

HANMI FINANCIAL CORP

Form 10-Q

May 09, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

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

For the Quarterly Period Ended March 31, 2008

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

95-4788120

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

**3660 Wilshire Boulevard, Penthouse Suite A
Los Angeles, California**

90010

(Address of Principal Executive Offices)

(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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Exchange Act Rule 12b-2.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>	
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>	
(Do Not Check if a Smaller Reporting Company)				

Yes No

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Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).

As of May 1, 2008, there were 45,905,549 outstanding shares of the Registrant's Common Stock.

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
THREE MONTHS ENDED MARCH 31, 2008 AND 2007
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	March 31, 2008	December 31, 2007
ASSETS		
Cash and Due From Banks	\$ 101,306	\$ 105,898
Federal Funds Sold	2,000	16,500
Cash and Cash Equivalents	103,306	122,398
Securities Held to Maturity, at Amortized Cost (Fair Value: 2008 \$932; 2007 \$941)	934	940
Securities Available for Sale, at Fair Value	322,702	349,517
Loans Receivable, Net of Allowance for Loan Losses of \$52,986 and \$43,611 at March 31, 2008 and December 31, 2007, Respectively	3,242,500	3,234,762
Loans Held for Sale, at the Lower of Cost or Fair Value	8,553	6,335
Customers' Liability on Acceptances	7,119	5,387
Premises and Equipment, Net	20,679	20,800
Accrued Interest Receivable	15,417	17,411
Other Real Estate Owned		287
Servicing Assets	4,220	4,336
Goodwill	107,393	107,100
Other Intangible Assets	6,384	6,908
Federal Reserve Bank Stock, at Cost	11,733	11,733
Federal Home Loan Bank Stock, at Cost	21,985	21,746
Bank-Owned Life Insurance	24,760	24,525
Other Assets	42,710	49,472
TOTAL ASSETS	\$ 3,940,395	\$ 3,983,657
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Noninterest-Bearing	\$ 676,471	\$ 680,282
Interest-Bearing:		
Savings	92,189	93,099
Money Market Checking and NOW Accounts	696,552	445,806
Time Deposits of \$100,000 or More	1,248,853	1,441,683
Other Time Deposits	313,703	340,829
Total Deposits	3,027,768	3,001,699
Accrued Interest Payable	17,857	21,828
Acceptances Outstanding	7,119	5,387
FHLB Advances and Other Borrowings	415,553	487,164

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Junior Subordinated Debentures	82,406	82,406
Other Liabilities	19,328	14,617
Total Liabilities	3,570,031	3,613,101
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY:		
Common Stock, \$.001 Par Value; Authorized 200,000,000 Shares; Issued 50,538,049 Shares (45,905,549 Shares Outstanding) and 50,493,441 Shares (45,860,941 Shares Outstanding) at March 31, 2008 and December 31, 2007, Respectively	51	50
Additional Paid-In Capital	348,607	348,073
Unearned Compensation	(270)	(245)
Accumulated Other Comprehensive Income Unrealized Gain on Securities Available for Sale, Interest-Only Strips and Interest Rate Swaps, Net of Income Taxes of \$1,469 and \$527 at March 31, 2008 and December 31, 2007, Respectively	1,628	275
Retained Earnings	90,360	92,415
	440,376	440,568
Less Treasury Stock, at Cost; 4,632,500 Shares at March 31, 2008 and December 31, 2007	(70,012)	(70,012)
Total Stockholders Equity	370,364	370,556
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 3,940,395	\$ 3,983,657

See Accompanying Notes to Consolidated Financial Statements.

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HANMI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Dollars in Thousands, Except Per Share Data)

	Three Months Ended	
	March 31,	
	2008	2007
INTEREST AND DIVIDEND INCOME:		
Interest and Fees on Loans	\$ 60,598	\$ 62,561
Taxable Interest on Investments	3,116	3,531
Tax-Exempt Interest on Investments	759	764
Dividends on FHLB and FRB Stock	414	369
Interest on Federal Funds Sold	83	726
Interest on Term Federal Funds Sold		5
Total Interest and Dividend Income	64,970	67,956
INTEREST EXPENSE:		
Interest on Deposits	24,847	26,189
Interest on FHLB Advances and Other Borrowings	4,477	2,171
Interest on Junior Subordinated Debentures	1,449	1,639
Total Interest Expense	30,773	29,999
NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES	34,197	37,957
Provision for Credit Losses	17,821	6,132
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	16,376	31,825
NON-INTEREST INCOME:		
Service Charges on Deposit Accounts	4,717	4,488
Insurance Commissions	1,315	1,125
Trade Finance Fees	865	1,290
Remittance Fees	505	471
Other Service Charges and Fees	716	616
Bank-Owned Life Insurance Income	240	230
Increase in Fair Value of Derivatives	239	92
Other Income	337	275
Gain on Sales of Loans	213	1,400
Gain on Sales of Securities Available for Sale	618	
Total Non-Interest Income	9,765	9,987
NON-INTEREST EXPENSES:		
Salaries and Employee Benefits	11,280	11,761
Occupancy and Equipment	2,782	2,512
Data Processing	1,534	1,563
Professional Fees	985	474
Advertising and Promotion	812	661

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Supplies and Communication	704	588
Amortization of Other Intangible Assets	524	614
Other Operating Expenses	2,967	2,796
Total Non-Interest Expenses	21,588	20,969
INCOME BEFORE PROVISION FOR INCOME TAXES	4,553	20,843
Provision for Income Taxes	1,632	7,851
NET INCOME	\$ 2,921	\$ 12,992
EARNINGS PER SHARE:		
Basic	\$ 0.06	\$ 0.27
Diluted	\$ 0.06	\$ 0.26
WEIGHTED-AVERAGE SHARES OUTSTANDING:		
Basic	45,842,376	48,962,089
Diluted	45,918,143	49,500,312
DIVIDENDS DECLARED PER SHARE	\$ 0.06	\$ 0.06

See Accompanying Notes to Consolidated Financial Statements.

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HANMI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND
COMPREHENSIVE INCOME (UNAUDITED)

(Dollars in Thousands)

	Common Stock - Number of Shares			Stockholders' Equity			Treasury Stock, at Cost	Total Stockholders' Equity	
	Issued	Treasury Stock	Outstanding Stock	Additional Paid-in Capital	Unearned Compensation (Loss)	Accumulated Other Comprehensive Income			Retained Earnings
BALANCE DECEMBER 31, 2006	50,239,613	(1,163,000)	49,076,613	\$ 50	\$ 344,810	\$ (3,200)	\$ 164,751	\$ (20,041)	\$ 486,370
Shares Issued for Business Acquisitions	102,181		102,181		2,198				2,198
Exercises of Stock Options	43,943		43,943		389				389
Share-Based Compensation Expense					480				480
Cash Dividends							(2,950)		(2,950)
Shares Repurchased		(397,200)	(397,200)					(8,057)	(8,057)
Comprehensive Income:									
Net Income							12,992		12,992
Change in Unrealized Loss on Securities Available for Sale, Interest-Only Strips and Interest Rate Swaps, Net of Tax						822			822
Total Comprehensive Income									13,814
BALANCE MARCH 31, 2007	50,385,737	(1,560,200)	48,825,537	\$ 50	\$ 347,877	\$ (2,378)	\$ 174,793	\$ (28,098)	\$ 492,244
BALANCE DECEMBER 31,	50,493,441	(4,632,500)	45,860,941	\$ 50	\$ 348,073	\$ (245)	\$ 92,415	\$ (70,012)	\$ 370,556

2007Cumulative-Effect
Adjustment from
the Adoption of
EITF Issue

No. 06-4 Shares Issued for Business								(2,223)	(2,223)
Acquisitions	39,608		39,608	1	292				293
Repurchase of Stock Options					(70)				(70)
Share-Based Compensation Expense					271	16			287
Restricted Stock Awards	5,000		5,000		41	(41)			
Cash Dividends								(2,753)	(2,753)
Comprehensive Income:									
Net Income								2,921	2,921
Change in Unrealized Loss on Securities Available for Sale, Interest-Only Strips and Interest Rate Swaps, Net of Tax								1,353	1,353
Total Comprehensive Income									4,274

BALANCE
MARCH 31,
2008

50,538,049	(4,632,500)	45,905,549	\$ 51	\$ 348,607	\$(270)	\$ 1,628	\$ 90,360	\$(70,012)	\$ 370,364
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See Accompanying Notes to Consolidated Financial Statements.

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HANMI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In Thousands)

	Three Months Ended	
	March 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 2,921	\$ 12,992
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:		
Depreciation and Amortization of Premises and Equipment	749	703
Amortization of Premiums and Accretion of Discounts on Investments, Net	(353)	48
Amortization of Other Intangible Assets	524	614
Amortization of Servicing Assets	(413)	(529)
Share-Based Compensation Expense	287	480
Provision for Credit Losses	17,821	6,132
Federal Home Loan Bank Stock Dividends	(239)	(193)
Gain on Sales of Securities Available for Sale	(618)	
Increase in Fair Value of Derivatives	(239)	(92)
Gain on Sales of Loans	(213)	(1,400)
Loss on Sales of Premises and Equipment	1	10
Origination of Loans Held for Sale	(8,356)	(24,698)
Proceeds from Sales of Loans Held for Sale	6,351	35,771
Decrease in Accrued Interest Receivable	1,994	180
Decrease in Servicing Asset	529	580
Increase in Cash Surrender Value of Bank-Owned Life Insurance	(235)	(230)
Decrease (Increase) in Other Assets	6,470	(3,471)
Decrease in Accrued Interest Payable	(3,971)	(203)
Increase in Other Liabilities	1,339	5,295
Other, Net	132	783
Net Cash Provided By Operating Activities	24,481	32,772
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Matured Term Federal Funds Sold		5,000
Proceeds from Matured or Called Securities Available for Sale	30,256	11,334
Proceeds from Sales of Securities Available for Sale	24,001	
Proceeds from Sales of Other Real Estate Owned	155	
Net Increase in Loans Receivable	(24,410)	(64,317)
Purchases of Securities Available for Sale	(24,581)	
Purchases of Premises and Equipment	(629)	(944)
Business Acquisitions, Net of Cash Acquired		(4,121)
Net Cash Provided By (Used In) Investing Activities	4,792	(53,048)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in Deposits	26,069	39,292

Proceeds from Exercises of Stock Options		389
Stock Issued for Business Acquisitions		2,198
Cash Paid to Acquire Treasury Stock		(8,057)
Cash Paid to Repurchase Stock Options	(70)	
Cash Dividends Paid	(2,753)	(2,950)
Repayment of Long-Term FHLB Advances and Other Borrowings	(115)	(109)
Net Change in Short-Term FHLB Advances and Other Borrowings	(71,496)	(814)
Net Cash (Used In) Provided By Financing Activities	(48,365)	29,949
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(19,092)	9,673
Cash and Cash Equivalents at Beginning of Period	122,398	138,501
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 103,306	\$ 148,174
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash Paid During the Period for:		
Interest	\$ 38,459	\$ 29,688
Income Tax Payments, Net of Refunds	\$ 163	\$ 711
Non-Cash Activities:		
Stock Issued for Business Acquisition Contingent Consideration	\$ 293	\$

See Accompanying Notes to Consolidated Financial Statements.

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HANMI FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2008 AND 2007

NOTE 1 BASIS OF PRESENTATION

Hanmi Financial Corporation (Hanmi Financial, we or us) is a Delaware corporation and is subject to the Bank Holding Company Act of 1956, as amended. Our primary subsidiary is Hanmi Bank (the Bank). Our other subsidiaries are Chun-Ha Insurance Services, Inc. (Chun-Ha) and All World Insurance Services, Inc. (All World&#