



Hanmi Financial Corporation

A Message from Hanmi Bank President and CEO

Building on our Legacy of Trust



Bonnie Lee,
President & CEO

Dear Valued Shareholders, Customers and Team Members,

We started 2023 with optimism as we set out to continue executing our proven strategy of diversifying our loan portfolio and deposit franchise while keeping our focus on our strategic growth initiatives. Despite a challenging environment, we finished the year with positive momentum, delivering solid results and building a strong foundation for 2024. We did this by concentrating on what we do best: strengthening and expanding our customer relationships by providing the products and services they need in this ever-changing world. This core relationship banking model has been our legacy for more than four decades and it continues to be a winning strategy today.

As last year unfolded, our industry faced some notable challenges and the macro environment remained uncertain. Navigating challenging environments is not new to the Hanmi team. In fact, we have a strong track record of bringing together the expertise and focus needed to find the right path forward to deliver the solutions our customers need and results our shareholders expect. In 2023, our disciplined approach was in full force as we provided our customers with much needed support while continuing to advance our growth objectives in a safe and sound manner.

2023 Performance Highlights

As a result of our team's dedication and focus, we closed out 2023 with a robust core deposit franchise, healthy loan pipelines, excellent credit quality and a strong capital position. The impact of higher interest rates resulted in net interest margin compression as the shift of deposits to interest-bearing accounts continued. We exercised disciplined expense management throughout the year, partially offsetting inflationary pressure on salaries and benefits with cost savings in other categories. Key highlights include:

- Net income for 2023 was \$80 million, or \$2.62 per diluted share, a decline from our record 2022 results.
- Overall loan growth was 3.6%, reflecting the impact of higher interest rates and economic uncertainty.
- Deposits grew by 1.8% with a healthy mix of noninterest-bearing deposits at 32% of total deposits in a very competitive market environment, reflecting the loyal banking relationships we have built over the years.
- Asset quality remained strong as we continued our focus on high-quality loans, disciplined underwriting, and vigilant credit administration practices.

I want to thank the entire Hanmi team for their hard work throughout the year. I am particularly pleased with their ongoing dedication to our customers and the communities we serve – core values that form the basis of our long-term corporate sustainability goals that drive shareholder value.

Advancing our Strategic Growth Initiatives

We continue to make meaningful progress in diversifying and expanding our loan portfolio and deposit franchise – the centerpiece of our growth strategy. Our diversified lending capabilities enabled us to grow our residential mortgage portfolio by 31% for the year, despite higher interest rates, and we have reduced our commercial real estate loan portfolio to 62.8% of total loans, down from 70% at the beginning of 2020. We remain committed to pursuing high-quality loans that meet our disciplined underwriting standards and provide attractive yields in the current rate environment.

Corporate Korea Initiative

Our Corporate Korea Initiative is a key competitive advantage for Hanmi and we believe it will be a significant growth driver for many years to come. Our success begins with our team of talented bankers who understand the financial needs and culture of our Corporate Korea clients, which are South Korea-based companies doing business in or expanding their operations into the U.S. We can establish our banking relationship with a one-stop, full-service onboarding package even before these customers open their offices here in the U.S. Our strong online banking services, treasury management platform, and ability to deliver effective financing solutions with speed and in-language customer service sets Hanmi apart from our peers.

As Hanmi's reputation for superior service grows, so do our customer referrals. We consistently meet with companies that have grown frustrated with lengthy due diligence processes that are often complicated by a lack of knowledge about South Korean company structures and processes. In one example, our customer was so pleased with the speed and thoroughness of our processes, they invited our bankers to their headquarters in South Korea to meet with the CFOs of their affiliate companies. As a result, two of these affiliates moved their accounts from mainstream banks in the U.S. to Hanmi, and we have grown the aggregated balances across these relationships more than ten-fold.

At yearend, our Corporate Korea portfolio represented \$764 million, or 12% of Hanmi's total loans outstanding. This portfolio has grown at a 15% compounded annual growth rate since the end of 2020. Deposits from these customers increased 42% for the year to \$819 million, representing 13% of our total deposits. We now have seven Corporate Korea desks strategically located across the country in areas where there is a concentration of U.S. subsidiaries of South Korean companies. In addition, we recently signed a memorandum of understanding with the Korea Creative Content Agency, under which we will work together to help South Korean content companies expand into the U.S. market – another potential growth catalyst for this successful initiative.

Small Business Lending

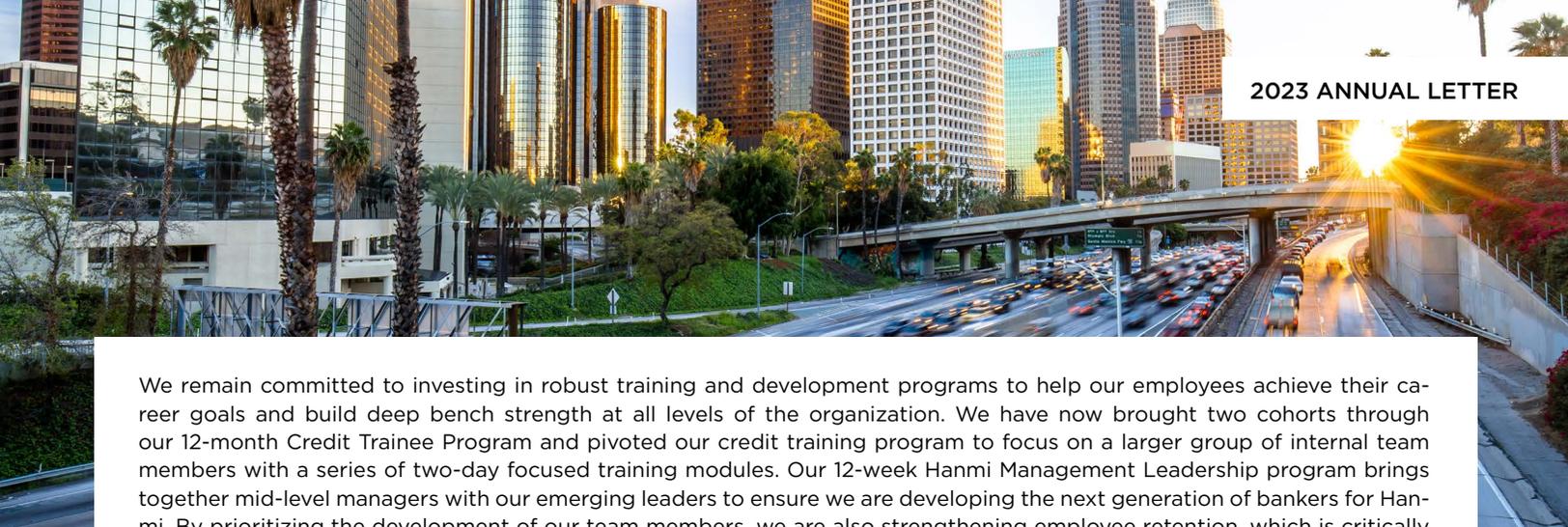
Our Small Business Administration (SBA) loan portfolio continues to be a promising long-term opportunity for Hanmi. We originated \$150 million in SBA loans last year and anticipate double-digit growth in 2024. We have added top banking and marketing talent to this team, and they are making strong inroads with small businesses across our markets.

Branch Optimization

Optimizing our branch network is an important part of our diversification strategy. Late last year, we celebrated the opening of two new branches – one in Dublin, Calif., and one in Fort Lee, N.J. – that are off to a great start. Both branches are managed by experienced bankers who understand how to effectively engage with local communities. Our growing reputation as a preferred relationship-focused bank is enabling us to increase the number of communities we serve. Looking ahead, we will continue to evaluate our branch network for consolidation, relocation, and growth opportunities.

Strengthening our Team and Technology Infrastructure for Future Growth

Our team members are the backbone of Hanmi's success. Their dedication, expertise, and passion are the driving forces behind our achievements. From delivering exceptional customer service to creating innovative products and services, our team members embody our core values and propel us toward our goals. Working together through good times and challenging times, we have grown from humble beginnings as the first Korean American bank into a full-service financial institution with \$7.6 billion in assets, serving multi-ethnic communities through a network of 35 full-service branches and seven loan production offices across nine states, coast-to-coast. Hanmi is well positioned to serve a growing customer base by deepening ties with existing customers while building new relationships across our markets and business lines.



We remain committed to investing in robust training and development programs to help our employees achieve their career goals and build deep bench strength at all levels of the organization. We have now brought two cohorts through our 12-month Credit Trainee Program and pivoted our credit training program to focus on a larger group of internal team members with a series of two-day focused training modules. Our 12-week Hanmi Management Leadership program brings together mid-level managers with our emerging leaders to ensure we are developing the next generation of bankers for Hanmi. By prioritizing the development of our team members, we are also strengthening employee retention, which is critically important in today's competitive labor market.

In addition to preparing our workforce for further growth, we are executing targeted initiatives to transform, modernize, and simplify Hanmi's technology ecosystem to improve customer experience, support growth, enhance productivity, and reduce costs. We have made and continue to make investments in our digital capabilities and treasury management offerings to both grow and acquire new customer segments as well as improve our customers' experience. We are also undertaking initiatives that leverage technology to increase our operational efficiency. For example, we anticipate launching a new loan origination system later this year. This and other similar initiatives will help Hanmi create scale in our technology ecosystem for future growth.

Building on our Legacy of Trust

From our earliest days, Hanmi teams have forged deep ties with the communities they served. Today, we are building on that legacy as we expand into new markets and customer segments. Last year, we made over 300 small business and community development loans totaling nearly \$160 million and we continued to deliver on our \$7.5 million long-term commitment to the Community Reinvestment Act fund. Our team members volunteered more than 2,000 hours in communities across our footprint and your bank donated over \$520,000 to local nonprofit partners.

One of our recurring activities is the Volunteer Income Tax Assistance (VITA) services offered through the Koreatown Youth and Community Center (KYCC) in Los Angeles and the Dallas Community Tax Centers in Texas. VITA services are free basic tax return preparation services that our team and other volunteers provide for low and moderate-income taxpayers. Last year, Hanmi was recognized by KYCC as one of the agency's most active VITA service providers. These services assist individuals in maximizing their tax refunds, thereby contributing to their financial stability.

We have also partnered with KYCC to offer Money Smart, a financial literacy program that introduces key financial concepts to middle school students. This program includes 12 different modules of hands-on, cross-curricular activities that engage students throughout the school year and provides another opportunity for Hanmi team members to connect with local community members.

A Bright Future

As we look ahead, I couldn't be more proud of the entire Hanmi team and our achievements. Our progress demonstrates that we have the right strategy and the right culture to successfully navigate ongoing uncertainty and seize exciting opportunities in the future. With a strong financial position and capital levels that exceed all regulatory requirements for well-capitalized banks, we have the flexibility to invest in strategic opportunities when they arise. We will continue to rely on our core relationship banking model that has served us so well to grow our bank and create shareholder value as we pursue our vision to be the leading nationwide community bank.

Thank you to our shareholders, our customers, our team members, and all of the communities we serve. We are humbled and grateful for your ongoing trust and support.

Sincerely,



Bonnie Lee
President & CEO