

HANMI FINANCIAL CORP
Form 10-Q
May 09, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2012

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)

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Delaware
(State or Other Jurisdiction of

95-4788120
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

3660 Wilshire Boulevard, Penthouse Suite A

Los Angeles, California
(Address of Principal Executive Offices)

90010
(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 has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer (Do Not Check if a Smaller Reporting Company) Smaller Reporting Company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of April 30, 2012, there were 31,489,201 outstanding shares of the Registrant's Common Stock.

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

THREE MONTHS ENDED MARCH 31, 2012

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In Thousands, Except Share Data)

	March 31, 2012	December 31, 2011
ASSETS		
Cash and Due From Banks	\$ 68,093	\$ 80,582
Interest-Bearing Deposits in Other Banks	92,149	101,101
Federal Funds Sold		20,000
Cash and Cash Equivalents	160,242	201,683
Restricted Cash	1,818	1,818
Term Federal Funds Sold	120,000	115,000
Securities Available for Sale, at Fair Value (Amortized Cost of \$351,048 as of March 31, 2012 and \$377,747 as of December 31, 2011, respectively)	355,837	381,862
Securities Held to Maturity, at Amortized Cost (Fair Value of \$59,977 as of March 31, 2012 and \$59,363 as of December 31, 2011, respectively)	59,472	59,742
Loans Held for Sale, at the Lower of Cost or Fair Value	55,993	22,587
Loans Receivable, Net of Allowance for Loan Losses of \$81,052 as of March 31, 2012 and \$89,936 as of December 31, 2011, respectively	1,896,827	1,849,020
Accrued Interest Receivable	7,969	7,829
Premises and Equipment, Net	16,272	16,603
Other Real Estate Owned, Net	1,260	180
Customers Liability on Acceptances	1,539	1,715
Servicing Assets	3,515	3,720
Other Intangible Assets, Net	1,462	1,533
Investment in Federal Home Loan Bank Stock, at Cost	21,761	22,854
Investment in Federal Reserve Bank Stock, at Cost	8,558	8,558
Income Taxes Assets	11,501	9,073
Bank-Owned Life Insurance	28,344	28,289
Prepaid Expenses	3,204	1,598
Other Assets	15,897	11,160
TOTAL ASSETS	\$ 2,771,471	\$ 2,744,824
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES:		
Deposits:		
Noninterest-Bearing	\$ 704,061	\$ 634,466
Interest-Bearing	1,659,665	1,710,444
	2,363,726	2,344,910
Accrued Interest Payable	15,602	16,032
Bank's Liability on Acceptances	1,539	1,715
Federal Home Loan Bank Advances	3,213	3,303
Junior Subordinated Debentures	82,406	82,406
Accrued Expenses and Other Liabilities	11,267	10,850

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TOTAL LIABILITIES	2,477,753	2,459,216
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY:		
Common Stock, \$0.008 Par Value; Authorized 62,500,000 Shares; Issued 32,066,987 Shares (31,489,201 Shares Outstanding) and 32,066,987 Shares (31,489,201 Shares Outstanding) as of March 31, 2012 and December 31, 2011, respectively	257	257
Additional Paid-In Capital	549,811	549,744
Unearned Compensation	(141)	(166)
Accumulated Other Comprehensive Income - Unrealized Gain on Securities Available for Sale and Interest-Only Strips, Net of Income Taxes of \$602 as of March 31, 2012, and as of December 31, 2011	4,201	3,524
Accumulated Deficit	(190,552)	(197,893)
Less Treasury Stock, at Cost; 577,786 Shares as of March 31, 2012 and as of December 31, 2011	(69,858)	(69,858)
TOTAL STOCKHOLDERS EQUITY	293,718	285,608
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 2,771,471	\$ 2,744,824

See Accompanying Notes to Consolidated Financial Statements. (Unaudited)

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

(In Thousands, Except Per Share Data)

	Three Months Ended March 31,	
	2012	2011
INTEREST AND DIVIDEND INCOME:		
Interest and Fees on Loans	\$ 27,542	\$ 30,905
Taxable Interest on Investment Securities	2,098	2,673
Tax-Exempt Interest on Investment Securities	102	40
Interest on Term Federal Funds Sold	325	27
Dividends on Federal Reserve Bank Stock	128	112
Interest on Federal Funds Sold and Securities Purchased Under Resale Agreements	2	8
Interest on Interest-Bearing Deposits in Other Banks	68	89
Dividends on Federal Home Loan Bank Stock	29	21
Total Interest and Dividend Income	30,294	33,875
INTEREST EXPENSE:		
Interest on Deposits	4,919	6,735
Interest on Federal Home Loan Bank Advances	43	333
Interest on Junior Subordinated Debentures	799	698
Total Interest Expense	5,761	7,766
NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES	24,533	26,109
Provision for Credit Losses	2,000	
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	22,533	26,109
NON-INTEREST INCOME:		
Service Charges on Deposit Accounts	3,168	3,141
Insurance Commissions	1,236	1,260
Remittance Fees	454	462
Trade Finance Fees	292	297
Other Service Charges and Fees	364	333
Bank-Owned Life Insurance Income	399	230
Net (Loss) on Sales of Loans	(2,393)	(338)
Net Gain on Sales of Investment Securities	1	
Other Operating Income	112	123
Total Non-Interest Income	3,633	5,508
NON-INTEREST EXPENSE:		
Salaries and Employee Benefits	9,110	9,124
Occupancy and Equipment	2,595	2,565
Deposit Insurance Premiums and Regulatory Assessments	1,401	2,070
Data Processing	1,253	1,399
Other Real Estate Owned Expense	(44)	829
Professional Fees	749	789
Directors and Officers Liability Insurance	297	734
Supplies and Communications	558	578
Advertising and Promotion	601	566

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Loan-Related Expense	200	225
Amortization of Other Intangible Assets	71	218
Other Operating Expenses	1,955	1,964
Total Non-Interest Expense	18,746	21,061
INCOME BEFORE PROVISION FOR INCOME TAXES	7,420	10,556
Provision for Income Taxes	79	119
NET INCOME	\$ 7,341	\$ 10,437
EARNINGS PER SHARE:		
Basic	\$ 0.23	\$ 0.55
Diluted	\$ 0.23	\$ 0.55
WEIGHTED-AVERAGE SHARES OUTSTANDING:		
Basic	31,470,520	18,882,627
Diluted	31,489,569	18,910,947

See Accompanying Notes to Consolidated Financial Statements. (Unaudited)

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)*(In Thousands)*

	Three Months Ended	
	March 31,	
	2012	2011
NET INCOME	\$ 7,341	\$ 10,437
OTHER COMPREHENSIVE INCOME, NET OF TAX		
Unrealized gains on securities		
Unrealized holding gains arising during period	674	43
Less: Reclassification adjustment for gains included in net income		
Unrealized gains on interest rate swap	1	1
Unrealized gains on interest-only strip of servicing assets	2	
Other Comprehensive Income	677	44
COMPREHENSIVE INCOME	\$ 8,018	\$ 10,481

See Accompanying Notes to Consolidated Financial Statements. (Unaudited)

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (UNAUDITED)

(In Thousands)

	Common Stock		Number of Shares	Additional Paid-in Capital	Unearned Compensation	Stockholders Equity			Total Stockholders Equity	
	Gross Shares Issued and Outstanding	Treasury Shares				Net Shares Issued and Outstanding	Other Comprehensive Income (Loss)	Retained Earnings (Deficit)		Treasury Stock, at Cost
BALANCE AT JANUARY 1, 2011	19,478,862	(579,063)	18,899,799	\$ 156	\$ 472,335	\$ (219)	\$ (2,964)	\$ (226,040)	\$ (70,012)	\$ 173,256
Share-Based Compensation Expense					263	51				314
Restricted Stock Awards	7,500		7,500		78	(78)				
Comprehensive Income:										
Net Income								10,437		10,437
Change in Unrealized Gain on Securities Available for Sale and Interest-Only Strips, Net of Income Taxes							44			44
Total Comprehensive Income										10,481
BALANCE AT MARCH 31, 2011	19,486,362	(579,063)	18,907,299	\$ 156	\$ 472,676	\$ (246)	\$ (2,920)	\$ (215,603)	\$ (70,012)	\$ 184,051
BALANCE AT JANUARY 1, 2012	32,066,987	(577,786)	31,489,201	\$ 257	\$ 549,744	\$ (166)	\$ 3,524	\$ (197,893)	\$ (69,858)	\$ 285,608
Share-Based Compensation Expense					67	25				92
Comprehensive Income:										
Net Income								7,341		7,341
Change in Unrealized Gain on Securities Available for Sale and Interest-Only Strips, Net of Income Taxes							677			677
Total Comprehensive Income										8,018
BALANCE AT MARCH 31, 2012	32,066,987	(577,786)	31,489,201	\$ 257	\$ 549,811	\$ (141)	\$ 4,201	\$ (190,552)	\$ (69,858)	\$ 293,718

See Accompanying Notes to Consolidated Financial Statements (Unaudited).

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In Thousands)

	Three Months Ended March 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	7,341	10,437
Adjustments to Reconcile Net Income to Net Cash (Used In) Provided By Operating Activities:		
Depreciation and Amortization of Premises and Equipment	554	547
Amortization of Premiums and Accretion of Discounts on Investment Securities, Net	1,078	717
Amortization of Other Intangible Assets	71	218
Amortization of Servicing Assets	205	192
Share-Based Compensation Expense	92	314
Provision for Credit Losses	2,000	
Net Gain on Sales of Investment Securities	(1)	
Net Loss (Gain) on Sales of Loans	1,736	(1,883)
Loss on Sales of Other Real Estate Owned		219
Valuation Impairment on Other Real Estate Owned		441
Lower of Cost or Fair Value Adjustment for Loans Held for Sale	657	2,221
Gain on Bank-Owned Life Insurance Settlement	(163)	
Proceeds from Insurance Settlement on Bank-Owned Life Insurance	344	
Increase in Cash Surrender Value of Bank-Owned Life Insurance	(236)	(231)
Origination of Loans Held for Sale	(25,866)	(1,771)
Changes in Fair Value of Stock Warrants	170	14
Loss on Investment in Affordable Housing Partnership	220	220
Increase in Accrued Interest Receivable	(140)	(748)
Increase in Prepaid Expenses	(1,606)	(2,520)
Increase in Other Assets	(4,957)	(78)
Increase in Income Taxes Assets	(2,428)	
Decrease in Accrued Interest Payable	(430)	(1,782)
Increase in Other Liabilities	247	722
Net Cash (Used In) Provided By Operating Activities	(21,112)	7,249
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Redemption of Federal Home Loan Bank and Federal Reserve Bank Stock	1,093	1,082
Proceeds from Matured or Called Securities Available for Sale	40,873	19,173
Proceeds from Sale of Securities Available for Sale	3,000	
Proceeds from Matured or Called Securities Held to Maturity	135	7
Proceeds from Sales of Other Real Estate Owned		1,752
Proceeds from Sales of Loans Held for Sale	26,961	27,944
Net (Increase) Decrease in Loans Receivable	(20,353)	44,680
Purchase of Residential Mortgage Loans	(67,428)	
Purchases of Term Federal Fund	(5,000)	
Purchases of Securities Available for Sale	(18,113)	(145,083)
Purchases of Premises and Equipment	(223)	(113)
Net Cash Used In Investing Activities	(39,055)	(50,558)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Deposits	18,816	(35,781)
Repayment of Long-Term Federal Home Loan Bank Advances	(90)	(413)
Net Change in Short-Term Federal Home Loan Bank Advances and Other Borrowings		144

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Net Cash Provided By (Used In) Financing Activities	18,726	(36,050)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(41,441)	(79,359)
Cash and Cash Equivalents at Beginning of Year	201,683	249,720
CASH AND CASH EQUIVALENTS AT END OF PERIOD	160,242	170,361
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Period for:		
Interest Paid		