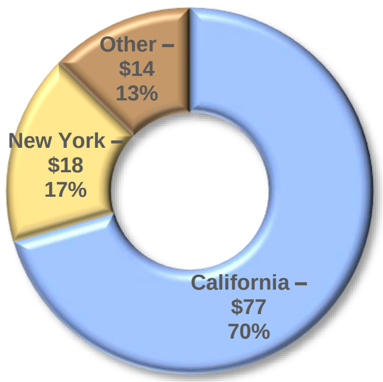
## CRE Composition by State
## $3,833



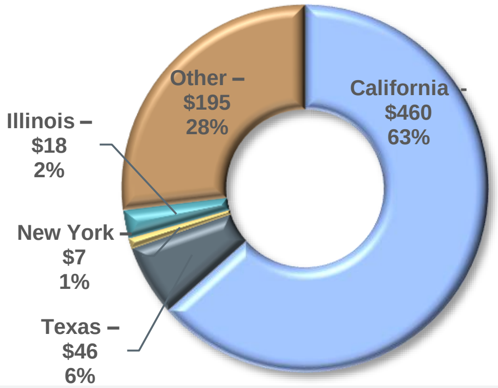

## Multifamily by State
## $400



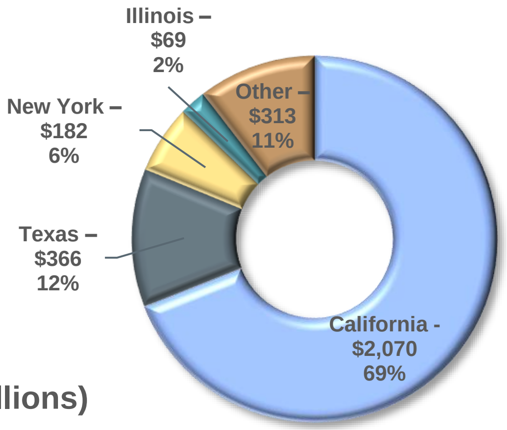

## Construction by State
## $109




## Owner Occupied by State
## $725



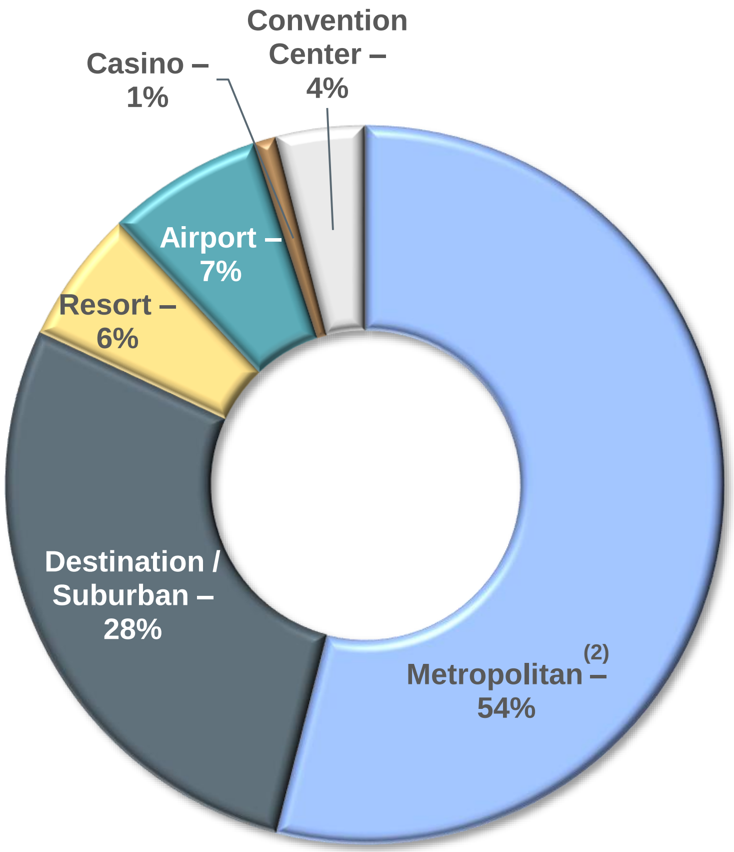

## Investor Occupied by State
## $2,999




($ in millions)

# Hospitality Segment by Location Type

**Hospitality segment[1] declined by 29% since 1Q20 to $667.4 million at 4Q22, representing 11% of the loan portfolio.**




**Total Hospitality Segment: $667.4M**

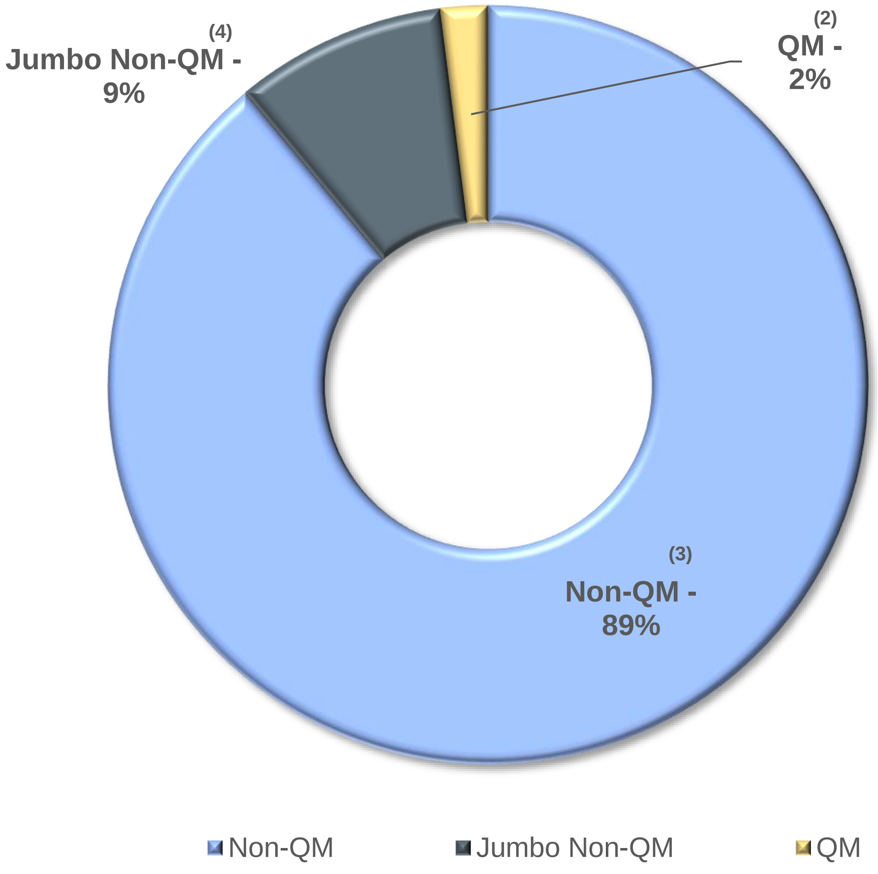
- Weighted average debt coverage ratio of the segment was 2.4x at origination
- Weighted average loan to value of the segment was 50.3% at origination
- $19.3 million of the hospitality portfolio was criticized as of December 31, 2022, of which $8.9 million stems from the metropolitan[2] location category and $8.4 million from the convention center
- One nonaccrual hospitality loan for $82 thousand in the Texas metropolitan[2] location
- Median balance within the hospitality portfolio (excluding construction) was $903 thousand

(1) Segment represents exposure in CRE and excludes $27.2 million in construction
(2) Metropolitan is categorized as a location that is in a major city and in proximity to downtown areas; destination is categorized as a hotel whose location/amenities make it a distinct tourist location; suburban is defined as areas outside of major city hubs and can include more rural areas

# Residential Real Estate Portfolio

**The RRE[1] portfolio was $734.5 million at December 31, 2022, representing 12% of the total loan portfolio.**

Our conservative underwriting policy focuses on high-quality mortgage originations with maximum LTV between 60% and 70%, maximum DTI of 43% and minimum FICO scores of 680.




- 33% of the Residential Real Estate portfolio is fixed and 67% is variable. Of the variable mortgage portfolio, 86% is expected to reset after 12 months and 14% within the next 12 months
- Total delinquencies are 0.15%, with 0.4% within 30-59 days and 0.11% in 60-89 days delinquency categories

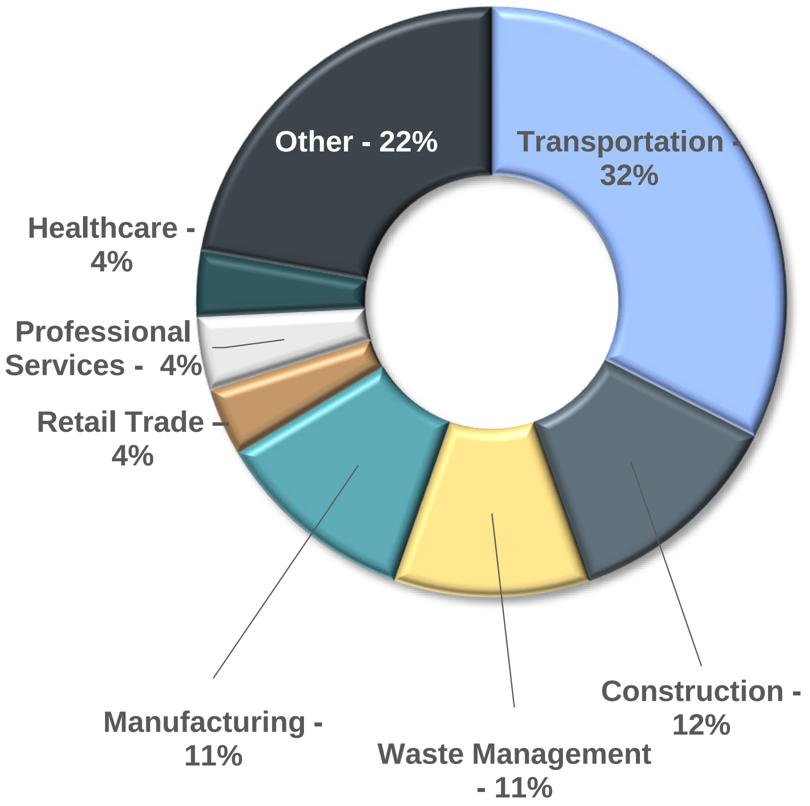
(1) RRE includes $2.4 million of HELOCs and $4.6 million in consumer loans
(2) QM loans conform to the Ability-to-Repay (ATR) rules/requirements of CFPB
(3) Non-QM loans do not conform to the CFPB Dodd-Frank Act
(4) Jumbo Non-QM loan amounts exceed FHFA limits, but generally conform to the ATR/QM rules

# Equipment Finance Portfolio

**A $594.8 million equipment finance portfolio, with a median size of $35 thousand, is diversified by industry, equipment type and geography.**

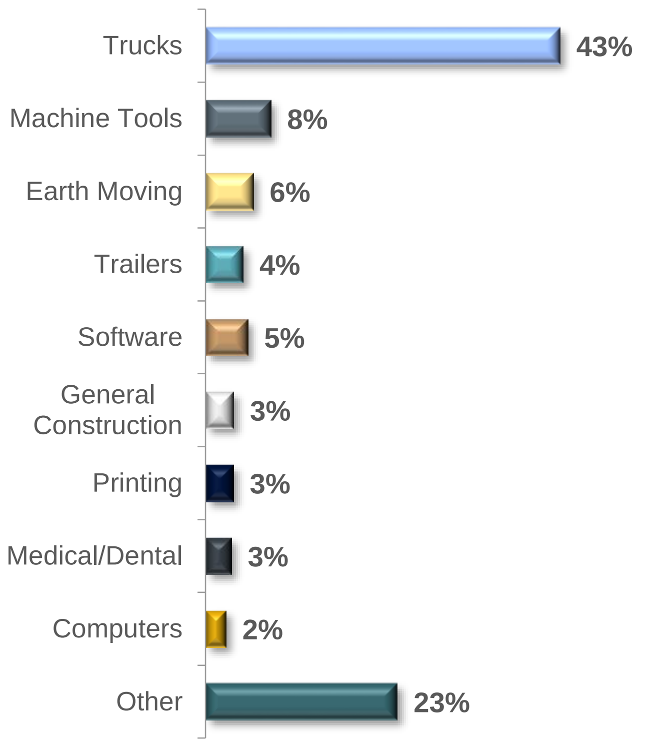
## Portfolio by Industry

*(As a % of total portfolio)*



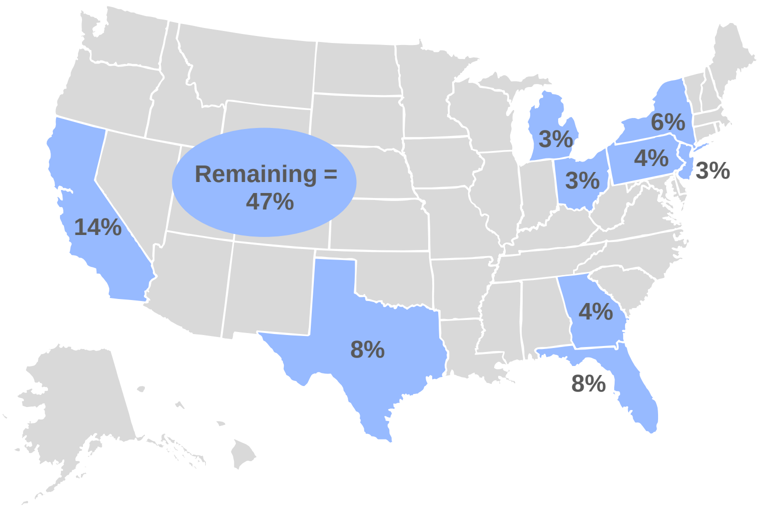

## Portfolio by Equipment

*(As a % of total portfolio)*




## Portfolio by State

*(As a % of total portfolio)*



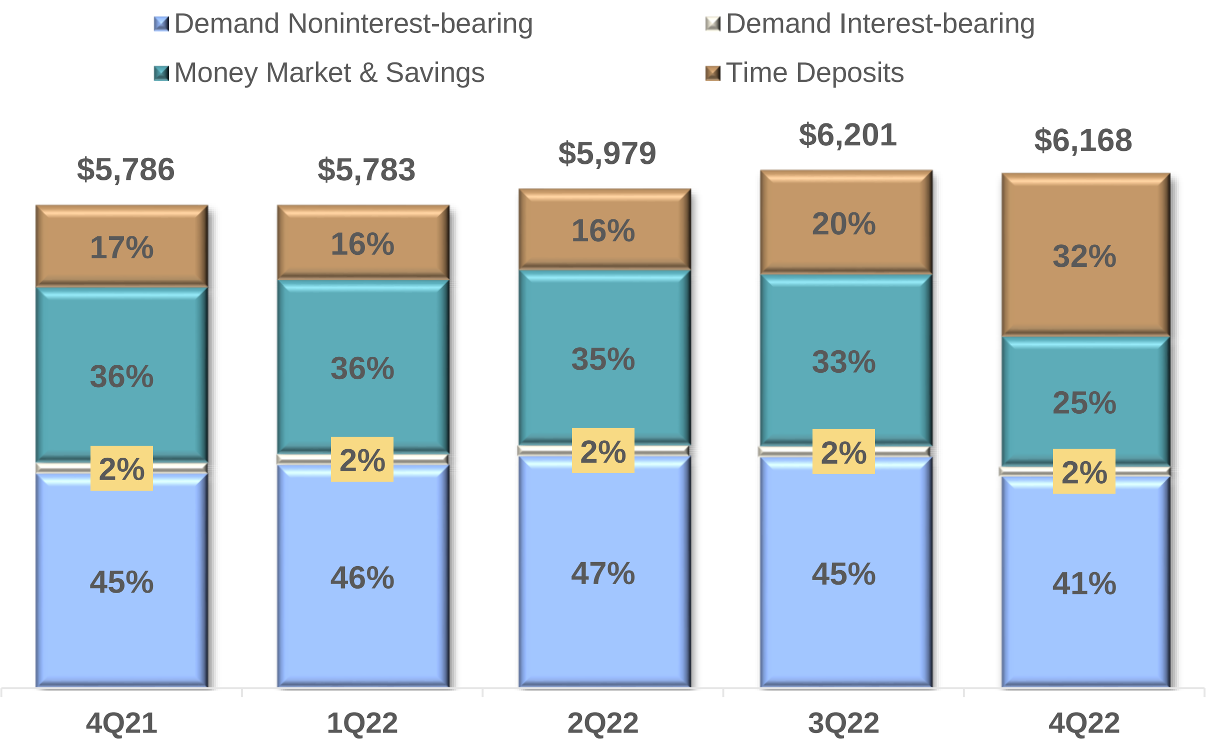
# Deposit Base

**Deposits decreased to $6.17 billion, down 1% from the prior quarter and up 7% from the same quarter last year.**

- **Noninterest-bearing demand deposits represented 41% of total deposits at December 31, 2022**

## Deposits

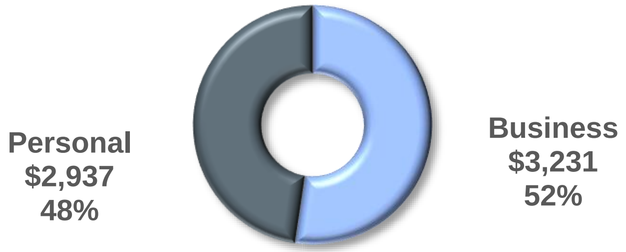
($ in millions)




Note: Numbers may not add due to rounding

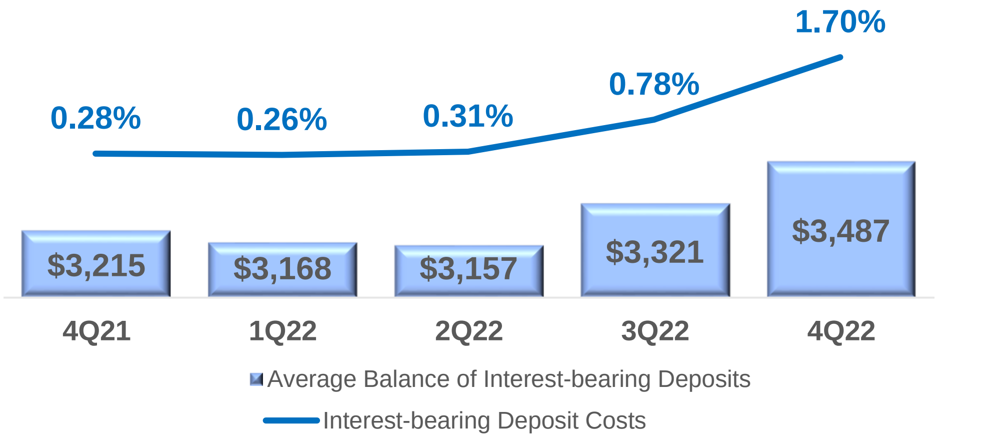
## Deposits (as of 4Q22)

($ in millions)



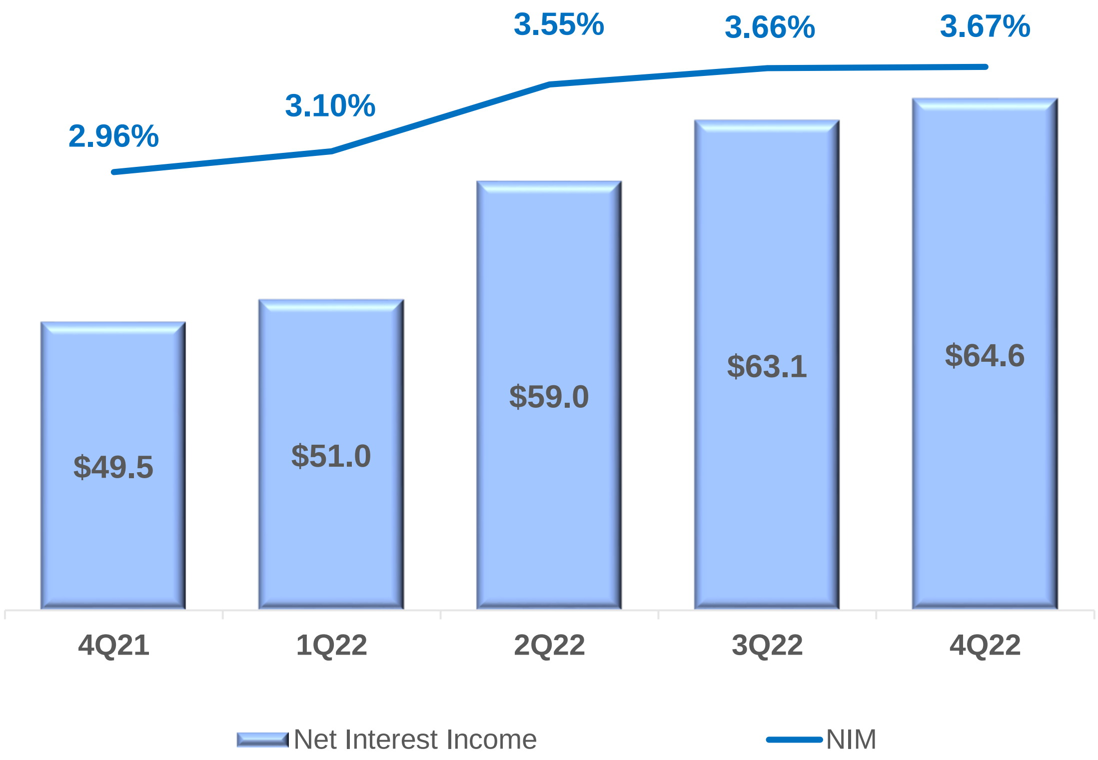

## Average Interest-bearing Deposits

($ in millions)

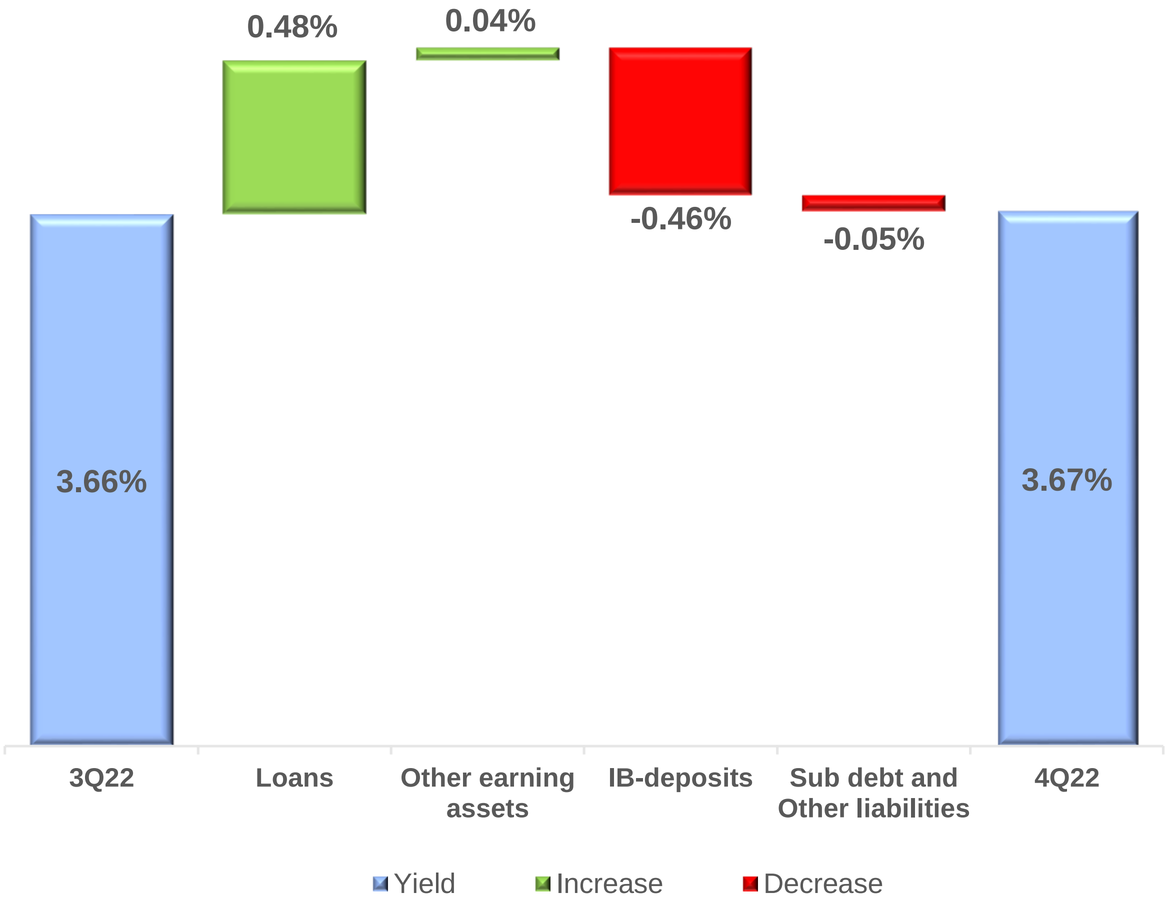


# Net Interest Income | Net Interest Margin

**Net interest income was $64.6 million for the fourth quarter compared with $63.1 million for the prior quarter; net interest margin for the quarter was 3.67% compared with 3.66% for the prior quarter.**




($ in millions)

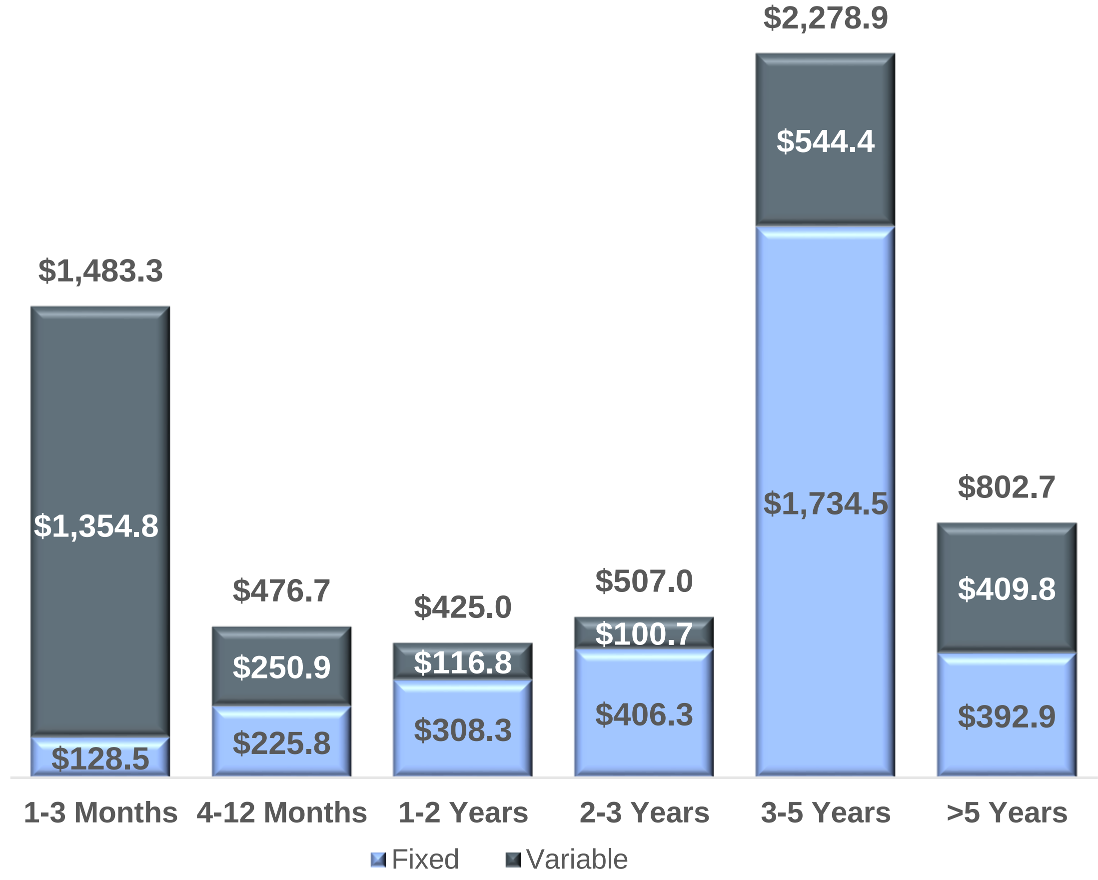


# Net Interest Income Sensitivity

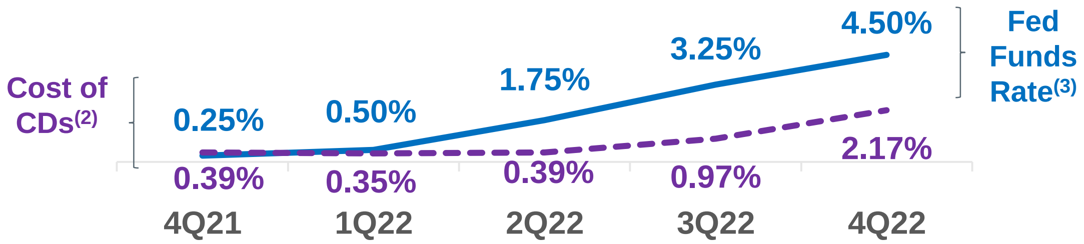
25% of the loan portfolio reprices within 1-3 months.

## Loans – Months to Reset / Maturity[1]

($ in millions)

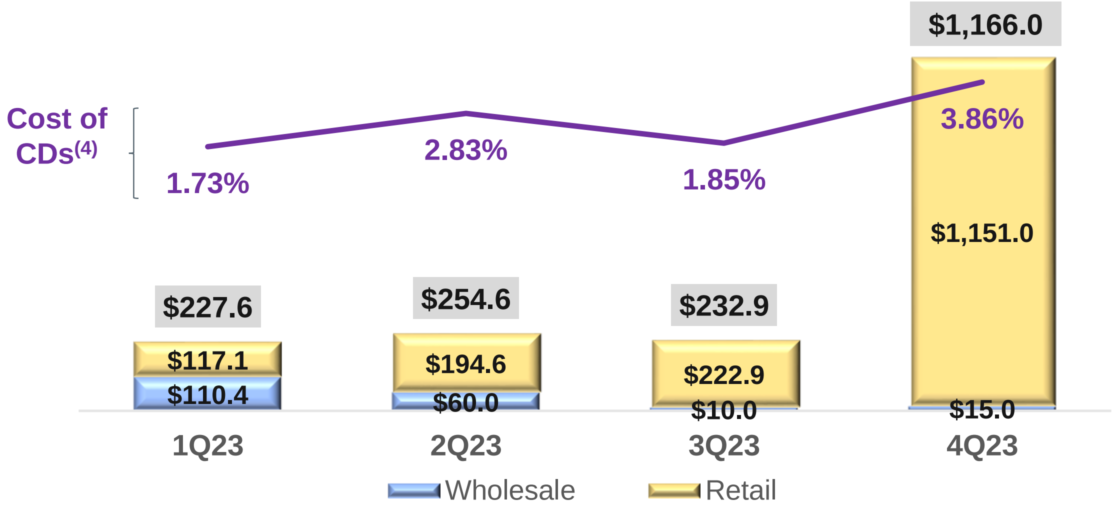



## Fed Funds Rate & Cost of CDs




## Deposits – CD Maturities

($ in millions)

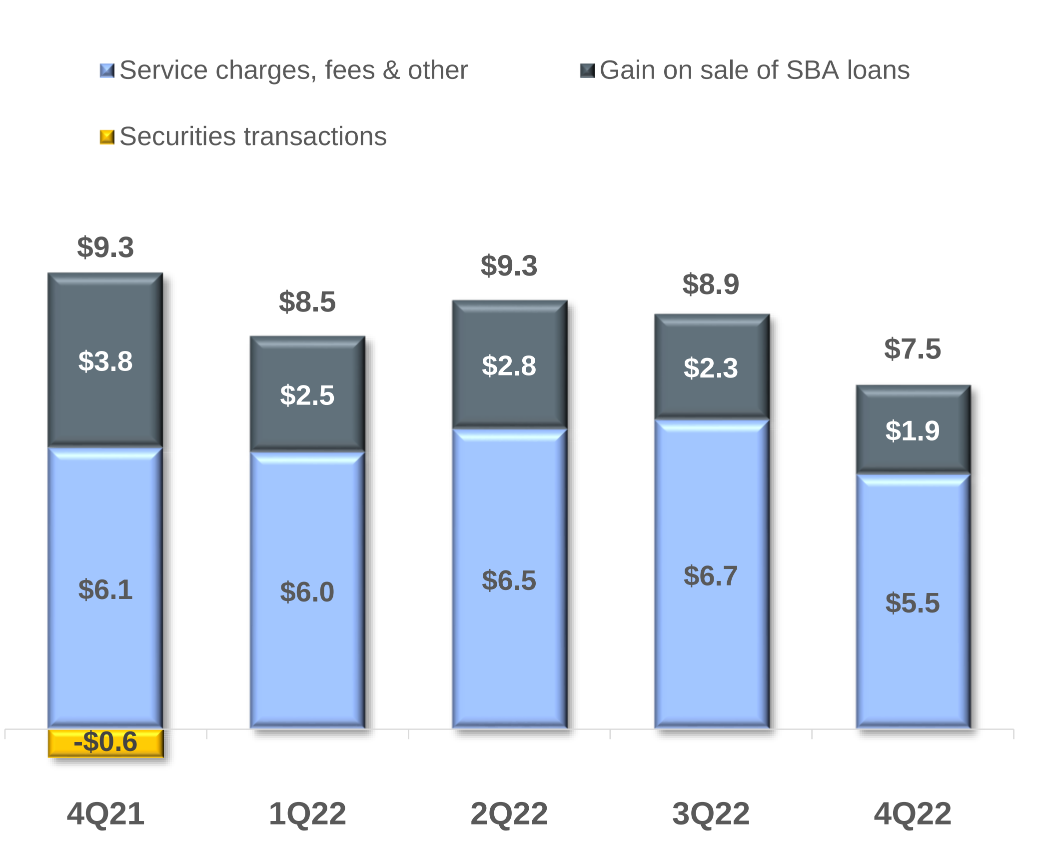



(1) Includes loans held for sale; numbers may not add due to rounding
(2) Cost of CDs as of December 2022 was 2.68%
(3) Fed funds rate represent the rate at the end of quarter
(4) Represent weighted average contractual rates

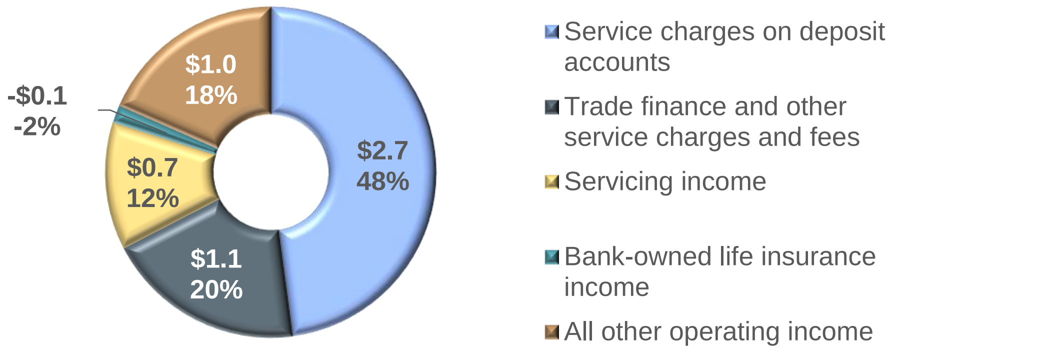
# Noninterest Income

**Noninterest income was $7.5 million for the fourth quarter compared with $8.9 million for the prior quarter largely due to lower SBA gain on sale income due to lower trade premiums and lower service charge and other fee income and a valuation adjustment to bank-owned life insurance.**

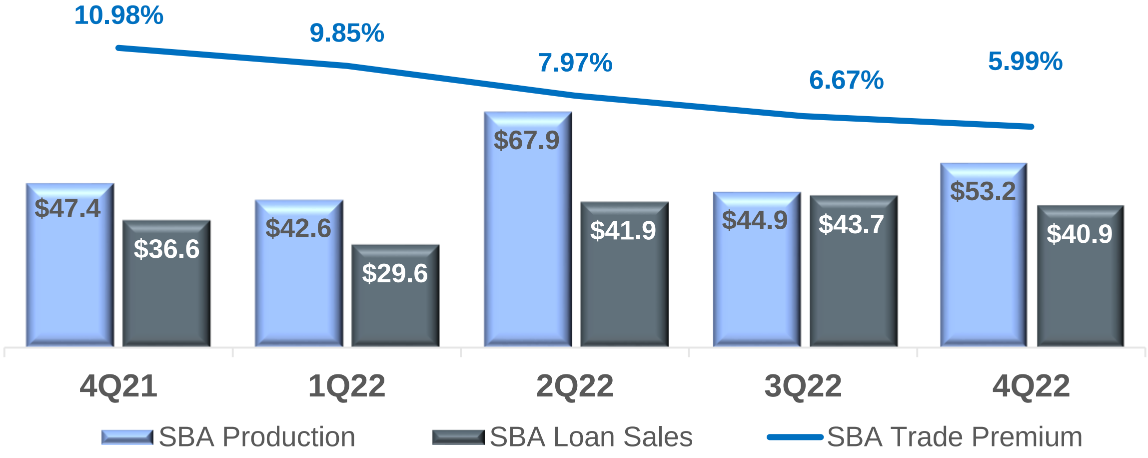
## Noninterest Income ($ in millions)




## 4Q22 Service Charges and Fees ($ in millions)

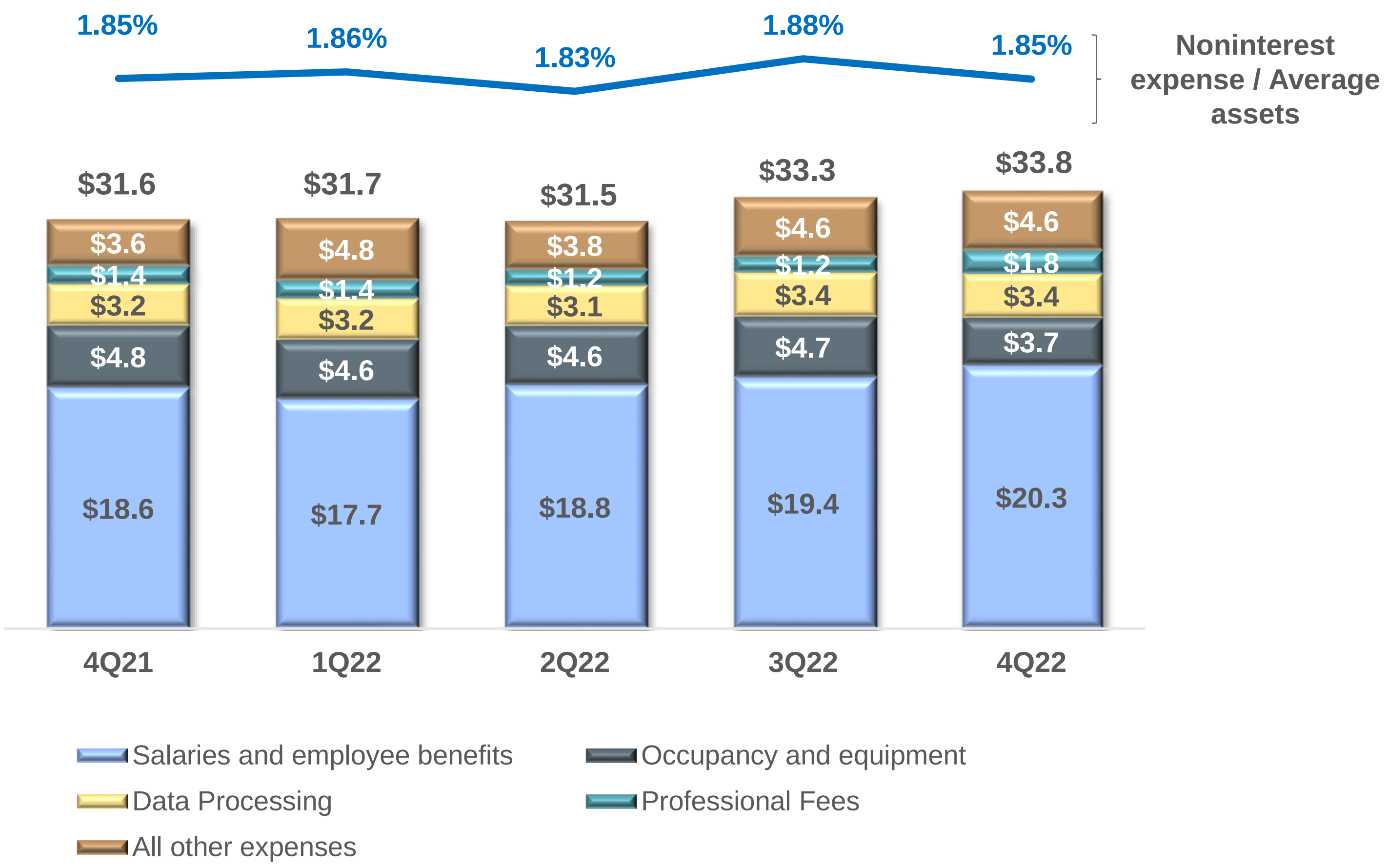



## SBA 7(a) Loan Production and Sales ($ in millions)



# Noninterest Expense

**Continued focus on disciplined expense management.**




($ in millions)

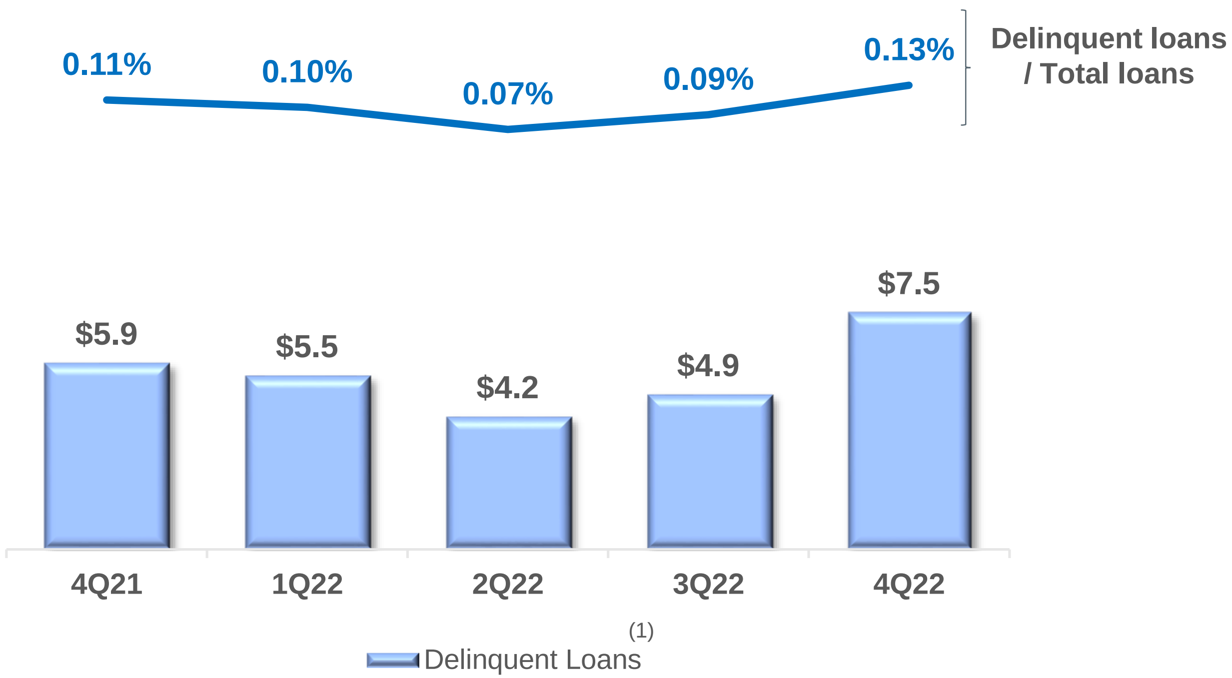
- Noninterest expense was $33.8 million in the fourth quarter, up 1.7% from the prior quarter
- The efficiency ratio for the fourth quarter was 46.99% compared to 46.22% for the prior quarter

# Asset Quality – Delinquent & Criticized Loans

**Loans 30 to 89 days past due and still accruing were 0.13% of loans at the end of the fourth quarter of 2022, compared with 0.09% at the end of the prior quarter. Special mention loans were $79.0 million at the end of the fourth quarter, down from $123.0 million at September 30, 2022.**

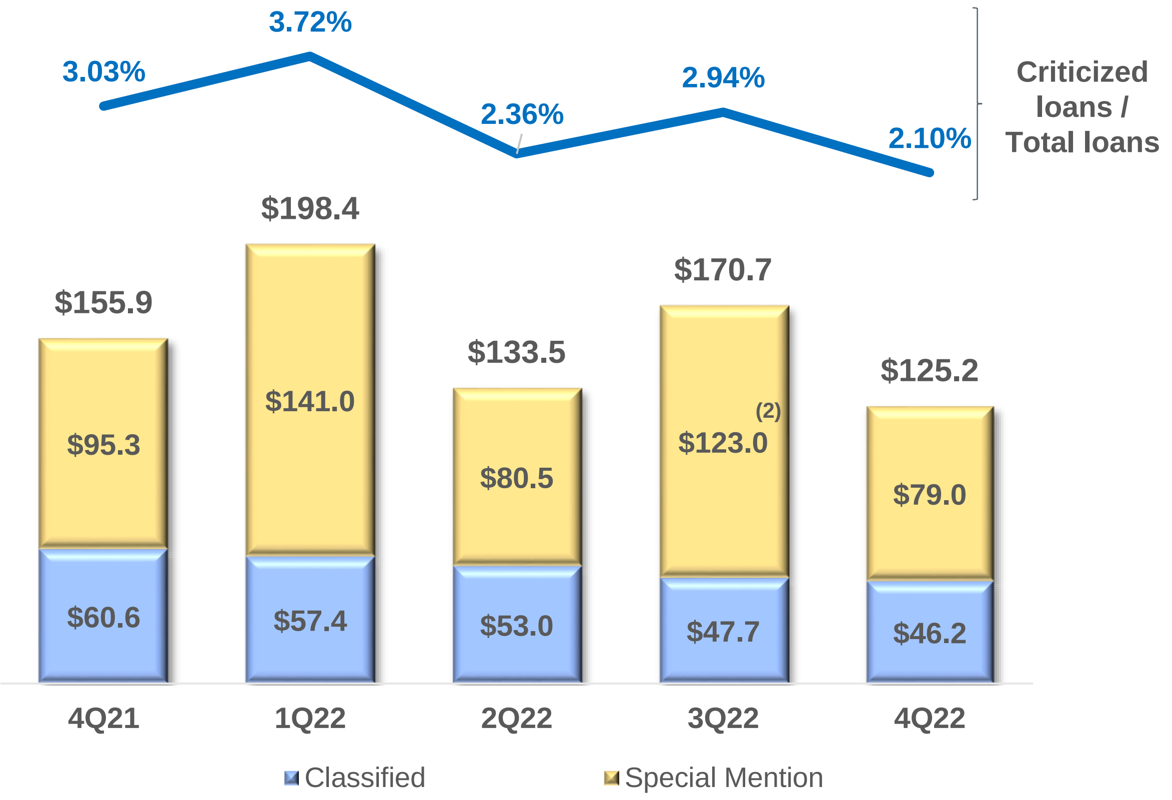
## Delinquent Loans

($ in millions)




## Criticized Loans

($ in millions)



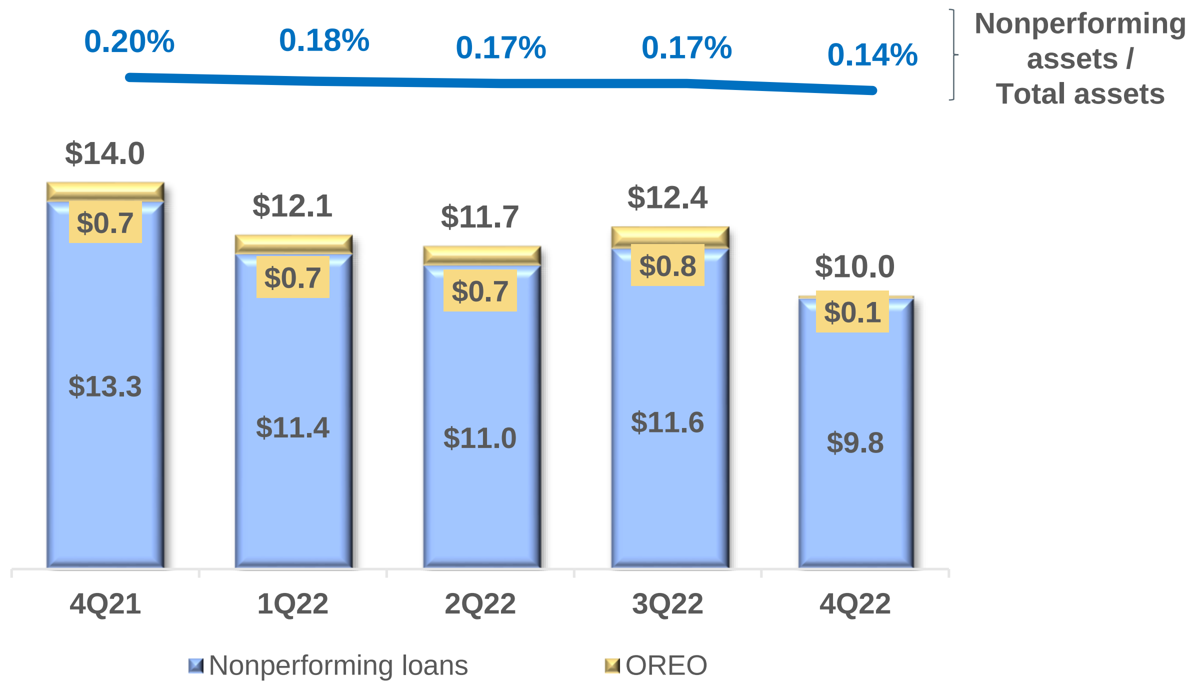

(1) Represents loans 30 to 89 days past due and still accruing

(2) Includes the 3Q22 addition of a $41.1 million current loan relationship comprised of a $25 million asset-based line of credit ($18.0 million outstanding), a $13.5 million commercial real estate loan and a $9.6 million commercial term loan.

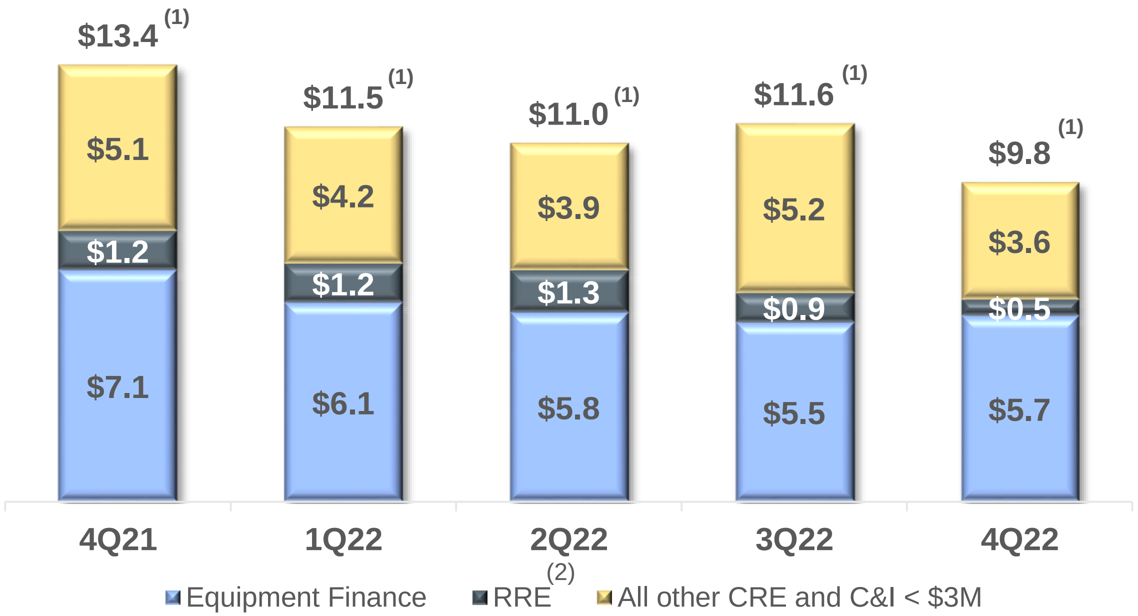
# Asset Quality – Nonperforming Assets & Nonaccrual Loans

**Nonperforming assets declined 20% to $10.0 million quarter-over-quarter. Nonaccrual loans declined 15% to $9.8 million from the end of the prior quarter.**

## Nonperforming Assets ($ in millions)




## Nonaccrual Loans ($ in millions)




Note: Numbers may not add due to rounding

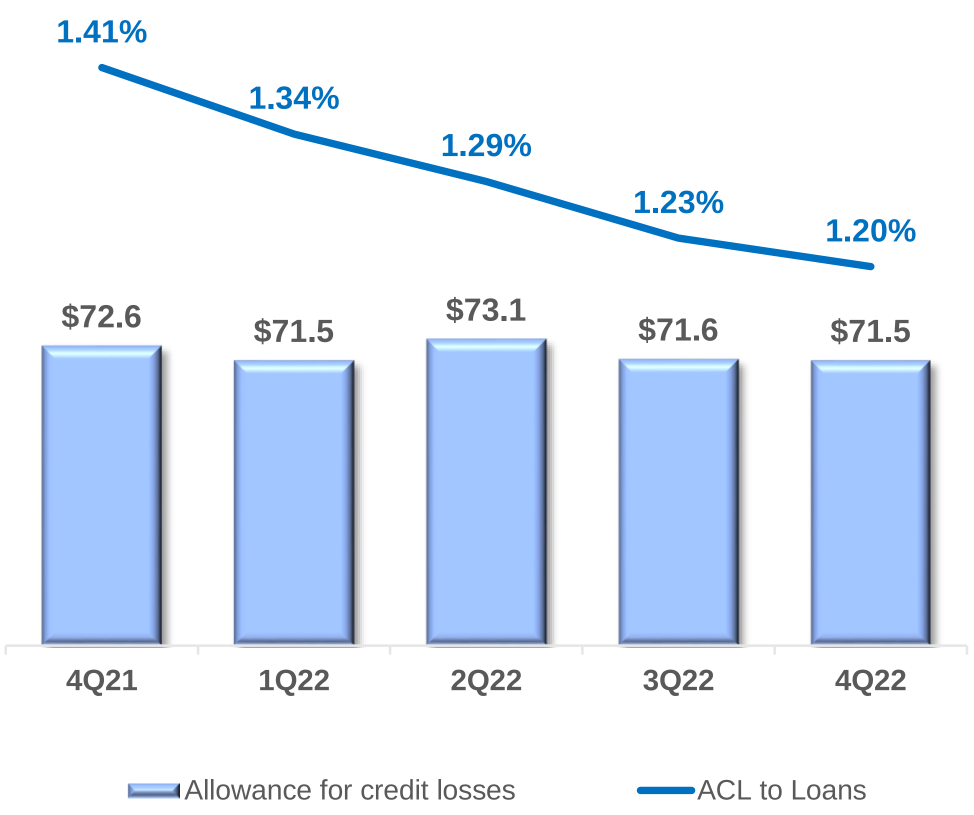
(1) Specific allowance for credit losses at December 31, 2021, March 31, 2022, June 30, 2022, September 30, 2022, and December 31,2022 was $2.8 million, $2.2 million, $2.0 million, $2.2 million, and $3.3 million, respectively

(2) RRE includes consumer loans

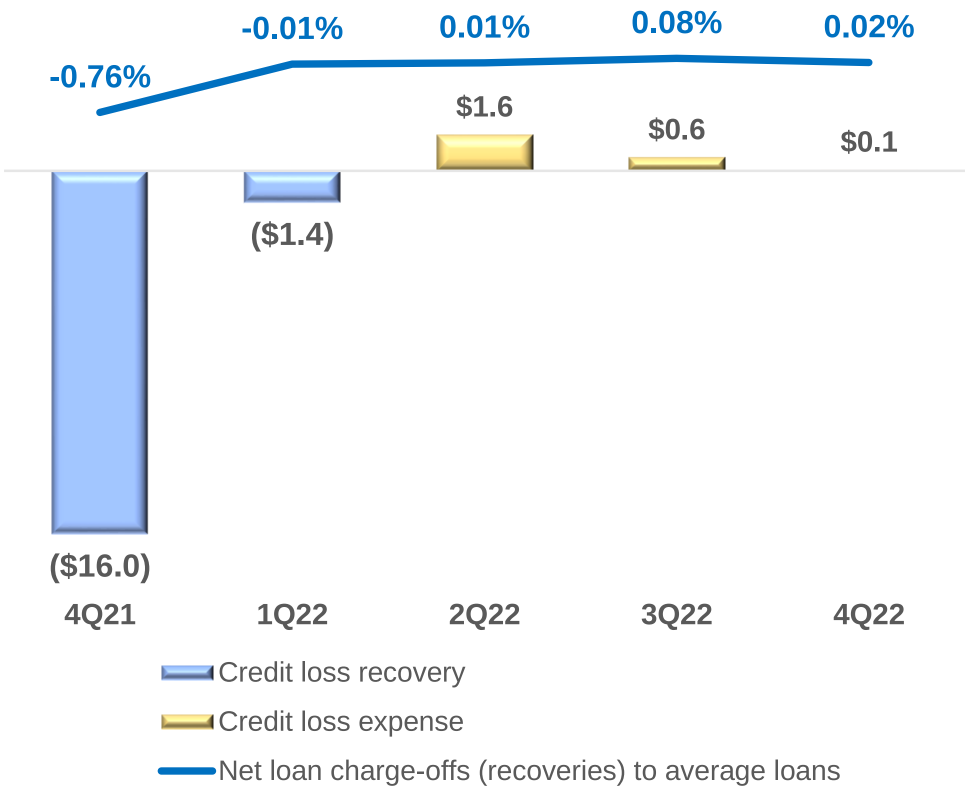
# ACL Trends

**Allowance for credit losses was $71.5 million as of December 31, 2022, generating an allowance for credit losses to loans of 1.20% compared with 1.23% at the end of the prior quarter.**

## Allowance for Credit Losses ($ in millions)




## Credit Loss Expense (Recovery) ($ in millions)



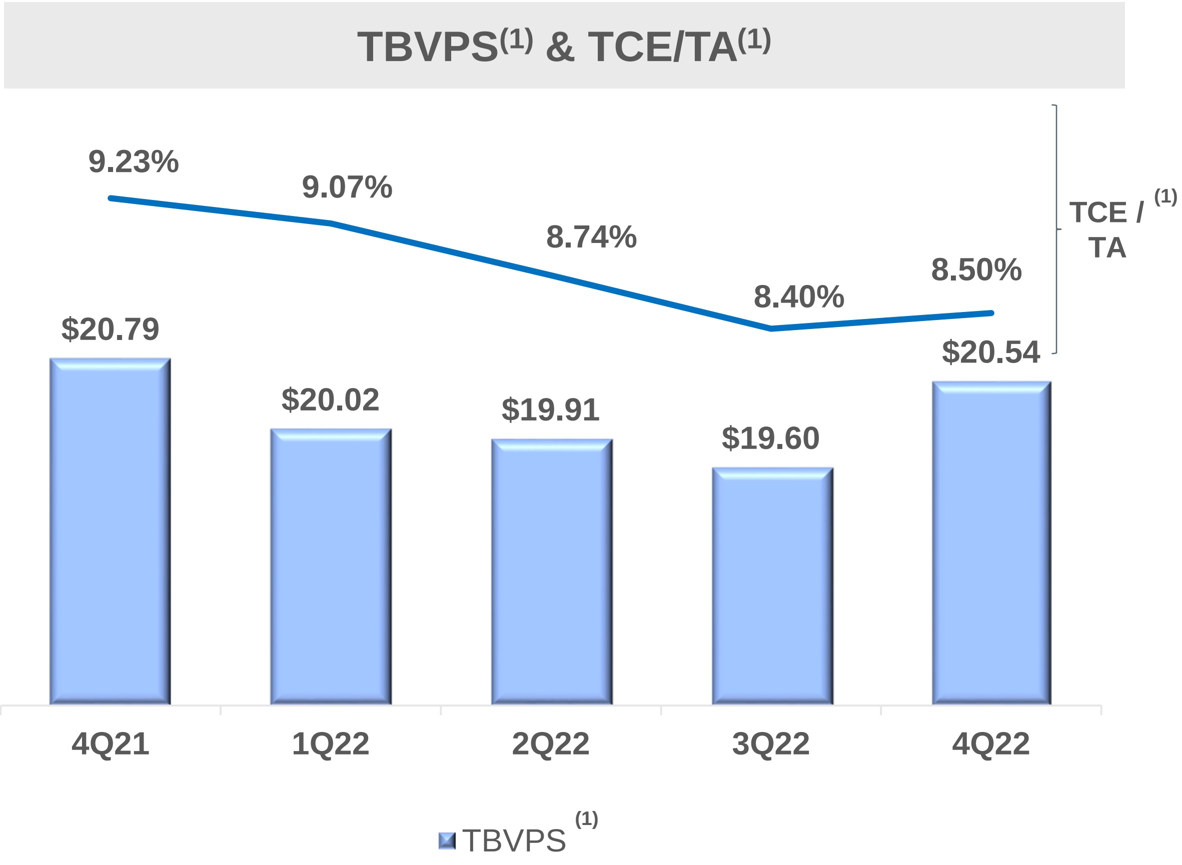
# ACL Analysis by Loan Type

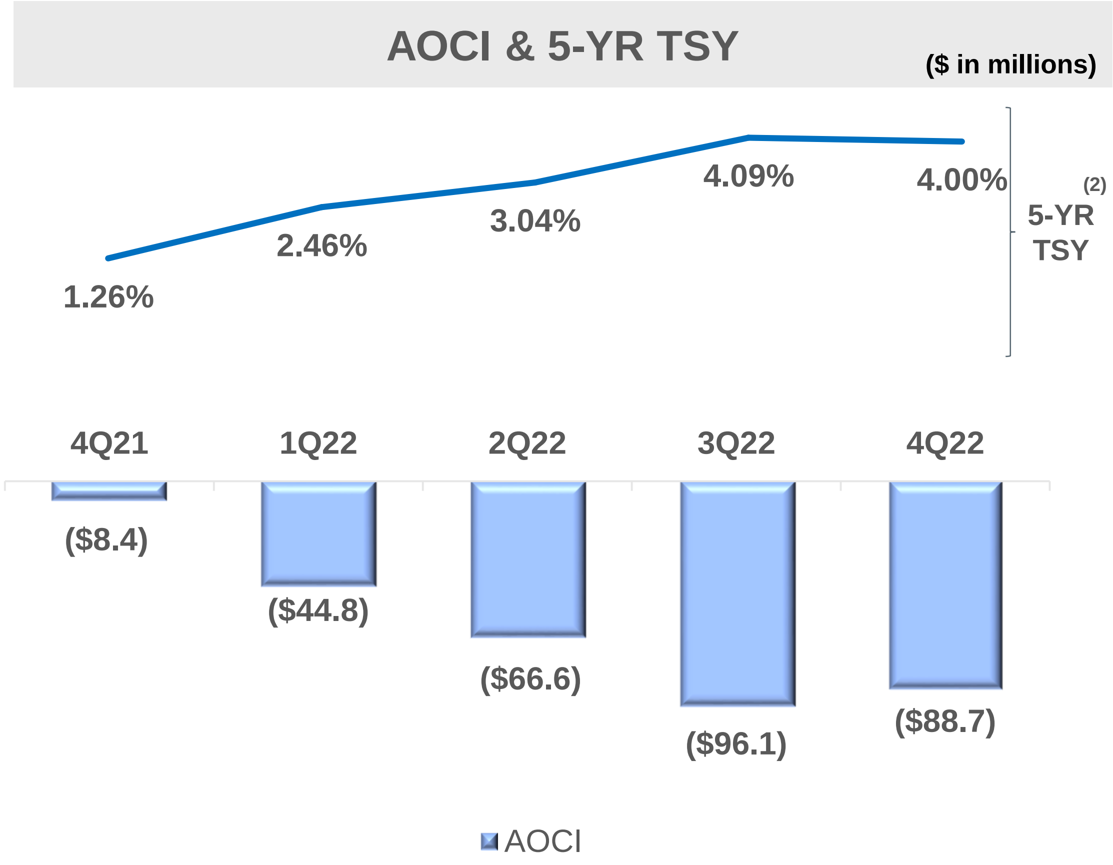
| ($ in millions) | December 31, 2022 | | September 30, 2022 | | June 30, 2022 | | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Allowance | Loans | Allowance | Loans | Allowance | Loans | Allowance | Loans | Allowance | Loans |
| CRE | $ 40.6 | $ 3,833.4 | $ 42.7 | $ 3,853.9 | $ 45.6 | $ 3,829.7 | $45.9 | $3,771.5 | $48.4 | $3,701.9 |
| C&I | 15.3 | 804.5 | 14.9 | 732.0 | 14.3 | 766.8 | 12.9 | 633.1 | 12.4 | 561.8 |
| Equipment Finance | 12.2 | 594.8 | 11.2 | 565.4 | 12.7 | 537.4 | 12.2 | 500.1 | 11.3 | 487.3 |
| RRE & Consumer | 3.4 | 734.5 | 2.9 | 649.6 | 0.5 | 521.6 | 0.5 | 432.8 | 0.5 | 400.5 |
| **Total** | **$ 71.5** | **$ 5,967.1** | **$ 71.6** | **$ 5,801.0** | **$ 73.1** | **$ 5,655.4** | **$71.5** | **$5,337.5** | **$72.6** | **$5,151.5** |

Note: Numbers may not add due to rounding

# Capital Management

**Tangible book value per share (TBVPS)[1] increased to $20.54 from $19.60 at the end of the prior quarter. 4Q22 TBVPS[1] and TCE/TA[1] ratio were impacted by -$88.7 million of AOCI reflecting changes in the value of the securities portfolio resulting from interest rate changes during the quarter.**



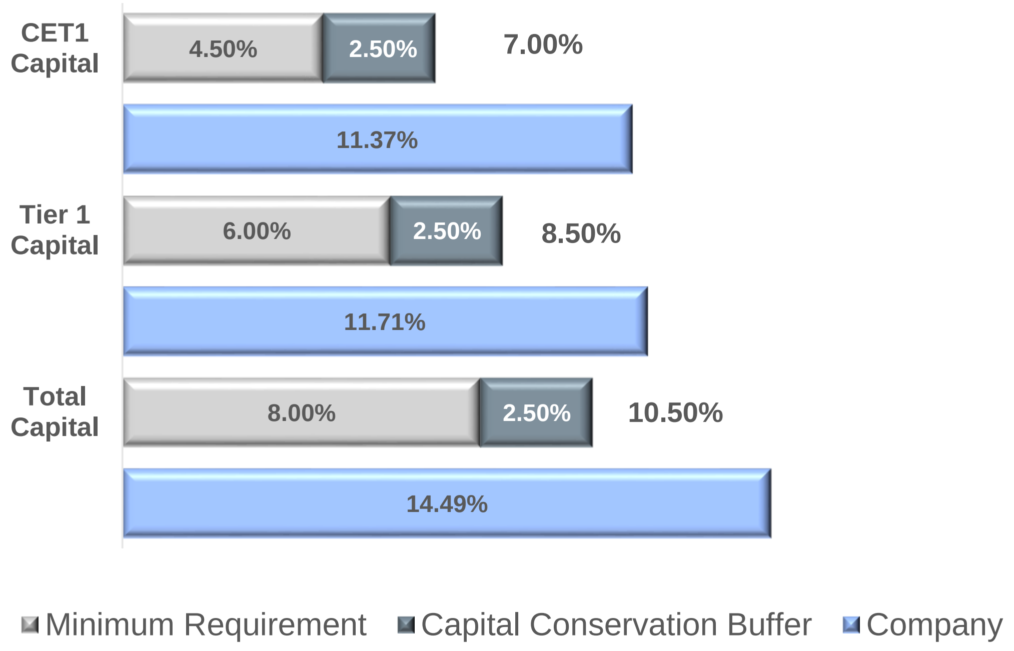




(1) Non-GAAP financial measure, refer to the non-GAAP reconciliation slides
(2) Rate at the end of the quarter

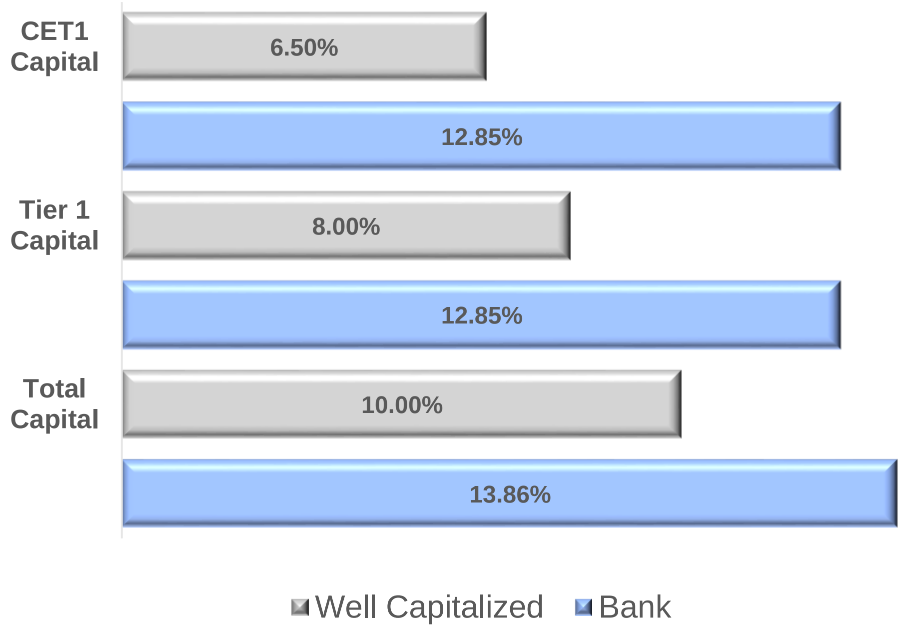
# Regulatory Capital

**The Company exceeds regulatory minimum and the Bank remains well capitalized.**

## Company




## Bank



# Appendix

# 4Q22 Financial Summary

| *($ in millions, except EPS)* | December 31, 2022 | September 30, 2022 | December 31, 2021 | Change (1) Q/Q | Change (1) Y/Y |
|---|---|---|---|---|---|
| ***Income Statement Summary*** | | | | | |
| Net interest income | $ 64.6 | $ 63.1 | $ 49.5 | 2.3% | 30.4% |
| Noninterest income | 7.5 | 8.9 | 9.3 | -16.3% | -19.8% |
| Operating revenue | 72.0 | 72.0 | 58.8 | 0.0% | 22.5% |
| Noninterest expense | 33.8 | 33.3 | 31.6 | 1.7% | 7.0% |
| Credit loss (recovery) expense | 0.1 | 0.6 | (16.0) | -90.8% | 30775.0% |
| Pretax income | 38.1 | 38.2 | 43.1 | -0.1% | -11.6% |
| Income tax expense | 9.6 | 11.0 | 9.8 | -12.3% | -1.4% |
| **Net income** | **$ 28.5** | **$ 27.2** | **$ 33.3** | **4.8%** | -14.6% |
| **EPS-Diluted** | **$ 0.93** | **$ 0.89** | **$ 1.09** | | |
| ***Selected balance sheet items*** | | | | | |
| Loans receivable | $ 5,967 | $ 5,801 | $ 5,152 | 2.9% | 15.8% |
| Deposits | 6,168 | 6,201 | 5,786 | -0.5% | 6.6% |
| Total assets | 7,378 | 7,129 | 6,859 | 3.5% | 7.6% |
| Stockholders' equity | $ 638 | $ 609 | $ 643 | 4.7% | -0.9% |
| ***Profitability Metrics*** | | | | | |
| Return on average assets | 1.56% | 1.52% | 1.93% | 4 | (37) |
| Return on average equity | 15.90% | 15.58% | 20.89% | 32 | (499) |
| TCE/TA (2) | 8.50% | 8.40% | 9.23% | 10 | (73) |
| Net interest margin | 3.67% | 3.66% | 2.96% | 1 | 71 |
| Efficiency ratio | 46.99% | 46.22% | 53.81% | 77 | (682) |

Note: numbers may not foot due to rounding
(1) Percentage change calculated from dollars in thousands; change in basis points for profitability metrics
(2) Non-GAAP financial measure, refer to the non-GAAP reconciliation slide

# Non-GAAP Reconciliation: Tangible Common Equity to Tangible Asset Ratio

($ in thousands, except per share data)

| Hanmi Financial Corporation | December 31, 2022 | September 30, 2022 | June 30, 2022 | March 31, 2022 | December 31, 2021 |
|---|---|---|---|---|---|
| Assets | $ 7,378,262 | $ 7,128,511 | $ 6,955,968 | $ 6,737,052 | $ 6,858,587 |
| Less goodwill and other intangible assets | (11,225) | (11,267) | (11,310) | (11,353) | (11,395) |
| Tangible assets | $ 7,367,037 | $ 7,117,244 | $ 6,944,658 | $ 6,725,699 | $ 6,847,192 |
| Stockholders' equity (1) | $ 637,515 | $ 608,893 | $ 618,296 | $ 621,452 | $ 643,417 |
| Less goodwill and other intangible assets | (11,225) | (11,267) | (11,310) | (11,353) | (11,395) |
| Tangible stockholders' equity (1) | $ 626,290 | $ 597,626 | $ 606,986 | $ 610,099 | $ 632,022 |
| Stockholders' equity to assets | 8.64% | 8.54% | 8.89% | 9.22% | 9.38% |
| Tangible common equity to tangible assets (1) | 8.50% | 8.40% | 8.74% | 9.07% | 9.23% |
| Common shares outstanding | 30,485,621 | 30,484,004 | 30,482,990 | 30,468,458 | 30,407,261 |
| Tangible common equity per common share | $ 20.54 | $ 19.60 | $ 19.91 | $ 20.02 | $ 20.79 |

(1) There were no preferred shares outstanding at the periods indicated