

# **1Q20 Earnings Supplemental Presentation**

April 30, 2020



**Hanmi Financial Corporation**

# 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, 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 climate uncertainty, fluctuations in interest rate and credit risk, competitive pressures, the ability to succeed in new markets, balance sheet management, ability to identify and remediate any material weakness in internal controls over financial reporting, the effects of COVID-19 on our business, financial condition and results of operations, 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 April 30, 2020, 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 April 30, 2020, 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.

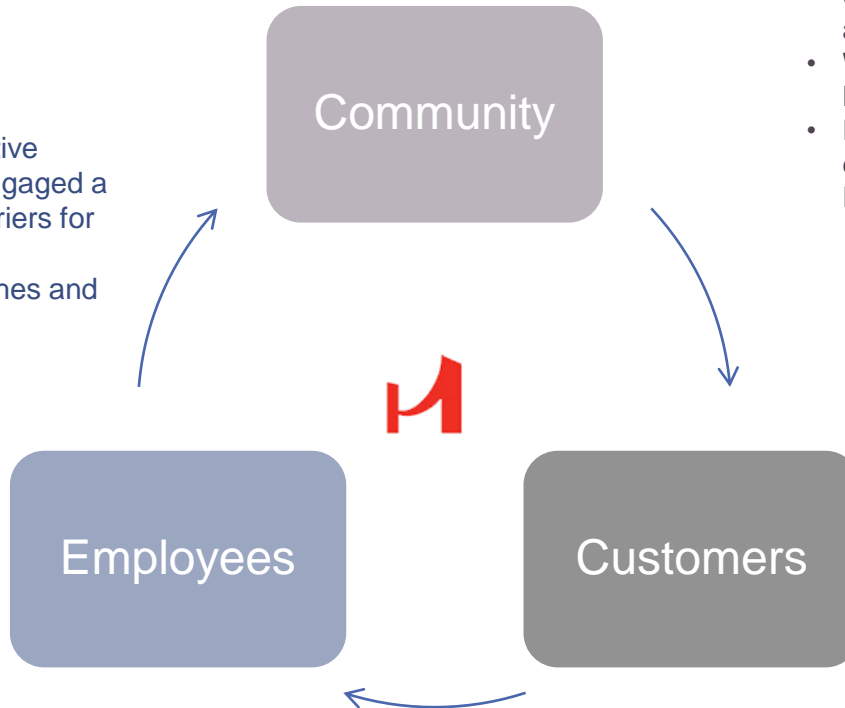
“As the COVID-19 crisis continues, we are focused on ensuring the health and safety of our employees, customers, partners and communities we have served for nearly four decades. As a community bank, our core mission is to help the communities in which we live and work. We may be six feet apart but we stand united in our dedication to do what is right.”

Bonnie Lee, President and Chief Executive Officer

# Managing Through Turbulent Times

## EMPLOYEES

- Sourced and distributed protective masks, gloves, care kits and engaged a vendor to design protective barriers for our teller lines
- Reduced lobby hours for branches and suspended Saturday hours



## COMMUNITY

- Partnered with the Koreatown Youth and Community Center to provide critical food and supplies
- Working with hospitals in CA, IL, TX and NY to deliver a total of 4,000 masks
- Participated in early efforts to educate our customers about the SBA's Disaster Loan Programs through trainings and webinars

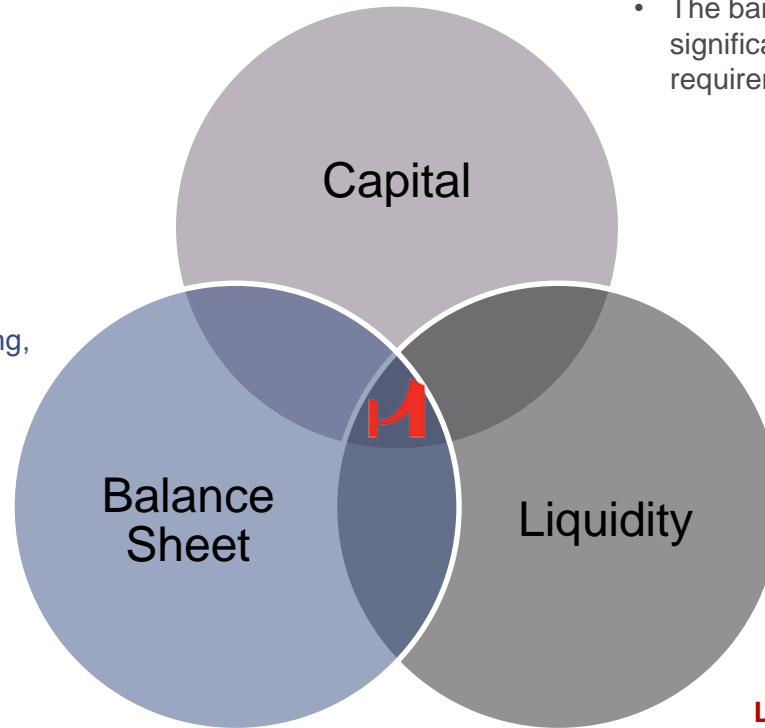
## CUSTOMERS

- Addressed over 3,000 inquiries for the SBA's Paycheck Protection Program
- Approved over \$707 million modification requests

# Hanmi's Strengths in the Midst of COVID-19 Crisis

## BALANCE SHEET

- The bank's asset quality remains strong, with NPA at 0.9% of total assets and ACL at 1.46% of loans



## CAPITAL

- The bank remains well capitalized, significantly above the regulatory requirements.

## LIQUIDITY

- The bank, with \$4.6 billion of deposits, has \$2.2 billion of cash, securities and borrowing availability

# Supporting our Customers

## PAYCHECK PROTECTION PROGRAM

**2,700**

# of Loans  
Received

**\$320M**

\$ of Loans  
Received

**1,310**

# of Loans  
Funded

**\$157M**

\$ of Loans  
Funded

## APPROVED MODIFICATIONS TO DATE

**1,242**

Modifications  
Approved

**\$707M**

Loans &  
Leases

**16%**

% Portfolio

## MODIFICATION REQUESTED TO DATE

TOP FIVE SECTORS (\$million)\*

TOP FIVE SECTORS (By Dollar Volume)	Modification Requested	Outstanding Balance	%
Hospitality	\$621	\$936	66%
Retail	\$359	\$854	42%
Mixed Use	\$70	\$147	48%
Leases	\$66	\$498	13%
Church	\$37	\$109	34%

\*Includes approved and pending – not all requests would be granted

# 1Q20 Highlights

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**\$2.4M**

**Net Income**

**\$0.08**

**Diluted EPS**

**0.17%**

**ROAA**

**3.36%**

**NIM**

**61.89%**

**Efficiency**

**\$17.67**

**TBVPS\***

- Net income of \$2.4 million, or \$0.08 per diluted share; first quarter results included credit loss expense of \$15.7 million
- Adopted CECL accounting standard, which resulted in an increased coverage ratio of 1.46%
- Improvement in NIM and efficiency ratio from 3.32% and 67.31% respectively, the prior quarter
- Well capitalized, with strong balance sheet and liquidity

\*Non-GAAP financial measure; refer to the non-GAAP reconciliation slide

# 1Q20 Financial Summary

(\$ million, except EPS)

	1Q20	4Q19	1Q19	Change <sup>(1,2)</sup>	
				Q/Q	Y/Y
<b><i>Income Statement Summary</i></b>					
Net interest income	\$ 44.0	\$ 43.9	\$ 44.9	0.1%	-2.0%
Noninterest income	6.2	6.7	6.3	-7.2%	-0.5%
Operating revenue	50.2	50.6	51.1	-0.9%	-1.8%
Noninterest expense	31.1	34.1	29.1	-8.9%	6.9%
Credit Loss Expense	15.7	10.8	1.1	46.4%	1301.9%
Pretax income	3.4	5.8	21.0	-41.6%	-83.8%
Income tax expense	1.0	2.7	6.3	-61.7%	-83.4%
Net income	\$ 2.4	\$ 3.1	\$ 14.7	-23.8%	-84.0%
<b>EPS-Diluted (in \$)</b>	<b>\$ 0.08</b>	<b>\$ 0.10</b>	<b>\$ 0.48</b>	<b>-20.0%</b>	<b>-83.7%</b>
<b><i>Select Balance Sheet Items</i></b>					
Loans receivable	\$ 4,544	\$ 4,610	\$ 4,576	-1.4%	-0.7%
Deposits	4,582	4,699	4,820	-2.5%	-4.9%
Total assets	5,618	5,538	5,571	1.6%	1.0%
Stockholders' equity	553	563	564	-0.9%	-1.1%
<b><i>Profitability Metrics</i></b>					
Return on average assets	0.17%	0.22%	1.09%	-5	-92
Return on average equity	1.69%	2.15%	10.62%	-46	-893
TCE/TA	9.65%	9.98%	9.93%	-33	-28
Net interest margin	3.36%	3.32%	3.52%	4	-16
Efficiency ratio	61.89%	67.31%	56.83%	-542	506

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

- Net income of \$2.4 million, or \$0.08 per diluted share; compared with \$3.1 million, or \$0.10 per diluted share in the fourth quarter
  - 2020 first quarter results included credit loss expense of \$15.7 million
- Loans receivable of \$4.54 billion, down 1.4% from the prior quarter and down 0.7% year-over-year reflecting the strategy of allowing residential mortgages to run-off and shifting the mix of the portfolio to higher-yielding loans
- Deposits of \$4.58 billion, down 2.5% from the prior quarter and down 4.9% year-over-year reflecting the decline in higher-costing time deposits; first quarter average cost of interest-bearing deposits declined 19 basis points from the prior quarter
- Net interest income was \$44.0 million for the first quarter; net interest margin increased to 3.36% from the prior quarter
- Noninterest expense down 8.9% from the previous quarter; the efficiency ratio was 61.89%



# Loan Portfolio Composition

**\$4.54 Billion Loan Portfolio**  
(as of 1Q20)

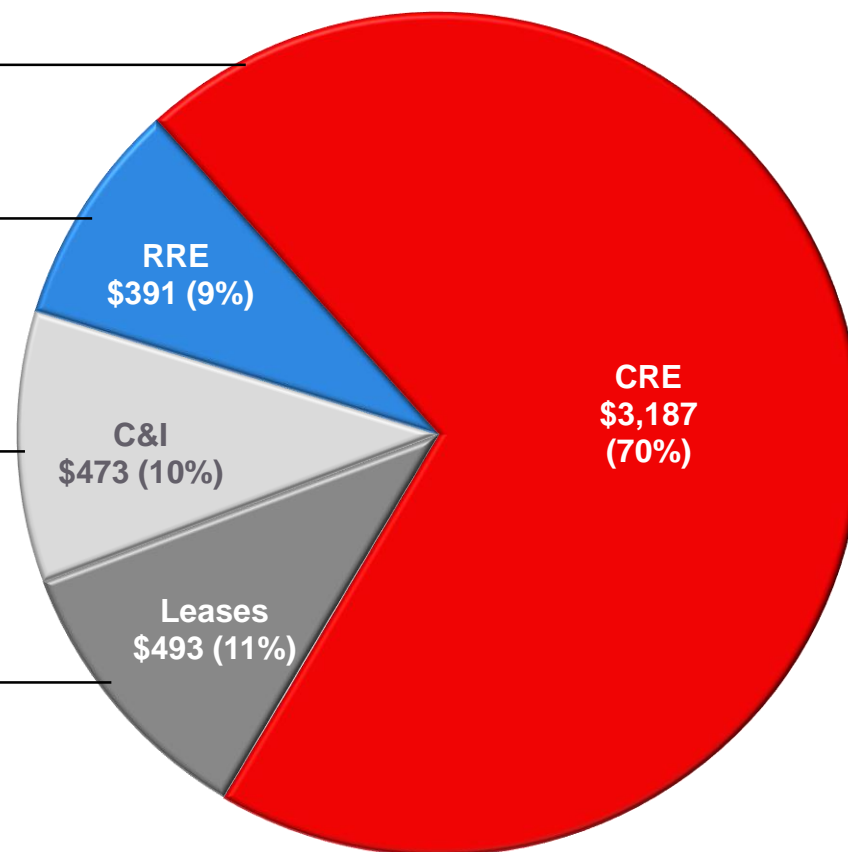
**Loan Portfolio Composition (\$ million)\***

Commercial Real Estate Portfolio	
\$ in millions	
Outstanding	\$3,187
Average Size	\$1.5
QTD Average Yield	4.78%

RRE & Consumer Portfolio	
\$ in million	
Outstanding	\$391
Average Size	\$0.4
QTD Average Yield	3.65%

Commercial & Industrial Portfolio	
\$ in millions	
Outstanding	\$473
Average Size	\$0.3
QTD Average Yield	5.48%

Leasing Portfolio	
\$ in millions	
Outstanding	\$493
Average Size	\$0.05
QTD Average Yield	5.45%

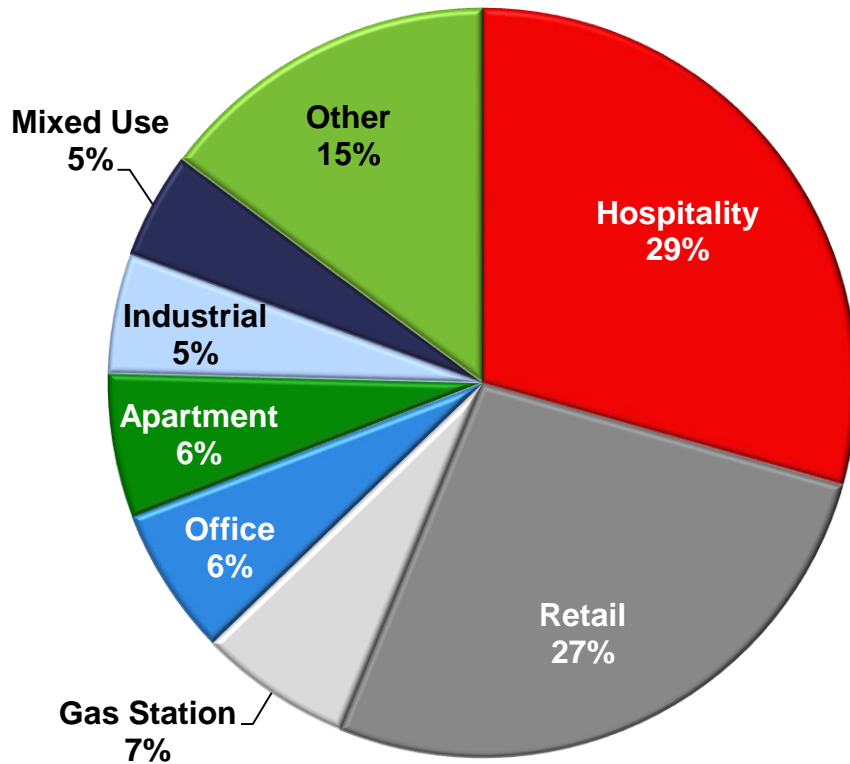


\*RRE includes Consumer

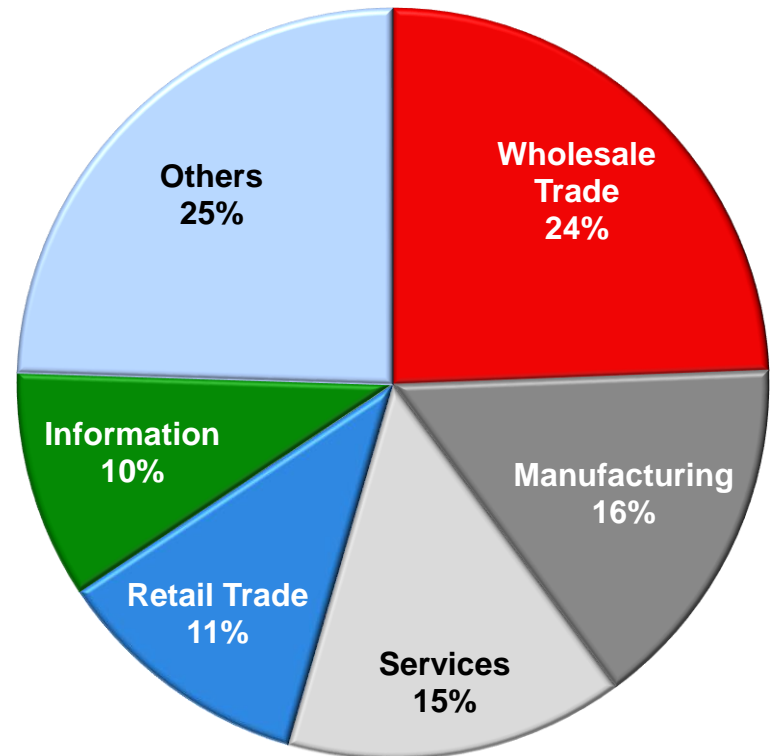
# Loan Portfolio Diversification

Loan portfolio is well diversified across property and business types.

**CRE Portfolio**  
**\$3.19B**



**C&I Portfolio**  
**\$473M**

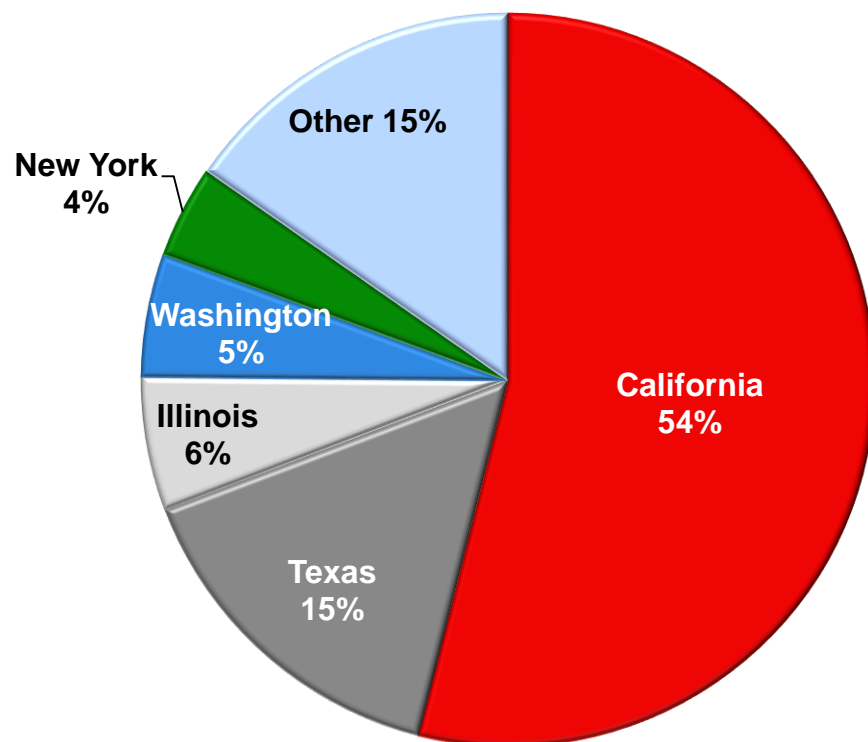


Note: Numbers may not foot due to rounding

# Hospitality Segment

Hospitality segment is \$936 million, representing 20% of the loan portfolio. 78% of the hospitality segment is attributed to flagged properties.

## Hospitality Composition by Geography\*



**Total Hospitality Segment:**  
**\$936M**

\*Geography based on the collateral address

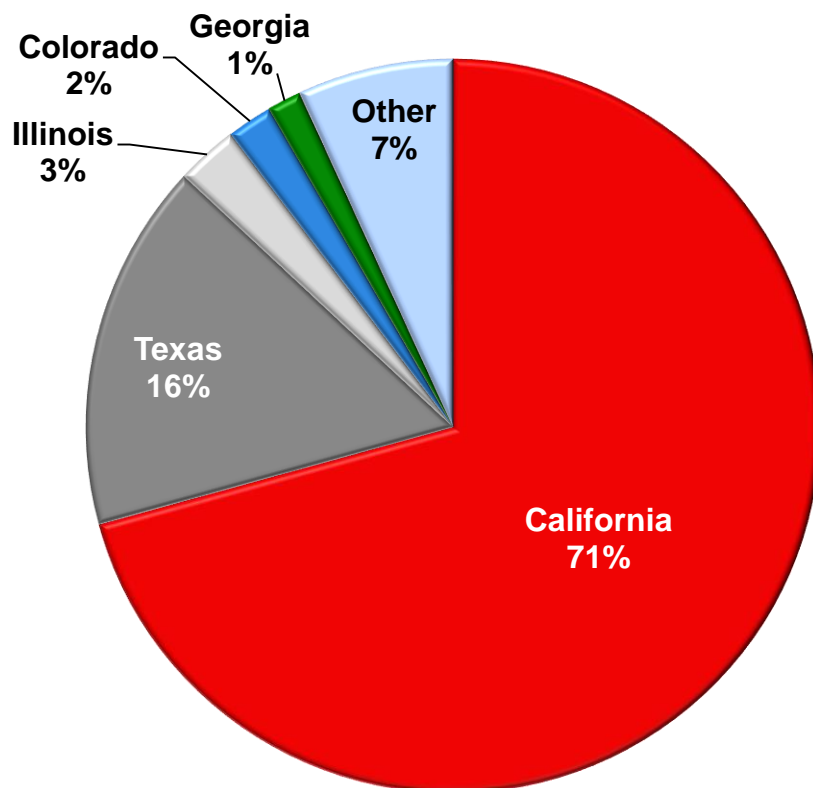
## Hospitality Portfolio Detail

- Average balance within the portfolio is \$3.3 million
- Flagged properties comprise 78% of the portfolio with an average balance of \$3.3 million
- Non-flagged properties comprise 22% of the portfolio with an average balance of \$3.2 million
- 67% of the portfolio representing \$623 million has a debt coverage ratio over 1.5%
  - Weighted average debt coverage ratio for the entire portfolio is 2.0%
- 77% of the portfolio representing \$717 million has a loan to value ratio of 60% or better
  - Weighted average loan to value of the entire portfolio is 50.1%

# Retail Segment

Retail segment is \$854 million, representing 19% of the loan portfolio.

## Retail Composition by Geography\*



**Total Retail Segment:**  
**\$854M**

\*Geography based on the collateral address

## Retail Portfolio Detail

- Average balance within the portfolio is \$1.2 million
- Owner-borrower loans comprise 12% of the portfolio with an average balance of \$363 thousand
- Investor-borrower loans comprise 88% of the portfolio with an average balance of \$1.7 million
- 48% of the portfolio representing \$413 million has a debt coverage ratio over 1.5%
  - Weighted average debt coverage of the entire portfolio is 1.72%
- 74% of the portfolio representing \$633 million has a loan to value ratio of 60% or better
  - Weighted average loan to value of the entire portfolio is 49.8%

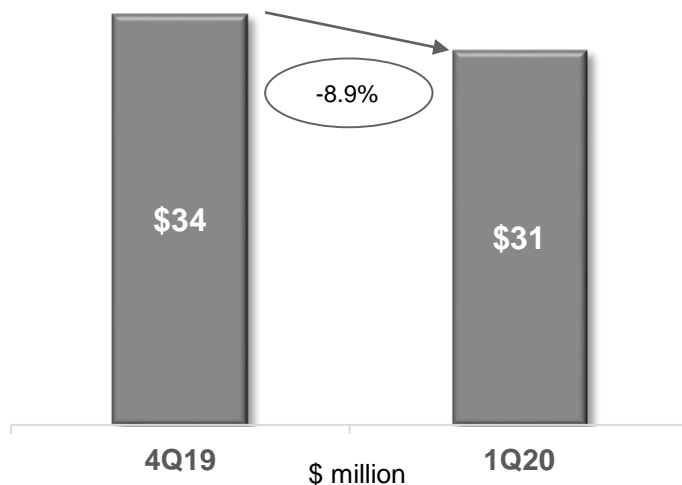
# Pretax Preprovision Income – PTPP

(\$ million)

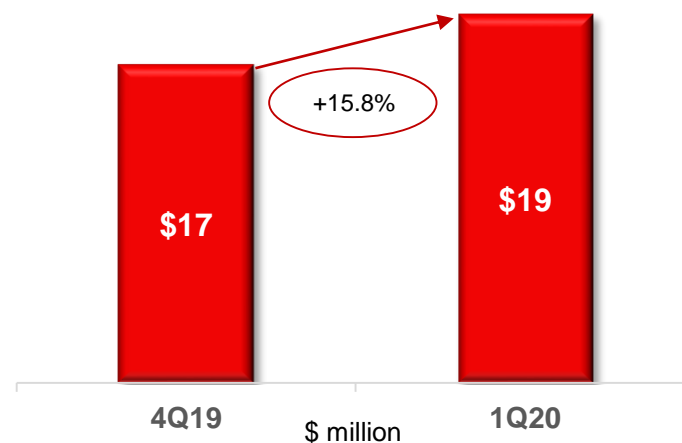
	1Q20	4Q19	Change Q/Q
<b><i>Income Statement Summary</i></b>			
Net interest income	\$ 44.0	\$ 43.9	0.1%
Noninterest income	6.2	6.7	-7.2%
Operating revenue	50.2	50.6	-0.9%
Noninterest expense	31.1	34.1	-8.9%
Pretax, preprovision income	19.1	16.5	15.8%
Pretax, preprovision income / average assets (annualized)	1.39%	1.20%	+19bps

- Operating revenue was relatively stable quarter-over-quarter
- Noninterest expenses decreased 8.9%
- Pretax, preprovision income grew by 15.8% from the fourth quarter

Noninterest Expense

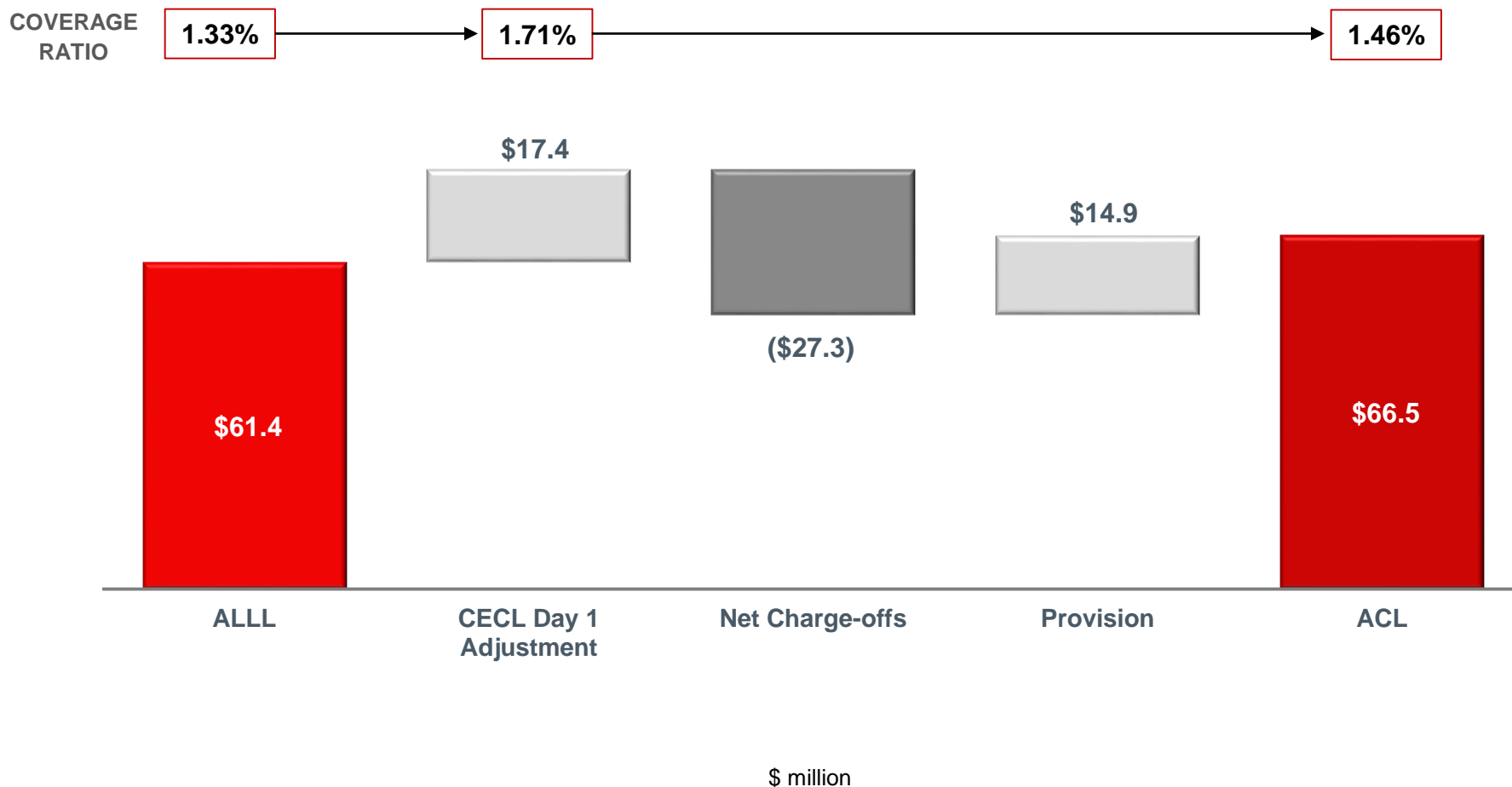


Pretax, Preprovision Income



# CECL Impact

CECL adoption as of the beginning of the year resulted in a \$17.4 million increase to the beginning balance for ACL, as the coverage ratio moved from 1.33% to 1.71%. Factoring in net charge-offs, which included \$25.2 million charge-off for a troubled loan relationship, and a provision, which included \$7.4 million qualitative consideration for the COVID-19 crisis, the coverage ratio was 1.46% at the end of the first quarter.



# ACL by Loan Components

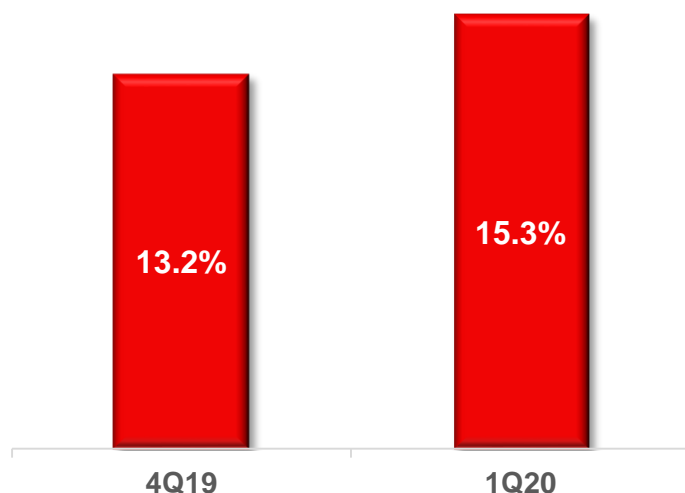
Allowance for 1Q20 was \$66.5 million or 1.46% of total loans compared with \$61.4 million or 1.33% in 4Q19.

	ACL				ALLL			
(\$ million)	March 31, 2020				December 31, 2019			
	Allowance Amt.	Percentage	Total Loans	Percentage	Allowance Amt.	Percentage	Total Loans	Percentage
<i>Loan Components</i>								
CRE	\$ 37.0	55.7%	\$ 3,187.2	70.1%	\$ 34.7	56.4%	\$ 3,226.5	70.0%
C&I	11.6	17.4%	472.7	10.4%	16.2	26.4%	484.1	10.5%
Leases	15.8	23.7%	492.5	10.8%	8.8	14.3%	483.9	10.5%
RRE & Consumer	2.1	3.2%	391.2	8.6%	1.8	2.9%	415.7	9.0%
Total	\$ 66.5	100.0%	\$ 4,543.6	100.0%	\$ 61.4	100.0%	\$ 4,610.1	100.0%

# Liquidity

Prior to the declaration of a National Emergency on March 13, 2020, Hanmi took steps to ensure adequate liquidity. As of March 31, 2020, Hanmi Financial had \$20.0 million in cash on deposit with its bank subsidiary.

## Liquid Asset Ratio



(\$ million)

	1Q20	4Q19
<b>Bank Liquidity</b>		
Cash and Cash Equivalents	\$ 291	\$ 122
Securities AFS (unpledged)	569	604
FHLB Financing Availability	1,219	878
FRB Discount Window	51	30
Fed Funds lines (unsecured)	115	115
<b>Total liquidity</b>	<b>\$ 2,245</b>	<b>\$ 1,749</b>



# Non-GAAP Reconciliation

(\$ thousand, except share, per share data and ratios)

	1Q20	4Q19	3Q19	2Q19	1Q19
<b><i>Tangible Common Equity to Tangible Assets Ratio</i></b>					
Assets	\$ 5,617,690	\$ 5,538,184	\$ 5,527,982	\$ 5,511,752	\$ 5,571,068
Less goodwill and other intangible assets	(11,808)	(11,873)	(11,950)	(12,028)	(12,105)
Tangible assets	\$ 5,605,882	\$ 5,526,311	\$ 5,516,032	\$ 5,499,724	\$ 5,558,963
Stockholders' equity <sup>1</sup>	\$ 552,958	\$ 563,267	\$ 574,527	\$ 564,458	\$ 564,292
Less goodwill and other intangible assets	(11,808)	(11,873)	(11,950)	(12,028)	(12,105)
Tangible stockholders' equity <sup>1</sup>	\$ 541,150	\$ 551,394	\$ 562,577	\$ 552,430	\$ 552,187
Stockholders' equity to assets	9.84%	10.17%	10.39%	10.24%	10.13%
Tangible common equity to tangible assets <sup>1</sup>	9.65%	9.98%	10.20%	10.04%	9.93%
Common shares outstanding	30,622,741	30,799,624	31,173,881	30,975,163	30,860,533
Tangible common equity per common share	\$ 17.67	\$ 17.90	\$ 18.05	\$ 17.83	\$ 17.89

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