

HANMI FINANCIAL CORP
Form DEF 14A
April 12, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

HANMI FINANCIAL CORPORATION

(Name of Registrant as Specified In Its Charter)

Not Applicable

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

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HANMI FINANCIAL CORPORATION

3660 Wilshire Boulevard, Penthouse Suite A

Los Angeles, California 90010

(213) 382-2200

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 22, 2019

TO THE STOCKHOLDERS OF HANMI FINANCIAL CORPORATION:

NOTICE IS HEREBY GIVEN that the 2019 annual meeting of stockholders (the Annual Meeting) of Hanmi Financial Corporation (Hanmi, the Company, we, us or our) will be held at the Oxford Palace Hotel, located at 7 Oxford Ave., Los Angeles, California, on Wednesday, May 22, 2019 at 10:30 a.m., Pacific Time, for the following purposes:

- 1. To elect nine (9) directors to serve for terms expiring at the 2020 Annual Meeting of Stockholders and until their successors are elected and qualified;**
- 2. To provide a non-binding advisory vote to approve the compensation of our Named Executive Officers (Say-on-Pay vote);**
- 3. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019; and**
- 4. To consider any other business properly brought before the meeting.**

You are cordially invited to attend the Annual Meeting in person. Whether or not you plan to attend in person, please vote by signing, dating and returning the enclosed proxy card by mail. You may also vote by telephone or Internet. Any stockholder attending the Annual Meeting may vote in person even if he or she previously returned a proxy card.

By Order of Our Board of Directors,

Joseph K. Rho

Chairman of the Board

Los Angeles, California

April 12, 2019

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
2019 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 22, 2019:**

This Proxy Statement and the 2018 Annual Report on Form 10-K are available electronically at

www.hanmi.com **by clicking on Investor Relations and then Proxy Materials.**

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PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 22, 2019

The Board of Directors (our Board) of HANMI FINANCIAL CORPORATION is soliciting your proxy for use at the 2019 annual meeting of stockholders (the Annual Meeting) to be held at the Oxford Palace Hotel, located at 745 S. Oxford Ave., Los Angeles, California, on Wednesday, May 22, 2019 at 10:30 a.m., Pacific Time, and at any adjournments or postponements thereof.

PROXY STATEMENT SUMMARY

MATTERS TO BE CONSIDERED AND VOTE RECOMMENDATION

We are asking stockholders to vote on the following matters at the Annual Meeting of Stockholders:

Proposal	Our Board's Recommendation
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Item 1. Election of Directors (page 14)

The Board believes that the nine (9) director nominees possess the necessary qualifications to provide effective oversight of the Company's business and quality advice and counsel to our management.

**FOR each
Director Nominee**

Item 2. Advisory Vote to Approve Executive Compensation (Say-on-Pay Vote) (page 39)

The Company seeks a non-binding advisory vote from its stockholders to approve the compensation of its Named Executive Officers (NEOs) as described in the *Executive Compensation Compensation Discussion and Analysis* section beginning on page 19. Because your vote is advisory, it will not be binding upon our Board and may not be construed as overruling any decision by our Board. However, the Compensation and Human Resources Committee may, in its sole discretion, take into account the outcome of the vote when considering future executive compensation arrangements.

FOR

Item 3. Ratification of Auditors (page 40)

The Audit Committee and the Board believe that the continued retention of KPMG LLP to serve as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2019 is in the best interests of the Company and its stockholders. As a matter of good corporate governance, stockholders are being asked to ratify the Audit Committee's selection of the independent registered public accounting firm. If the stockholders do not ratify the selection by a majority vote of the shares present and voting, we will reconsider whether or not to retain KPMG. Even if the selection is ratified, we may, in our discretion, appoint a different independent registered public accounting firm at any time during the year if we determine that such a change would be in our and our stockholders' best interests.

FOR

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PROXY STATEMENT SUMMARY

QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND THE ANNUAL MEETING

Q: Why did I receive this Proxy Statement?

A: You received this Proxy Statement and the enclosed proxy card because we are soliciting your vote at the Annual Meeting. As a stockholder of record of our common stock, you are invited to attend the Annual Meeting, and are entitled and requested to vote on the proposals described in this Proxy Statement. This Proxy Statement summarizes the information you need to know to cast an informed vote at the Annual Meeting. However, you do not need to attend the Annual Meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card by mail. You may also vote by telephone or Internet.

We will begin posting this Proxy Statement, notice of the Annual Meeting, and the enclosed proxy card on or about April 12, 2019 to all stockholders entitled to vote.

Q: Who is entitled to vote and how many votes do I have?

A: All stockholders of our common stock as of the close of business on April 2, 2019, and only those stockholders, will be entitled to vote at the Annual Meeting. You have one vote for each share of our common stock you owned as of the close of business on the record date.

Q: How many shares are eligible to be voted?

A: As of April 2, 2019, 30,861,097 shares of our common stock were outstanding. Each outstanding share of our common stock will entitle its holder to one vote on each matter to be voted on at the Annual Meeting.

Q: What is the difference between holding shares as a record holder and in street name ?

A: Record Holders: If your shares of common stock are registered directly in your name on our stock records, you are considered the stockholder of record, or the record holder of those shares. As the record holder, you have the right to vote your shares in person or by proxy at the Annual Meeting.

Street Name Holders: If your shares of common stock are held in an account at a brokerage firm, bank, or other similar entity, then you are the beneficial owner of shares held in street name. The entity holding your account is considered the record holder for purposes of voting at the Annual Meeting. As the beneficial owner, you have the right to direct this entity on how to vote the shares held in your account. However, as described below, you may not vote these shares in person at the Annual Meeting unless you obtain a legal proxy from the entity that holds your shares giving you the right to vote the shares at the Annual Meeting.

Q: What is a broker non-vote?

A: Current regulations restrict the ability of your brokerage firm, bank or similar entity to vote your shares in the election of directors and other matters on a discretionary basis. Thus, if you hold your shares in street name and you do not instruct your bank or broker how to vote in the election of directors or for the advisory vote regarding the compensation of our NEOs, no votes will be cast on your behalf. These are referred to as broker non-votes. Your bank or broker does, however, continue to have discretion to vote any shares for which you do not provide instructions on how to vote on the ratification of the appointment of our independent registered public accounting firm (Proposal 3 of this Proxy Statement).

Q: What is the required quorum at the Annual Meeting?

A: Quorum for the transaction of business at the Annual Meeting requires the presence, in person or by proxy, of the holders of a majority of all shares entitled to vote at a meeting of stockholders. Abstentions and broker non-votes are treated as being present for purposes of establishing a quorum.

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PROXY STATEMENT SUMMARY

Q: What vote is required to approve each proposal at the Annual Meeting?

- A: **1. *Election of Directors.*** Directors are elected by a majority of votes cast in uncontested elections. In order to be elected to the Board, the votes cast for the nominee must exceed the number of votes cast against the nominee.
- 2. *Advisory Vote on the Compensation of our NEOs.*** Approval, on an advisory basis, of the compensation of our NEOs requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote.
- 3. *Ratification of Selection of Auditors.*** Ratification of the selection of KPMG as our independent registered public accounting firm for the fiscal year ending December 31, 2019 requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote.

Q: What is the effect of broker non-votes and abstentions?

A: Abstentions and broker non-votes will be counted for determining a quorum. Your broker, however, will not be entitled to vote without your instruction on Proposals 1 and 2 on the election of directors and the advisory (non-binding) proposal to approve the compensation of our NEOs.

Your broker will be authorized to vote your shares on the ratification of our independent registered public accounting firm even if it does not receive instructions from you, and accordingly, broker non-votes will have no effect on this proposal.

Abstentions will have no effect on the election of directors in Proposal 1, but will have the effect of a vote AGAINST Proposals 2 and 3 for the advisory (non-binding) vote to approve the compensation of NEOs and the ratification of our independent registered public accounting firm, respectively.

Q: How can I vote my shares?

A: If you hold your shares of common stock in your own name and not through a broker or another nominee, you may vote your shares of common stock by the following methods, subject to compliance with the applicable cutoff times and deadlines described below:

By Internet

You can vote on the website printed on your proxy card. Internet voting is available 24 hours a day until 11:59 p.m., Pacific Time, on May 21, 2019. If you vote via the Internet, you do not need to return your proxy card.

By Mail

You can vote by mail by signing, dating and returning the proxy card in the postage-paid envelope provided to you. Proxy cards sent by mail must be received by May 21, 2019.

By Telephone

You can vote by dialing the toll-free number printed on your proxy card. Telephone voting is available 24 hours a day until 11:59 p.m., Pacific Time, on May 21, 2019. If you vote by telephone, you do not need to return your proxy card.

In Person

By attending the Annual Meeting and voting in person.

Whichever of these methods you select to transmit your instructions, the proxy holders will vote your shares of common stock in accordance with your instructions. If you give a proxy without specific voting instructions, your proxy will be voted by the proxy holders **FOR** each of the director nominees named in this Proxy Statement, **FOR** the approval, on an advisory basis, of the compensation of our NEOs, **FOR** the ratification of our independent registered public accounting firm, and at the proxy holders

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PROXY STATEMENT SUMMARY

discretion on such other matters, if any, as may properly come before the Annual Meeting (including any proposal to adjourn the Annual Meeting).

Q: Can I change or revoke my vote after I return my proxy card?

A: You may revoke a proxy at any time before the vote is taken at the Annual Meeting by advising our Corporate Secretary in writing before the vote at the Annual Meeting is taken, by submitting a properly executed proxy of a later date by mail, telephone or Internet, or by attending the Annual Meeting and voting in person. Any filing with the Corporate Secretary should be addressed to Hanmi Financial Corporation, 3660 Wilshire Boulevard, Penthouse Suite A, Los Angeles, California 90010. Attendance at the Annual Meeting will not by itself constitute revocation of a proxy.

Q: How do I vote in person?

A: If you plan to attend the Annual Meeting and vote in person, we will give you a ballot form when you arrive. However, if your shares of common stock are held in the name of your broker, bank or other nominee, you must bring a legal proxy from your broker, bank or other nominee to vote your shares of common stock at the Annual Meeting.

Q: How will proxies be solicited?

A: In addition to soliciting proxies by mail, our officers, directors, and employees, without receiving any additional compensation, may solicit proxies by telephone, fax, in person, or by other means. Arrangements may also be made with brokerage firms and other custodians, nominees, and fiduciaries to forward proxy solicitation materials to the beneficial owners of our common stock held of record by such persons, and we will reimburse such brokerage firms, custodians, nominees, and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection therewith.

Q: Will any other matters be considered at the Annual Meeting?

A: We are not aware of any matter to be presented at the Annual Meeting other than the proposals discussed in this Proxy Statement. If other matters are properly presented at the Annual Meeting, then the persons named as proxies will have the authority to vote all properly executed proxies in accordance with the direction of our

Board, or, if no such direction is given, in accordance with the judgment of the persons holding such proxies on any such matter, including any proposal to adjourn or postpone the Annual Meeting.

Q: Are there any rules regarding admission to the Annual Meeting?

A: Yes. You are entitled to attend the Annual Meeting only if you were a stockholder as of the record date, or you hold a valid legal proxy naming you to act for one of our stockholders on the record date. Before we admit you to the Annual Meeting, we must be able to confirm:

Your identity by reviewing a valid form of photo identification, such as a driver's license or passport; and

You were, or are validly acting for, a stockholder of record on the record date by:

Verifying your name and stock ownership against our list of registered stockholders, if you are the record holder of your shares;

Reviewing other evidence of your stock ownership, such as your most recent brokerage or bank statement, if you hold your shares in street name; or

Reviewing a written proxy that shows your name and is signed by the stockholder you are representing, in which case either the stockholder must be a registered stockholder of record or you must have a brokerage or bank statement for that stockholder as described above.

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If you do not have a valid form of photo identification and proof that you owned or are legally authorized to act as proxy for someone who owned, shares of our common stock on April 2, 2019, you will not be admitted into the Annual Meeting.

Q: Is my vote confidential?

A: Your vote will not be disclosed either within the Company or to third parties, except as necessary to meet applicable legal requirements, to allow for the tabulation of votes and certification of the vote, or to facilitate a successful proxy solicitation.

Q: Where can I find the voting results of the Annual Meeting?

A: We intend to disclose voting results on a Current Report on Form 8-K to be filed with the U.S. Securities and Exchange Commission (the SEC) within four business days after the Annual Meeting.

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The following table provides summary information about our directors as of April 12, 2019.

Name	Age	Director Since	Principal Occupation	Committee Memberships			
				A	CHR	NCG	RCP
Joseph K. Rho* (Chairman)	78	2000	<i>Retired (current and former Chairman of the Boards of Hanmi and Hanmi Bank)</i>				
John J. Ahn* (Vice Chairman)	54	2014	<i>President of Great American Capital Partners, LLC</i>				
Kiho Choi*	63	2018	<i>Managing Partner of CKP, LLP</i>				
Christie K. Chu*	54	2015	<i>President & CEO of CKC Accountancy Corporation</i>				
Harry H. Chung*^{FE}	49	2016	<i>Chief Operations Officer & Chief Financial Officer of Great American Capital Partners, LLC</i>				
Scott R. Diehl*	57	2018	<i>Retired (former Group Head of Global Capital Solutions)</i>				

of Wells Fargo Capital Finance)

C. G. Kum	64	2013	<i>CEO of Hanmi and Hanmi Bank</i>
Bonita I. Lee	56	2019	<i>President & COO of Hanmi and Hanmi Bank</i>
David L. Rosenblum*^{FE}	66	2014	<i>Retired (former Senior Principal of Deloitte Consulting LLP)</i>
Thomas J. Williams*	56	2016	<i>Retired (former Senior Vice President & Chief Risk Officer of BofI Federal Bank)</i>
Michael M. Yang*	57	2016	<i>Founder & CEO of Michael Yang Capital Management, LLC</i>

Chairperson

Member

Committees: **A** = Audit; **CHR** = Compensation and Human Resources; **NCG** = Nominating and Corporate Governance;

RCP = Risk, Compliance and Planning

* = Independent Director; **FE** = Audit Committee Financial Expert

CORPORATE GOVERNANCE

Hanmi is committed to sound corporate governance principles and adopted formal Corporate Governance Guidelines. Hanmi has also adopted a Code of Business Conduct and Ethics for employees, executive officers and directors. These Corporate Governance Guidelines, as well as Hanmi's Code of Business Conduct and Ethics and other governance matters of interest to investors, are available through Hanmi's website at www.hanmi.com on the Investor Relations page. Any amendments or waivers applicable to an executive officer or director to the Code of Business and Ethics

will also be posted on Hanmi's website.

DIRECTOR INDEPENDENCE

Our common stock is listed on the Nasdaq Global Select Market (Nasdaq). Under Nasdaq rules, independent directors must comprise a majority of a listed company's board of directors. In addition, Nasdaq requires that, subject to specified exceptions, each member of a listed company's audit, compensation, and nominating and corporate governance committees must be independent. Under these rules, a director is independent only if the board of directors of a company makes an affirmative determination that the director has no material relationship with the company that would impair his or her independence.

Our Board has undertaken a review of the independence of each director in accordance with Nasdaq rules and requirements of the SEC. Based on this review, our Board has determined that all of its directors are independent under the applicable listing standards of Nasdaq, except for C. G. Kum, our current Chief Executive Officer, and Bonita I. Lee, our current President. In making this determination, our Board considered the relationships that each non-employee director has with us and all other facts and

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CORPORATE GOVERNANCE AND BOARD MATTERS

circumstances that the Board deemed relevant in determining their independence. See *Board Meetings and Committees* below for additional information regarding the Board's independence determinations applicable to each of the committees.

BOARD MEETINGS AND COMMITTEES

During the fiscal year ended December 31, 2018, our Board held eleven (11) joint board meetings with the Board of Hanmi Bank (the "Bank"), the wholly-owned subsidiary of Hanmi, and five (5) special board meetings, for a total of sixteen (16) board meetings. All Board members were present for more than 75% of the aggregate number of meetings of our Board and the committees on which he or she served. Hanmi's policy is to encourage all directors to attend all Annual and Special Meetings of Stockholders. Hanmi's 2018 Annual Meeting of Stockholders was attended by all directors.

Our Board has four (4) standing committees: the Audit Committee, the Compensation and Human Resources Committee (the "CHR Committee"), the Nominating and Corporate Governance Committee (the "NCG Committee"), and the Risk, Compliance and Planning Committee (the "RCP Committee"). Each committee is governed by a charter, each of which is available through Hanmi's website at www.hanmi.com on the "Investor Relations" page.

Audit Committee

The Audit Committee reports to the Board and is responsible for overseeing and monitoring financial accounting and reporting, the system of internal controls established by management, and our audit process and policies. Through its oversight of the audit function, the Audit Committee ensures compliance with laws and regulations.

As outlined in its charter, the Audit Committee has the following responsibilities, among others:

Assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process, and Hanmi's process for monitoring compliance with laws and regulations and the code of conduct;

Review the unaudited quarterly and audited annual financial statements;

Review the adequacy of internal control systems and financial reporting procedures with management and the independent auditor;

Review and approve the general scope of the annual audit and the fees charged by the independent registered public accounting firm; and

Review and approve the general scope of the annual internal audit plan and associated fees. The Audit Committee held twelve (12) meetings during the fiscal year ended December 31, 2018.

Compensation and Human Resources Committee

The CHR Committee assists the Board by overseeing the compensation of all of Hanmi's executive officers, including Hanmi's Chief Executive Officer, as well as administering Hanmi's compensation plans. As outlined in its charter, the CHR Committee has the following responsibilities, among others:

Review and approve the Company's overall compensation theory, plans, policies and programs as it relates to directors, the Chief Executive Officer and executive officers;

Approve directors overall compensation, policies and programs;

Oversee management development and management succession planning;

Review and approve executive officers separation plan or severance agreements; and

Lead the Board in its annual review of executive management's performance as it relates to metrics for bonus payouts.

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The CHR Committee also sets the compensation policy of the Company as more fully described below under *Executive Compensation – Compensation Discussion and Analysis*. To evaluate and administer the compensation programs of our NEOs, the CHR Committee meets at least four times a year. In addition, the CHR Committee also holds special meetings to discuss extraordinary items. At the end of a meeting, the CHR Committee may choose to meet in executive session, when necessary. The CHR Committee is also authorized to retain outside consultants to assist it in determining executive officer compensation.

Each member is an outside director (as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code)) and a non-employee director (as defined in Section 16 of the Securities Exchange Act of 1934 (the Exchange Act)). The CHR Committee held eight (8) meetings during the fiscal year ended December 31, 2018.

Nominating and Corporate Governance Committee

As described in its charter, the NCG Committee assists the Board as follows:

Identify individuals qualified to become directors;

Recommend to the Board nominees for the Board and its committees;

Develop, recommend, and implement a set of corporate governance principles applicable to Hanmi; and

Monitor the process to determine the effectiveness of the Board and its committees.

See *Consideration of Director Nominees* below for additional information regarding the director nomination process. The NCG Committee is also authorized to retain outside consultants to assist it in fulfilling any of its duties, including Board and director assessment and Board evaluation.

The NCG Committee held eight (8) meetings during the fiscal year ended December 31, 2018.

Risk, Compliance and Planning Committee

As outlined in its charter, the RCP Committee is responsible for providing oversight of the enterprise risk management framework, including the strategies, policies, procedures and systems established by management to identify, assess, measure and manage the significant risks facing the Company. It also oversees strategic planning generally and recommends new lines of business and the budget to our Board.

The RCP Committee held seven (7) meetings during the fiscal year ended December 31, 2018.

BOARD LEADERSHIP STRUCTURE

The Board is committed to having a sound governance structure that promotes the best interest of all Hanmi stockholders. Our leadership structure includes the following principles:

We believe that yearly elections hold the directors of the Board more accountable to our stockholders.

All of the directors are independent, except for C. G. Kum, our current Chief Executive Officer, and Bonita I. Lee, our current President. The Board has affirmatively determined that the other eight (8) directors nominated for re-election are independent under the SEC and Nasdaq corporate governance rules, as applicable.

We have separated the positions of the Chairman of the Board and Chief Executive Officer in the Company's Bylaws to ensure the independence of the Chairman. The Chairman focuses on board oversight responsibilities, strategic planning and mentoring company officers. The Chairman also periodically represents the Bank at public functions. The Chief Executive Officer focuses on the development and execution of Company strategies.

We also maintain a Vice Chairman of the Board, who is an independent director exercising all the powers and discharging all of the duties of the Chairman of the Board in such circumstances before a Chairman is appointed or a sitting Chairman becomes absent or disabled. Director John J. Ahn serves as Vice Chairman.

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We believe the Board structure serves the interests of the stockholders by balancing the practicalities of running the Company with the need for director accountability.

BOARD'S ROLE IN RISK OVERSIGHT

The Board oversees an enterprise-wide approach to risk management, designed to support the achievement of organization objectives in the areas of strategy, operations, reporting and compliance. The Board recognizes that these objectives are important to improve and sustain long-term performance and stockholder value. A fundamental part of risk management is not only identifying the risks the Company faces and the steps management is taking to manage those risks, but also determining what constitutes the appropriate level of risk based upon the Company's activities and risk appetite.

The RCP Committee goes through an extensive review of the enterprise risk assessment on a quarterly basis with the guidance of the RCP Committee Chairperson and the Bank's Chief Risk Officer. The risk assessment is also reviewed by the Board quarterly. In this process, risk is assessed throughout the Company by focusing on the following six (6) areas: credit, liquidity, market, operations, compliance / legal and reputational. Risks that simultaneously affect different parts of the Company are identified, and an interrelated response is made.

While the Board has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management. In particular, the RCP Committee assists the Board in fulfilling its oversight responsibility with respect to regulatory, compliance, operational risk and enterprise risk management issues that affect the Company and works closely with the Company's legal and risk departments. The RCP Committee also oversees risks associated with the short- and long-term direction of the Company and ensures ongoing Board involvement and oversight of the Company's strategic plan. The Audit Committee helps the Board monitor financial risk and internal controls from a risk-based perspective, oversees compliance and the annual audit plan. Reports from the Company's internal audit department are also reviewed by the Audit Committee.

In overseeing compensation, the CHR Committee advocates for incentives that encourage a conservative level of risk-taking behavior consistent with the Company's business strategy and in compliance with all laws and the Interagency Guidance on Incentive Compensation. The NCG Committee oversees the Code of Conduct and Business Ethics policy relating to employees and directors and conducts an annual assessment of corporate governance policies and any potential risk associated with governance and related party matters.

The Bank also has two board committees that oversee risk. The Loan and Credit Policy Committee oversees credit risk by identifying, monitoring, and controlling repayment risk associated with the Bank's lending activities. The Asset Liability Management Committee oversees the implementation of an effective process for managing the Bank's interest rate, liquidity, and similar market risks relating to the Bank's balance sheet and associated activities.

The Board is committed to protecting personal and financial information, and devotes a significant amount of time to information security and cybersecurity risks. Members of the RCP Committee receive regular reports from the Chief Risk Officer related to information technology and information security to fulfill its role of assisting management in

identifying, assessing, measuring and managing certain risks facing the Company.

The Bank's Information Security Officer meets at least quarterly with the RCP Committee to provide updates on cybersecurity and information security risk, and the Board annually reviews and approves our Information Security Program and Information Security Policy. The RCP Committee engages in key decisions to help set direction for information security strategy, as well as to understand and prioritize information security capabilities and associated risk remediation. The Executive IT Steering Committee is an internal Bank committee created to ensure that members of executive management overseeing multiple business units actively understand information security protections and associated risks. The Information Security Officer presents quarterly cybersecurity reports to the Executive IT Steering Committee. In addition, the Bank purchases internet liability and other insurance to protect against cyber security risks.

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CONSIDERATION OF DIRECTOR NOMINEES

The NCG Committee believes that the Board should encompass a broad range of talent, skill, knowledge, experience, diversity and expertise enabling it to provide sound guidance with respect to Hanmi's operations and interests. In addition to considering a candidate's background and accomplishments, candidates are reviewed in the context of the current composition of the Board and the evolving needs of Hanmi's business. Our Board has identified certain core competencies that its directors should possess, including: broad experience in business, finance, accounting, risk management, strategic planning, marketing or administration; familiarity with national and international business matters; familiarity with the Company's industry; and the ability to understand the Company's business. In addition to possessing one or more of these core competencies, the members of our Board should have and demonstrate personal qualities such as integrity, leadership, community prominence and a strong reputation. The experience, skills and qualifications contributed by each of our directors should diversify and complement the core competencies of our collective Board.

The NCG Committee seeks directors with strong reputation and experience in areas relevant to the strategy and operation of Hanmi's business, particularly industries and growth segments that Hanmi operates in, such as the banking and financial services industry, as well as key geographic markets and customer segments. The NCG Committee annually reviews the individual skills and characteristics of the directors, as well as the composition of the Board as a whole. This assessment includes a consideration of independence, diversity, age, skills, expertise and industry background in the context of the needs of the Board and Hanmi.

The Board conducts an annual evaluation to determine whether the Board and its committees are functioning effectively. The NCG Committee oversees the evaluation method and criteria for the Board's annual evaluation of the composition, competence and performance of the Board and its committees. The NCG Committee may retain consultants or advisors to assess the performance and effectiveness of the Board, its committees and each individual director.

The results of any self-evaluations, peer evaluations or evaluations by any consultant or advisor are submitted to the Board. The Board then takes appropriate action based on the Board's assessment and performance evaluations. The Board and director evaluation process considers the best interests of Hanmi, its Board, employees, customers and stockholders. The assessment includes director succession planning and expected future needs of the Board and the Company, so as to ensure that Board effectiveness is not diminished during periods of transition.

Board Diversity

The Corporate Governance Guidelines require the NCG Committee to consider diversity when reviewing the qualifications of candidates to the Board. The NCG Committee seeks to nominate members with diverse backgrounds, skills, professional and industry experience, and other personal qualities, attributes and perspectives that will help ensure a strong and effective governing body that, as a whole, reflects the current and anticipated needs of our Board and Company and can provide oversight responsibility to our stockholders.

Stockholder Recommendations

The NCG Committee will consider stockholder recommendations for director nominees. Such notices must be submitted in writing to Hanmi Financial Corporation, 3660 Wilshire Boulevard, Penthouse Suite A, Los Angeles, California 90010, Attention: Corporate Secretary. Such notices also must comply with other requirements set forth in the Company's Bylaws and be received by the Corporate Secretary within the deadlines provided below under *Stockholder Proposals for the 2020 Annual Meeting*.

In identifying and evaluating director candidates, the NCG Committee will solicit and receive recommendations, and review qualifications of potential director candidates. The NCG Committee may also use search firms to identify director candidates when necessary. To enable the NCG Committee to effectively evaluate director candidates, the NCG Committee may also conduct appropriate inquiries into the

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backgrounds and qualifications of director candidates, including reference checks. As stated above, the NCG Committee will consider director candidates recommended by stockholders utilizing the same criteria as candidates identified by the NCG Committee.

COMMUNICATIONS WITH THE BOARD

Our Board has a process for stockholders to send communications to directors. Hanmi's stockholders and interested parties may send communications to our Board by writing to our Board at Hanmi Financial Corporation, 3660 Wilshire Boulevard, Penthouse Suite A, Los Angeles, California 90010, Attention: Board of Directors. All such communications will be relayed directly to our Board. Any interested party wishing to communicate directly with Hanmi's independent directors regarding any matter may send such communication in writing to Hanmi's independent directors at Hanmi Financial Corporation, 3660 Wilshire Boulevard, Penthouse Suite A, Los Angeles, California 90010, Attention: Chairman of the Board. Any interested party wishing to communicate directly with the Audit Committee regarding any matter, including any accounting, internal accounting controls, or auditing matter, may submit such communication in writing to Hanmi Financial Corporation, 3660 Wilshire Boulevard, Penthouse Suite A, Los Angeles, California 90010, Attention: Chairperson of the Audit Committee.

Correspondence may be submitted on an anonymous basis and submissions of complaints or concerns will not be traced. Confidentiality is a priority, and all communications will be treated confidentially to the fullest extent possible. For submissions that are not anonymous, the sender may be contacted in order to confirm information or to obtain additional information. The Company reserves the right not to forward to Board members any abusive, threatening or otherwise inappropriate materials.

STOCK OWNERSHIP GUIDELINES

Each director is encouraged to own shares of common stock of the Company at a level that demonstrates a meaningful commitment to the Company and the Bank, and to better align the director's interests with the Company's stockholders. A director's stock ownership will be one of the factors considered in deciding whether to nominate or appoint a director to the Board of Directors of the Company.

All directors should acquire shares of the Company's common stock valued at three times (3x) the yearly retainer. Directors are expected to meet the ownership standards set forth herein within five years from April 25, 2018, the date the guidelines were approved by the CHR Committee, or from their first day as a director, whichever is later. Once the guidelines are met, if the stock price decreases, the director will not be required to acquire additional shares. In addition to the stock ownership guidelines described above, each director who acquires shares of Company common stock through the exercise or vesting of a stock option, stock appreciation right or restricted stock will be required to retain fifty percent (50%) of the net shares acquired (net of tax impact that the exercise or vesting has on the individual) for at least twelve (12) months following the date of exercise or vesting, or such earlier time if the individual ceases to be a member of the Board as a result of death, disability, illness, resignation, termination or other reason.

For more information on the Company's Stock Ownership Guidelines, please see *Compensation Discussion and Analysis* *Stock Ownership Guidelines*.

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DIRECTOR COMPENSATION

The following table sets forth certain information regarding compensation paid to persons who served as outside (or non-employee) directors of Hanmi for the fiscal year ended December 31, 2018:

Name	Fees Earned or Paid in Cash ⁽³⁾	Stock Awards ⁽⁴⁾	Option Awards ⁽⁵⁾	Total
John J. Ahn	\$ 71,196	\$ 50,021		\$ 121,217
			\$	
Kiho Choi ⁽¹⁾	\$ 43,100	\$ 50,021		\$ 93,121
			\$	
Christie K. Chu	\$ 70,996	\$ 50,021		\$ 121,017
			\$	
Harry H. Chung	\$ 73,600	\$ 50,021		\$ 123,621
			\$	
Scott R. Diehl ⁽²⁾	\$ 54,900	\$ 50,021		\$ 104,921
			\$	
Joseph K. Rho	\$ 130,400	\$ 50,021	\$	\$ 180,421

David L. Rosenblum	\$ 72,096	\$ 50,021	\$ 122,117
			\$
Thomas J. Williams	\$ 67,100	\$ 50,021	\$ 117,121
			\$
Michael M. Yang	\$ 66,850	\$ 50,021	\$ 116,871
			\$

(1) Kiho Choi was appointed to the Boards, effective April 2, 2018.

(2) Scott R. Diehl was appointed to the Boards, effective February 28, 2018.

(3) Each director who is not an employee of Hanmi (an outside director) is paid a monthly fee of \$3,500 and \$1,000 for attendance at Board meetings (\$500 for telephonic attendance). In addition, the Chairman of the Board receives an additional \$5,500 each month. The Audit Committee Chairperson and the Loan and Credit Policy Committee Chairperson receive an additional \$1,000 each month. The chairpersons of the remaining committees receive an additional \$833 each month, with the exception of the Asset Liability Management Committee Chairperson receiving an additional \$750 each month, and committee members receive an additional \$200 each for attending committee meetings (\$100 each for telephonic attendance). The figures include fees for both Company and Bank board committees.

(4) On June 28, 2018, the Company granted 1,749 restricted shares of the Company's common stock to each non-employee director re-elected, vesting over one year from the grant date. The grant date fair value is based on the number of shares granted and the closing price of the Company's stock on the grant date. The closing price of the Company's common stock was \$28.60. At December 31, 2018, each of the directors had 1,749 restricted shares outstanding.

(5) At December 31, 2018, none of the directors had any stock options outstanding.

DIRECTOR EMERITUS PLAN

The Company recognizes that retiring directors have a great deal of institutional knowledge and that it is in the best interests of the Company to have access to such knowledge. The Company maintains a Director Emeritus Plan (the Plan) for retiring directors. Shortly following a director's decision to retire, the Board's CHR Committee may, at its sole discretion, nominate a retiring director for Emeritus status. Such recommendation will then be considered by the Board.

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A director must serve at least five years on the Board of Directors in order to be considered for the Plan. Each director emeritus will be entitled to one hundred percent (100%) of the then current Board's base cash retainer fee for Board membership. A director emeritus may choose to receive either a non-discounted, lump sum payment of the then current base cash compensation or monthly payments according to the schedule below. In addition, a director emeritus may choose to receive their lump sum payment in Company stock in lieu of a cash payment. If a director emeritus passes away during their term, any compensation rights accrued shall pass to the director's estate.

Years of Service	Director Emeritus Term (months)	Percentage of Cash Compensation
5 years	6	100%
6-10 years	12	100%
11-20 years	24	100%
21-30 years	36	100%
31+ years	48	100%

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PROPOSAL NO. 1 ELECTION OF DIRECTORS

Stockholders are being asked to elect nine (9) director nominees for a one-year term. Subject to their earlier resignation or retirement, directors elected at the Annual Meeting will serve until the 2020 annual meeting of stockholders and until their successors are elected and qualified. Our Board believes that each director nominee satisfies our director qualification standards and accordingly nominates: John J. Ahn, Kiho Choi, Christie K. Chu, Harry H. Chung, Scott R. Diehl, Bonita I. Lee, David L. Rosenblum, Thomas J. Williams and Michael M. Yang.

BOARD OF DIRECTORS AND NOMINEES

Hanmi's directors have a mix of experience and backgrounds, including those that started a business and grew it into a substantial entity to holding senior executive positions in large, complex organizations to those who held positions of importance within regulatory agencies. In those positions, they have also gained experience in core management skills, such as strategic and financial planning, public company financial reporting, corporate governance, risk management, leadership development and, importantly, a deep understanding of our customers.

In addition to each director nominee's professional experience summarized in the table below, our Board believes that each director nominee has other key attributes that are important to an effective Board of Directors, such as, integrity and demonstrated high ethical standards; sound judgment; analytical skills; the ability to engage management and each other in a constructive and collaborative fashion; diversity of origin, background, experience, and thought; and the commitment to devote significant time and energy to service on our Board and its Committees.

None of the director nominees was nominated pursuant to any arrangement or understanding. There are no family relationships among the director nominees or the executive officers of Hanmi.

The following tables set forth information with respect to the director nominees.

John J. Ahn

