



KEEFE, BRUYETTE & WOODS  
*A Stifel Company*

# West Coast Bank Field Trip

November 14, 2018



## Hanmi Financial Corporation

C. G. Kum  
Chief Executive Officer

# Forward-Looking Statements

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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 and competitive outlook, investment and expenditure plans, capital and financing needs and availability, litigation plans and objectives, merger or sale activity, and all other forecasts and statements of expectation or assumption. These statements involve 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 climate uncertainty, fluctuations in interest rate and credit risk, competitive pressures, the ability to succeed in new markets, balance sheet management, 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 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 the Company’s SEC filings. The Company disclaims any obligation to update or revise the forward-looking statements herein.

For non-GAAP reconciliation, please see the Company’s earnings release on October 23, 2018.

# Hanmi: A Robust and Growing Franchise

## Expanding Customer Reach

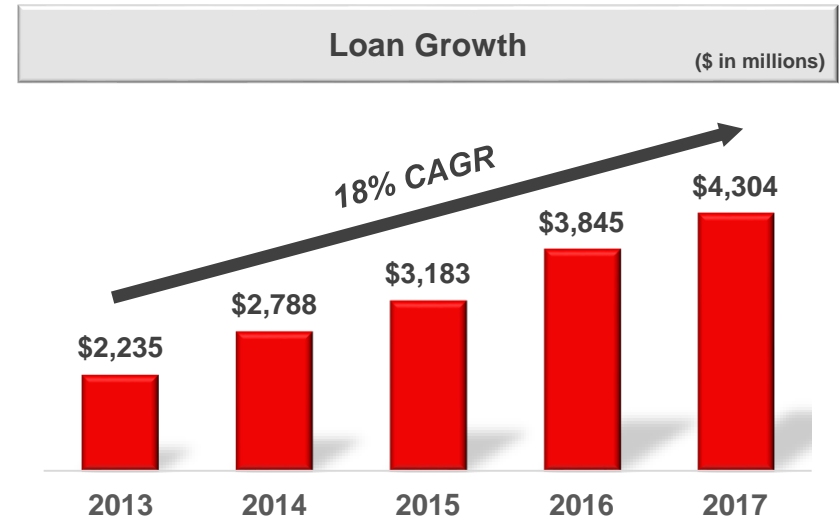
- Leading brand affinity & loyal customer base
  - 42% of Hanmi's customers have been with the bank for 10+ years
- Coast to coast footprint in U.S. with 40 branches throughout major banking markets

## Excellent Asset Quality and Well-Capitalized

- Commitment to conservative, disciplined underwriting
- NPA-to-assets of 35 bps vs. median of 59 bps for \$3 to \$10 billion U.S. banks<sup>(1)</sup>
- Total risk based capital levels at 150% of minimum threshold for "well-capitalized" institutions

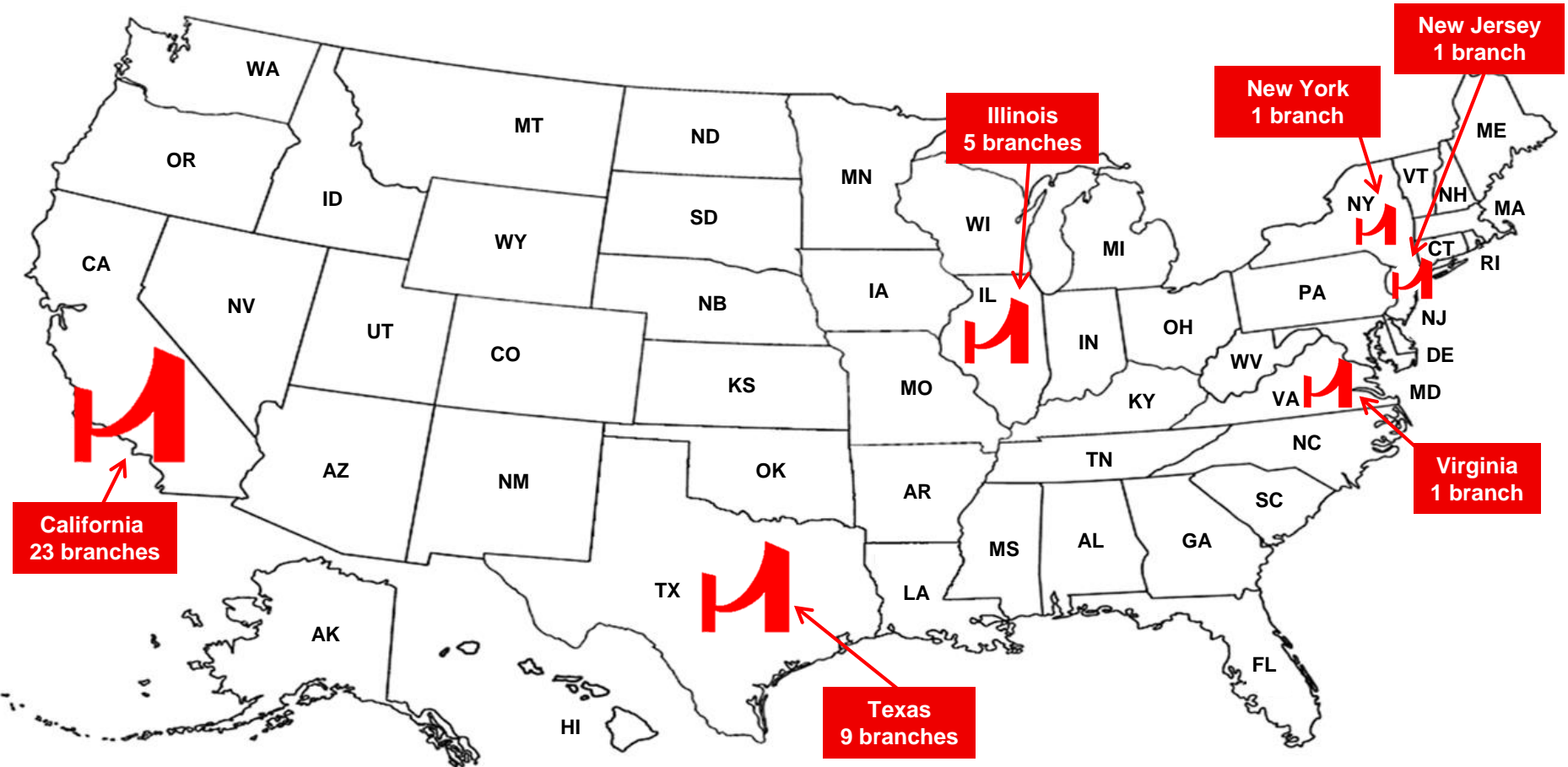
## Robust Balance Sheet Growth

- \$5.5 billion in assets makes Hanmi among the largest Korean-American
- Approx. 18% CAGR in loans receivable 2013-2017
- Successful portfolio diversification strategy underway



(1) Source: S&P Market Intel; includes peers reporting 3Q18 results by 10/24/18

# Nationwide Branch Network



\*LPOs located in: CA, WA, CO, NY, NJ, GA, VA

# Q3 2018 Financial Summary

(\$ million, except EPS)

(\$ million, except EPS)				(1,2) Change	
	3Q18	2Q18	3Q17	Q/Q	Y/Y
<b>Income Statement Summary</b>					
Net interest income	\$ 45.3	\$ 45.1	\$ 44.9	0.5%	0.9%
Noninterest income	6.2	5.9	8.8	4.5%	-29.5%
Operating revenue	51.5	51.1	53.7	0.9%	-4.1%
Noninterest expense	29.0	29.5	28.7	-1.7%	1.2%
Provision for loan losses	0.2	0.1	0.3	100.0%	-25.7%
Pretax income	22.3	21.4	24.8	4.1%	-10.0%
Income tax expense	6.7	5.9	9.9	6.0%	-36.8%
Net income	\$ 16.1	\$ 15.5	\$ 14.9	3.4%	7.8%
Reported EPS-Diluted (in \$)	\$ 0.50	\$ 0.48	\$ 0.46	4.2%	8.8%
<b>Select Balance Sheet Items</b>					
Loans	\$ 4,583	\$ 4,542	\$ 4,195	0.9%	9.2%
Deposits	4,614	4,427	4,299	4.2%	7.3%
Total Assets	5,487	5,415	5,111	1.3%	7.3%
Stockholders' Equity	568	572	559	-0.7%	1.5%
<b>Profitability Metrics</b>					
Return on average assets	1.17%	1.17%	1.18%	0	-1
Return on average equity	10.91%	10.81%	10.73%	10	18
TCE/TA	10.15%	10.35%	10.72%	-21	-57
Net interest margin	3.48%	3.60%	3.79%	-12	-31
Efficiency ratio	56.28%	57.80%	53.33%	-152	295

Note: Numbers may not foot due to rounding

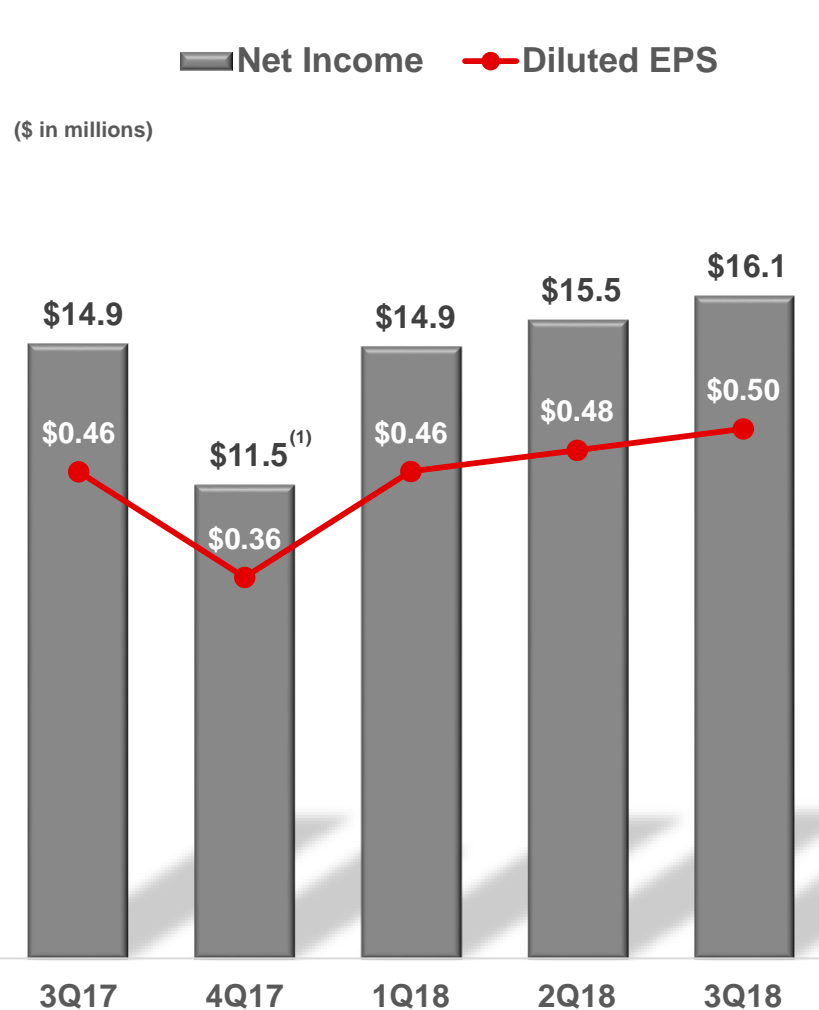
(1) Percentage change calculated from dollars in thousands

(2) Change in basis points for returns and ratios

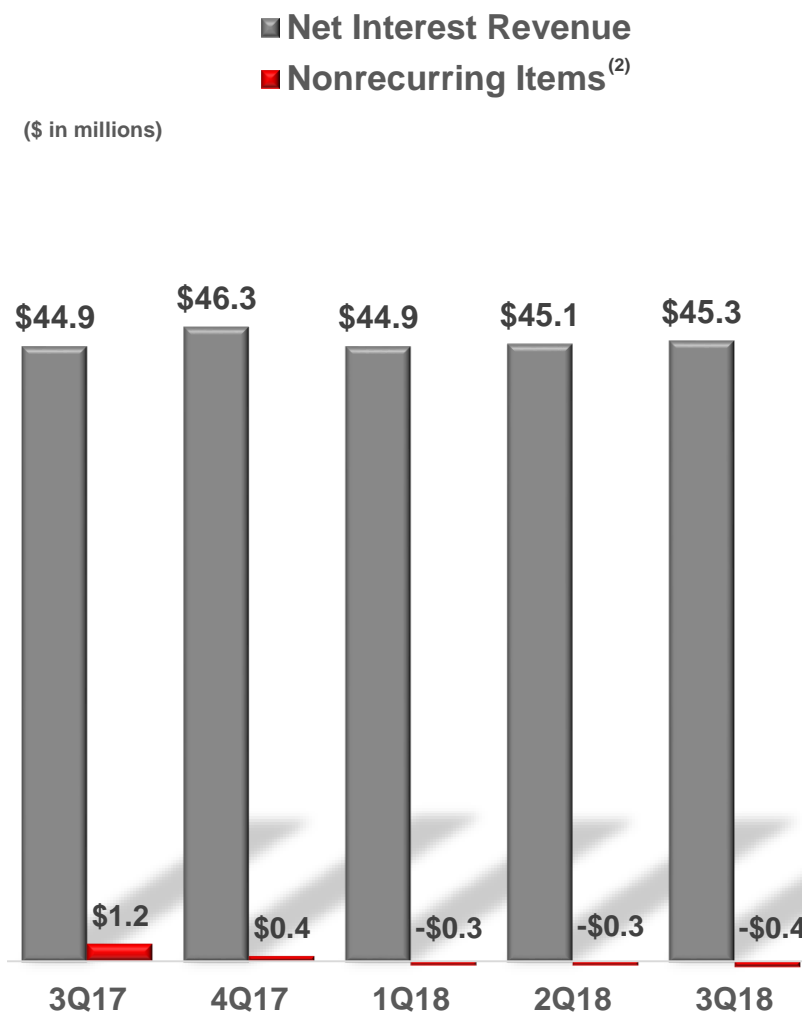
## Key Highlights

- Third quarter net income of \$16.1 million, or \$0.50 per diluted share, up 3.4% from the prior quarter and up 7.8% year-over-year.
- Loans and leases receivable of \$4.6 billion, up 3.6% in the third quarter on an annualized basis driven by new loan and lease production of \$238.0 million; Loans and leases receivable up 9.2% year-over-year
- Deposits of \$4.6 billion, up 16.8% in the third quarter on an annualized basis and up 7.3% year-over-year
- Return on average assets was 1.17% and return on average equity was 10.91% compared with 1.17% and 10.81% for the prior quarter and 1.18% and 10.73% a year ago
- Repurchased approximately 1.3% or 429,558 shares of Hanmi's outstanding common stock under recently announced 5.0% share repurchase program
- Announced Q4 2018 dividend of \$0.24 per share; increased dividend 5 times since 2013

# Earnings Performance



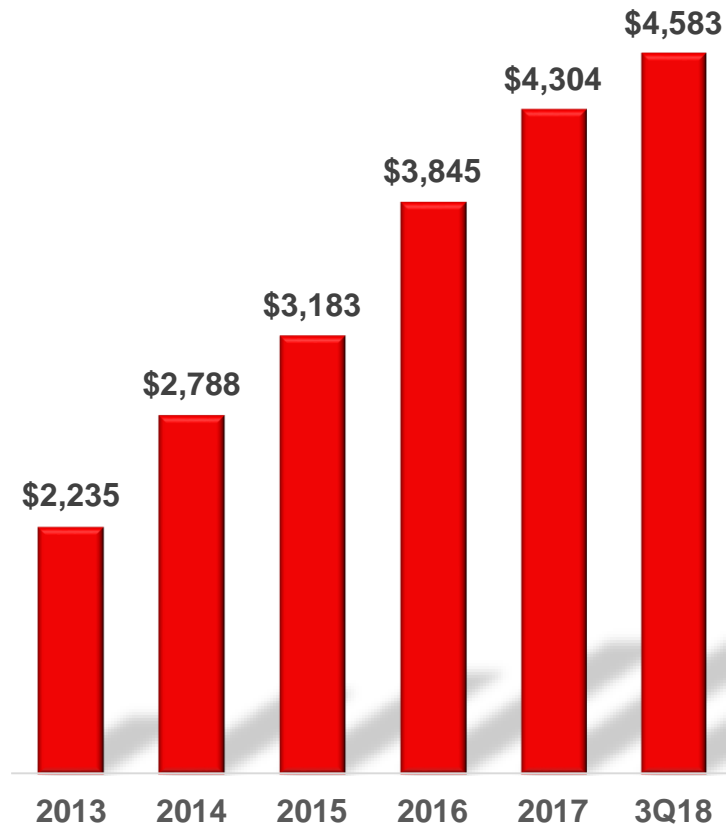
(1) Includes \$3.9 million of additional income tax expense from the re-measurement of deferred tax assets due to passage of Tax Reform; reduced 4Q17 net income by \$0.12 per diluted share



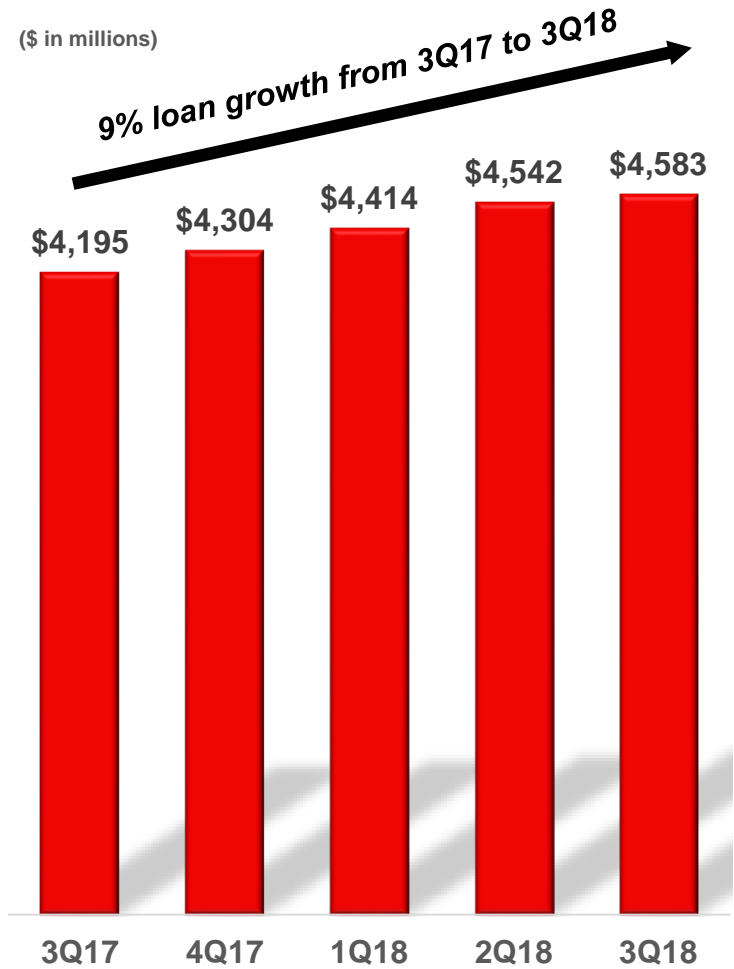
(2) Includes disposition gains on PCI loans, securities transactions, and merger & integration costs

# Loan Growth

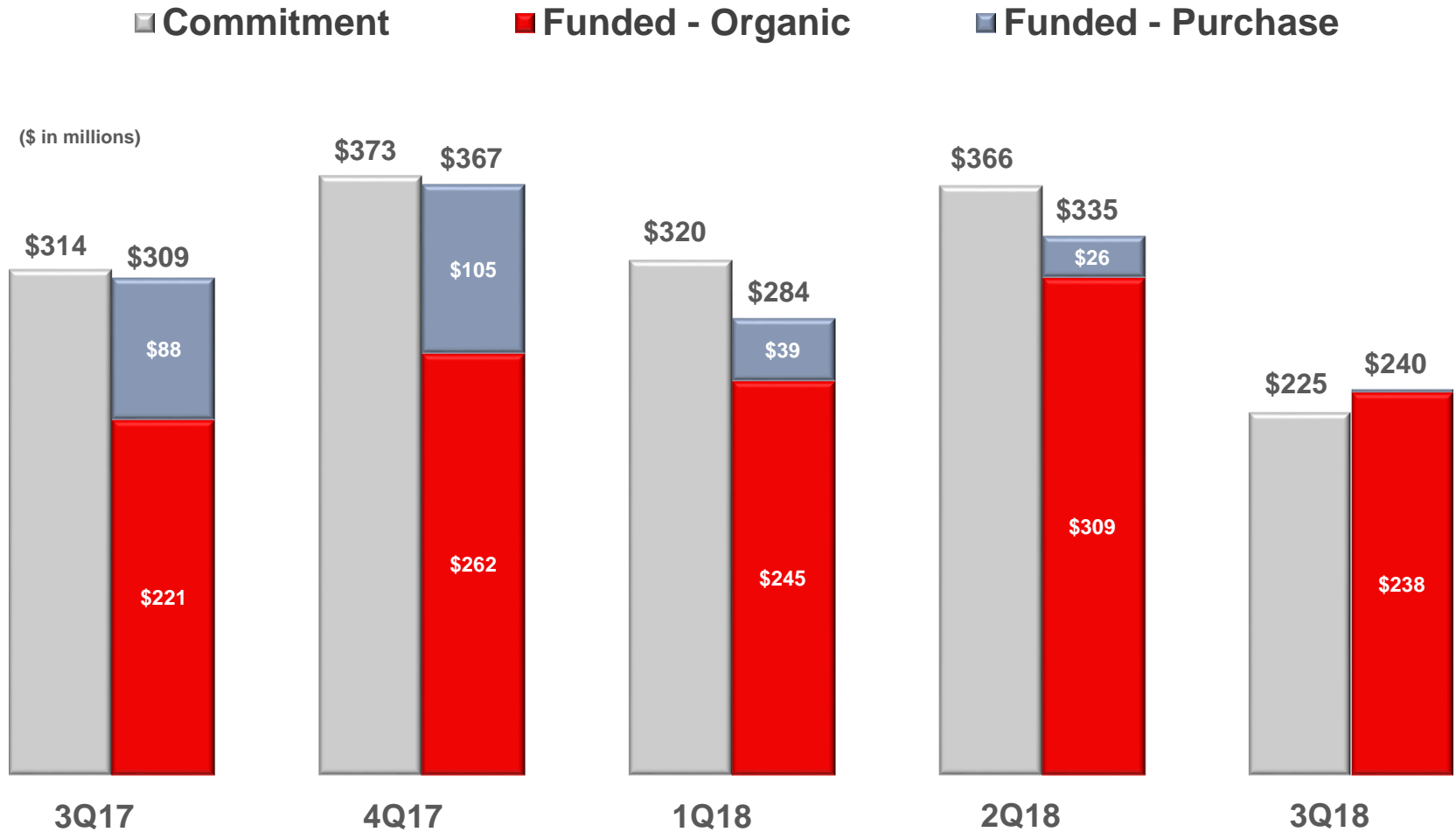
(\$ in millions)



(\$ in millions)



# Loan Production

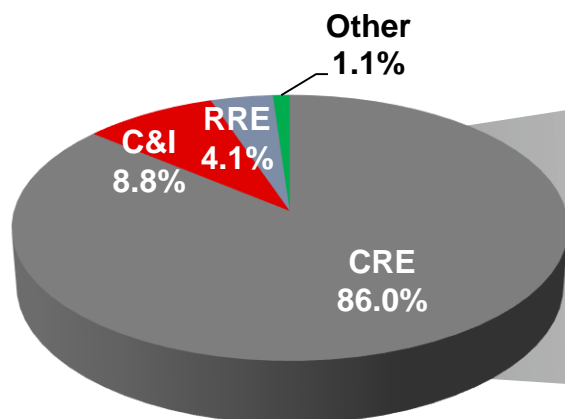


Purchased loans for 3Q18 were non-material at \$2.2 million



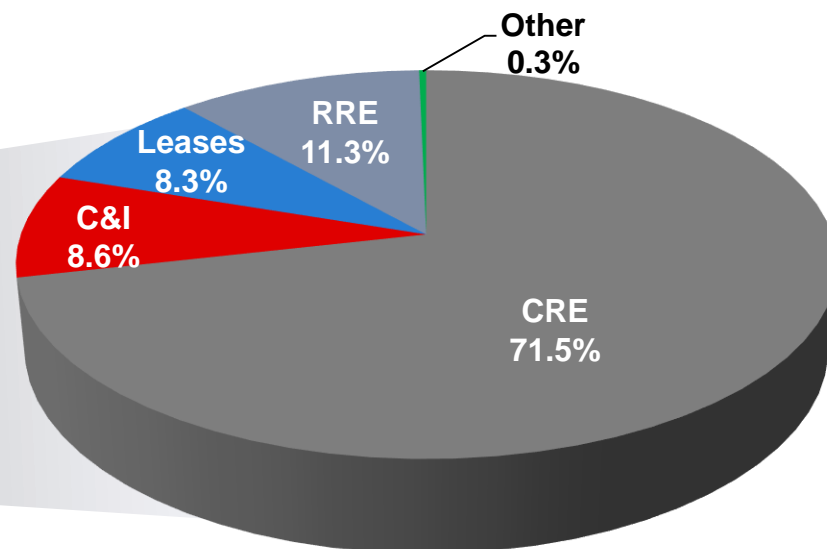
# Successful Portfolio Diversification Strategy

**Loan Composition  
Q3 2014**



**Total Portfolio:  
\$2.7 billion**

**Loan Composition  
Q3 2018**



**Total Portfolio:  
\$4.6 billion**

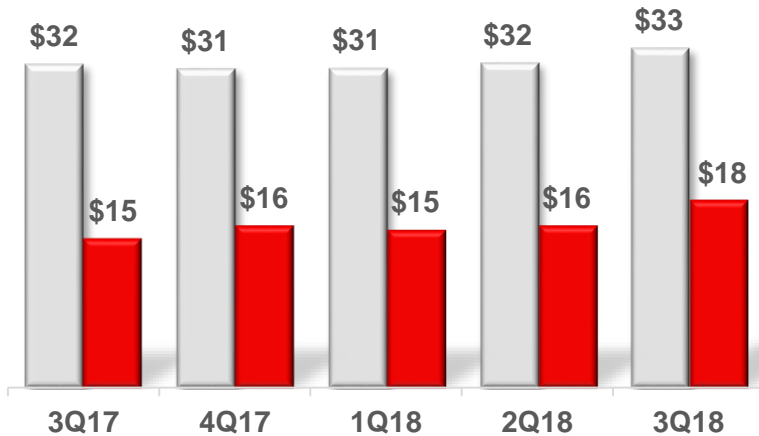
**18% CAGR**

**Significant progress in reducing CRE concentration from 86%  
of total portfolio to 72% today**

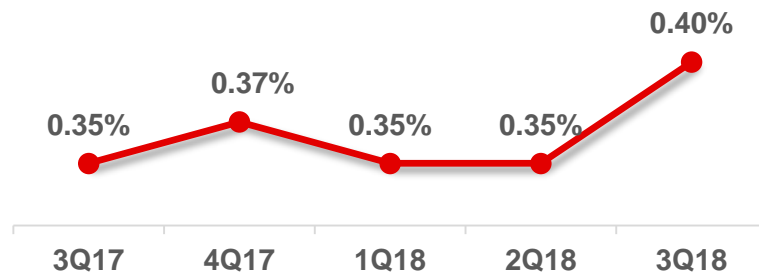
# Strong Asset Quality

■ Classified Loans ■ Nonperforming Loans

(\$ in millions)



● Nonperforming Loans to Loans



■ Net Charge-offs (Recoveries)<sup>(1)</sup>

(\$ in millions)

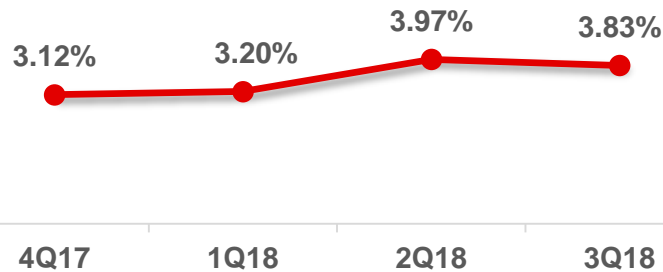


(1) Excludes charge-offs on PCI loans

# Strong Asset Quality

## Early Stage Credit Trends Continuing to Move in the Right Direction

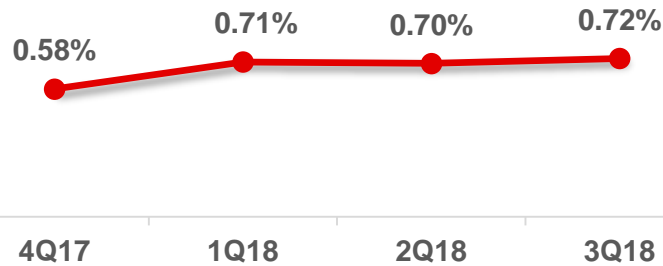
Pass-Watch Loans



Delinquency (30+)

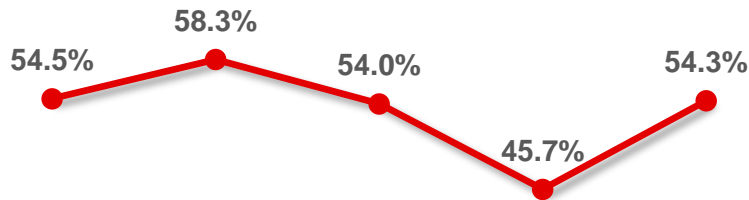


Classified Loans

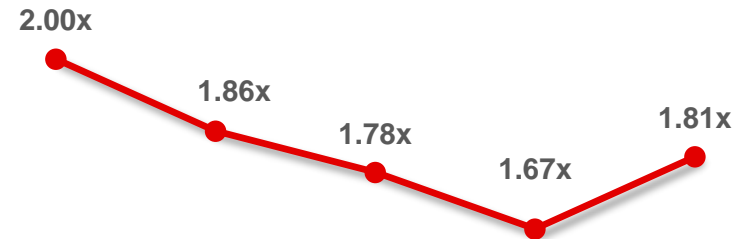


# Strong Asset Quality in CRE Originations

● Weighted Average Loan to Value

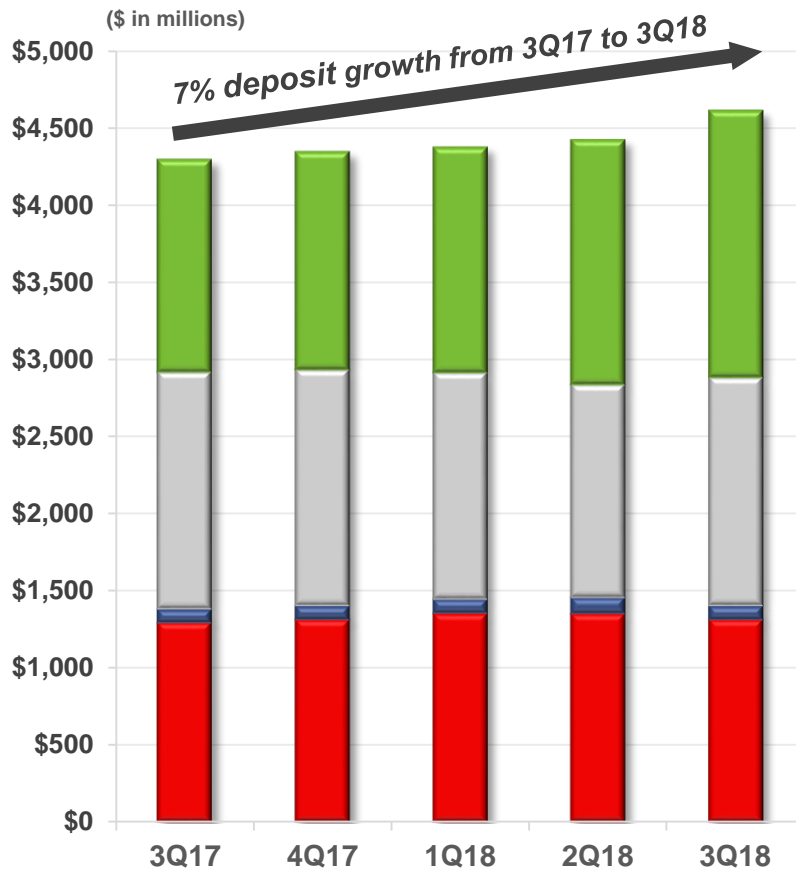


● Weighted Average Debt Coverage Ratio

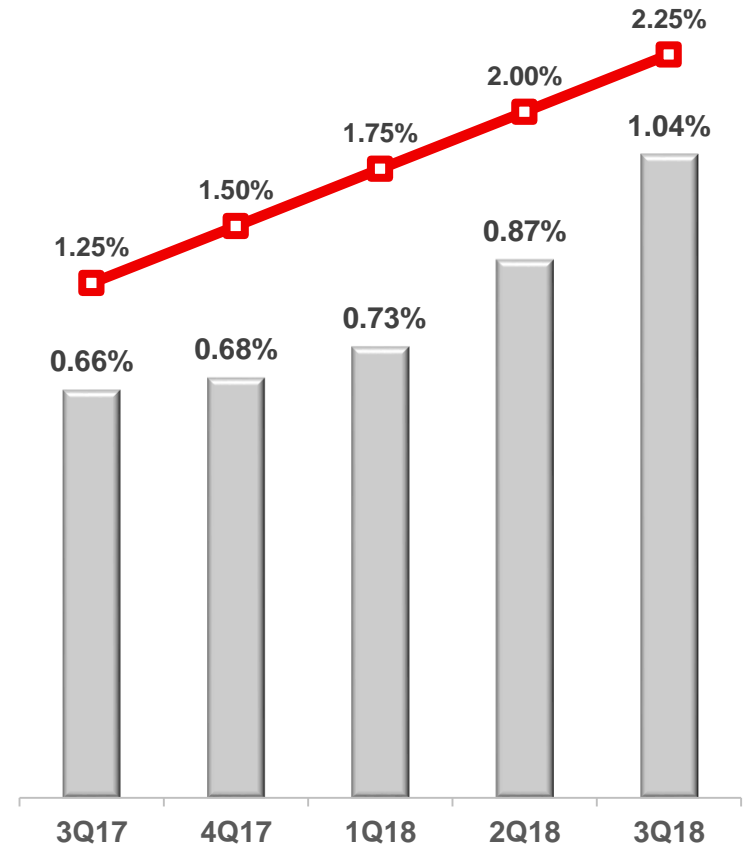


# Increasing and Diversified Deposit Base

■ Time Deposits      ■ Money Market & Savings  
■ Demand Interest-bearing      ■ Demand Noninterest-bearing



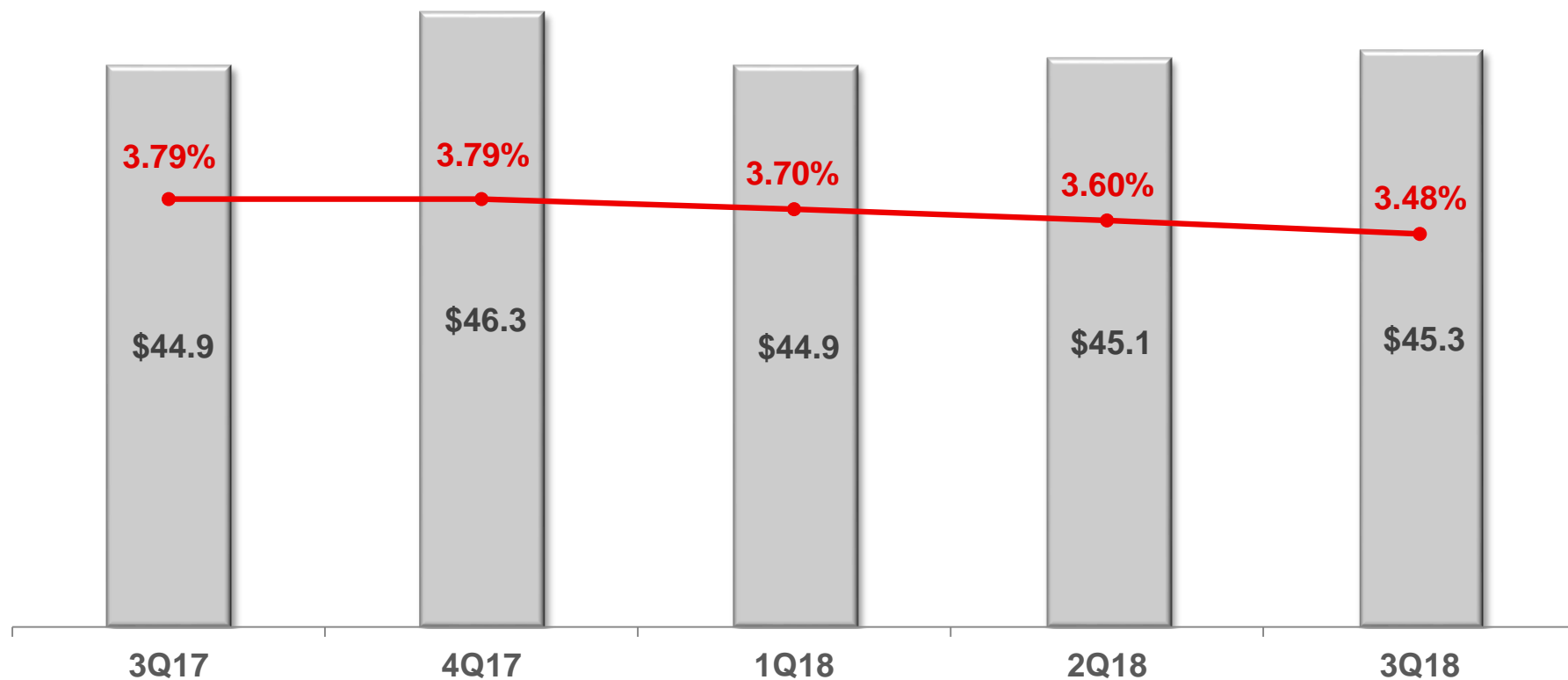
■ Cost of Deposits      ■ Fed Funds rate



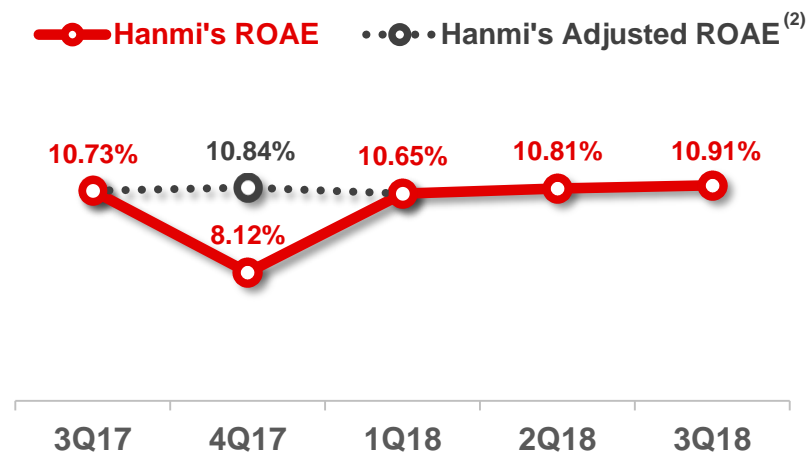
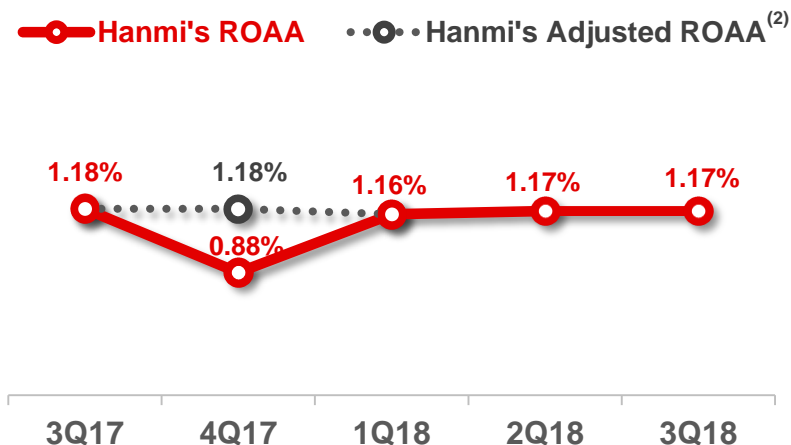
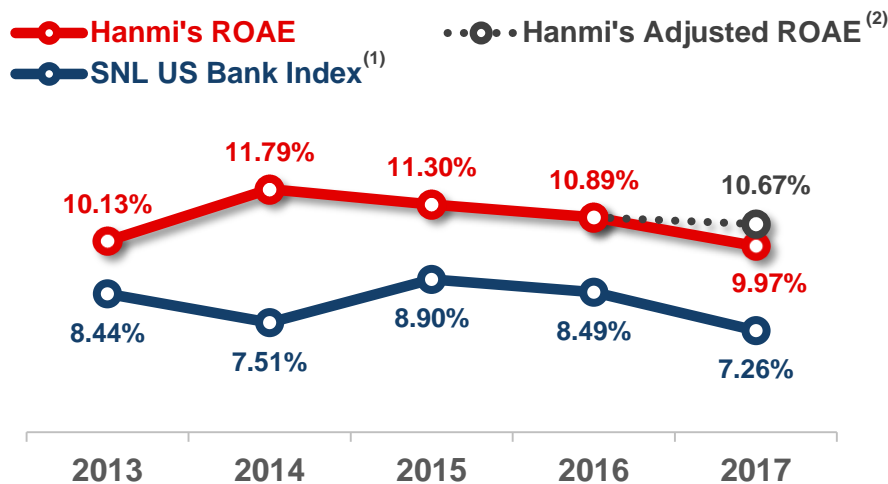
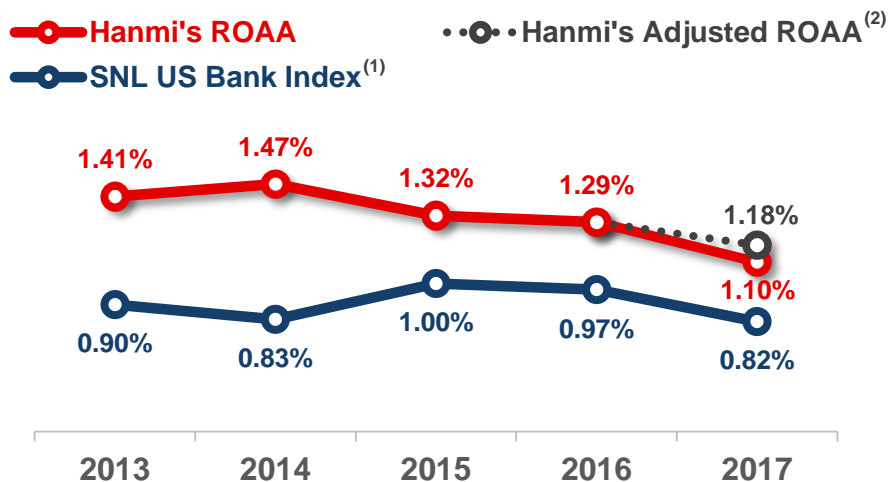
# Net Interest Income Quarterly Trend

■ Net Interest Income    ● Net Interest Margin

(\$ in millions)



# Profitability Metrics

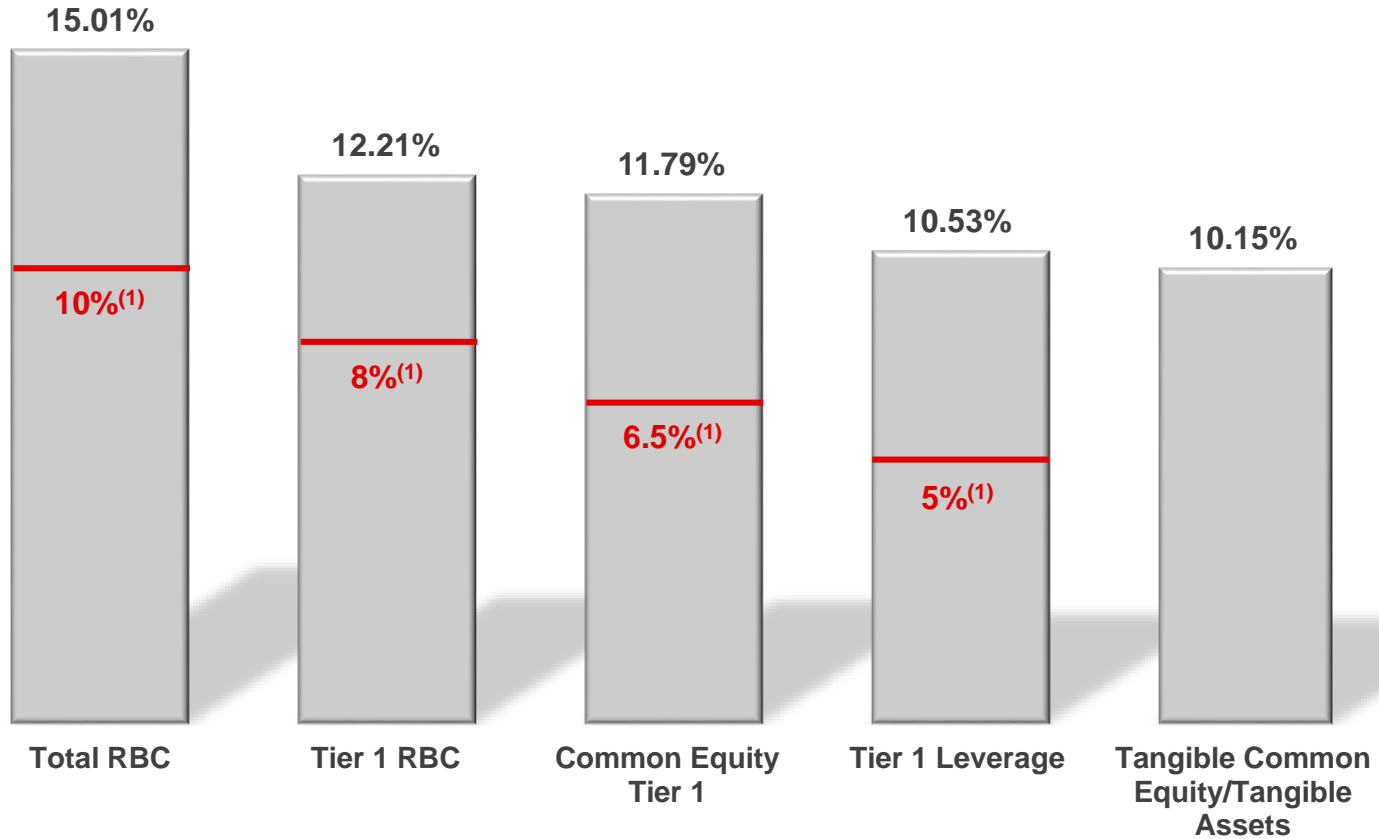


(1) SNL US Bank Index includes all major exchange banks in SNL's coverage universe.

(2) Represents Hanmi's ROAA and ROAE excluding the effects of the 4Q17 \$3.9 million charge from the re-measurement of deferred tax assets.

# Well-Capitalized

## Capital Ratios



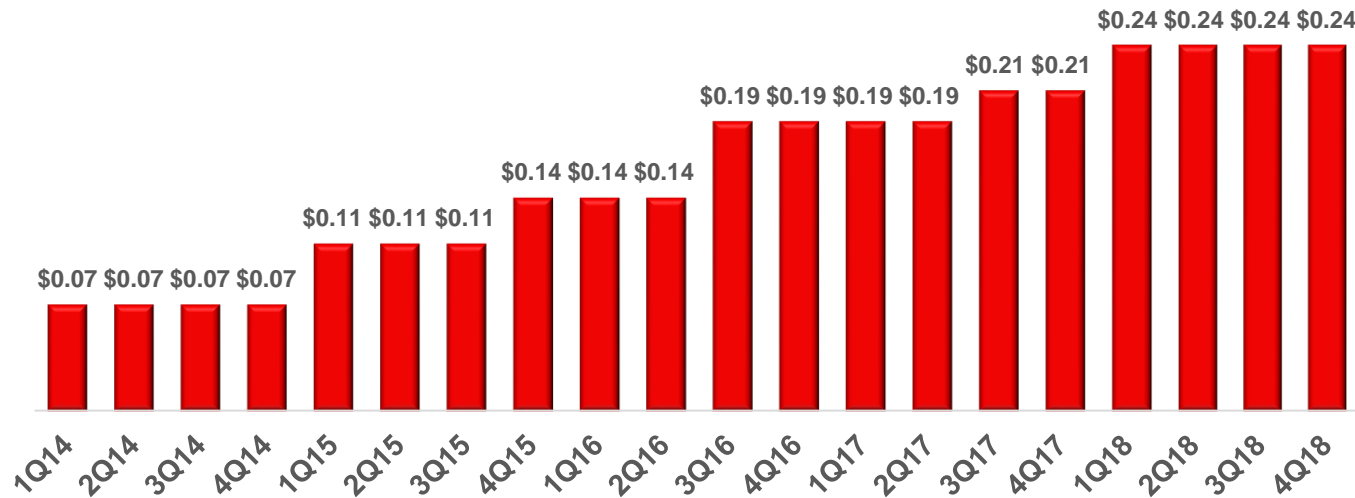
(1) Minimum threshold for a well-capitalized institution.



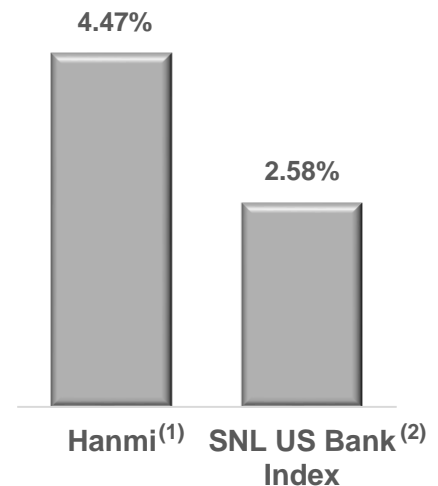
# Growing Dividends

- Quarterly cash dividend increased 14% year-over-year to \$0.24 per share in 4Q 2018
  - Increased dividend five times since dividend initiated in 2013
- Strong dividend yield: 4.47%<sup>(1)</sup> HAFC vs. 2.58%<sup>(2)</sup> SNL US Bank Index

Quarterly Cash Dividends



Annualized Yield



(1) Based on closing HAFC stock price on 11/8/2018 of \$21.47 and annualized quarterly dividend of \$0.24 announced on 10/23/2018.

(2) As of 11/8/2018; SNL US Bank Index includes all major exchange banks in SNL's coverage universe.

# Investment Highlights & Opportunities

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- **Strong balance sheet and excellent asset quality**
- **Premier core deposit franchise**
- **Future earnings power - expense reduction initiatives underway**
  - **Targeting a reduction in non-interest expense by at least \$5 million or approximately \$0.12 per share in 2019**
- **Robust annualized dividend yield**
- **Active share buy-back program with authorization to repurchase up to 5%, or 1.6 million shares, of HAFC outstanding common stock**
  - **Repurchased 429,558 shares as of 9/30/18**
  - **Expect to complete the buy-back of the remaining shares under the authorized stock repurchase program by year-end**