

HANMI FINANCIAL CORP

Form 10-Q

August 09, 2006

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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 June 30, 2006

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 or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Exchange Act Rule 12b-2.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

As of August 1, 2006, there were 48,910,180 outstanding shares of the Registrant's Common Stock.

HANMI FINANCIAL CORPORATION AND SUBSIDIARY
QUARTERLY REPORT ON FORM 10-Q
THREE AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005
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CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)*(Dollars in Thousands)*

	June 30, 2006	December 31, 2005
ASSETS		
Cash and Due From Banks	\$ 110,271	\$ 103,477
Federal Funds Sold and Securities Purchased Under Agreements to Resell	1,100	60,000
Cash and Cash Equivalents	111,371	163,477
Securities Held to Maturity, at Amortized Cost (Fair Value: 2006 \$1,031; 2005 \$1,051)	1,032	1,049
Securities Available for Sale, at Fair Value	409,018	442,863
Loans Receivable, Net of Allowance for Loan Losses of \$27,250 and \$24,963 at June 30, 2006 and December 31, 2005, Respectively	2,760,720	2,468,015
Loans Held for Sale, at the Lower of Cost or Fair Value		1,065
Customers' Liability on Acceptances	11,057	8,432
Premises and Equipment, Net	20,312	20,784
Accrued Interest Receivable	14,899	14,120
Deferred Income Taxes	12,337	9,651
Servicing Asset	4,302	3,910
Goodwill	207,646	209,058
Core Deposit Intangible	7,461	8,691
Federal Reserve Bank (FRB) Stock, at Cost	11,760	12,350
Federal Home Loan Bank (FHLB) Stock, at Cost	12,843	12,237
Bank-Owned Life Insurance	23,146	22,713
Other Assets	16,401	15,837
TOTAL ASSETS	\$ 3,624,305	\$ 3,414,252
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Noninterest-Bearing	\$ 778,445	\$ 738,618
Interest-Bearing:		
Savings	110,492	121,574
Money Market Checking	440,970	526,171
Time Deposits of \$100,000 or More	1,287,257	1,161,950
Other Time Deposits	277,848	277,801
Total Deposits	2,895,012	2,826,114
Accrued Interest Payable	15,319	11,911
Acceptances Outstanding	11,057	8,432

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FHLB Advances and Other Borrowings	156,872	46,331
Junior Subordinated Debentures	82,406	82,406
Other Liabilities	12,253	12,281
Total Liabilities	3,172,919	2,987,475
SHAREHOLDERS EQUITY:		
Common Stock, \$.001 Par Value; Authorized 200,000,000 Shares; Issued 50,071,580 Shares (48,908,580 Outstanding) at June 30, 2006 and Issued 49,821,798 Shares (48,658,798 Outstanding) at December 31, 2005	50	50
Additional Paid-In Capital	342,054	339,991
Unearned Compensation		(1,150)
Accumulated Other Comprehensive Loss Unrealized Loss on Securities Available for Sale, Interest-Only Strips and Interest Rate Swaps, Net of Income Taxes of (\$4,446) and (\$1,671) at June 30, 2006 and December 31, 2005, Respectively	(7,800)	(4,383)
Retained Earnings	137,123	112,310
	471,427	446,818
Less Treasury Stock, at Cost; 1,163,000 Shares at June 30, 2006 and December 31, 2005	(20,041)	(20,041)
Total Shareholders Equity	451,386	426,777
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 3,624,305	\$ 3,414,252

See Accompanying Notes to Consolidated Financial Statements.

Table of Contents**HANMI FINANCIAL CORPORATION AND SUBSIDIARY**
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)*(Dollars in Thousands, Except Per Share Data)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
INTEREST INCOME:				
Interest and Fees on Loans	\$ 58,242	\$ 42,750	\$ 110,879	\$ 80,976
Interest on Investments	5,013	4,734	10,112	9,382
Interest on Federal Funds Sold	23	123	312	458
Total Interest Income	63,278	47,607	121,303	90,816
INTEREST EXPENSE:				
Interest on Deposits	21,921	11,345	41,512	21,156
Interest on FHLB Advances and Other Borrowings	2,001	927	2,615	1,452
Interest on Junior Subordinated Debentures	1,587	1,190	3,062	2,201
Total Interest Expense	25,509	13,462	47,189	24,809
NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES	37,769	34,145	74,114	66,007
Provision for Credit Losses	900	450	3,860	586
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	36,869	33,695	70,254	65,421
NON-INTEREST INCOME:				
Service Charges on Deposit Accounts	4,183	3,868	8,414	7,598
Trade Finance Fees	1,116	1,036	2,187	1,981
Remittance Fees	532	550	1,020	1,018
Other Service Charges and Fees	614	689	1,148	1,268
Bank-Owned Life Insurance Income	215	210	433	415
Increase in Fair Value of Derivatives	109	370	334	789
Other Income	835	554	1,478	1,175
Gain on Sales of Loans	1,311	56	2,150	364
Gain on Sales of Securities Available for Sale		14	5	96
Total Non-Interest Income	8,915	7,347	17,169	14,704

NON-INTEREST EXPENSES:

Salaries and Employee Benefits	10,691	8,545	19,852	17,712
Occupancy and Equipment	2,558	2,171	4,876	4,402
Data Processing	1,218	1,245	2,433	2,410
Advertising and Promotion	811	563	1,457	1,257
Supplies and Communication	576	729	1,212	1,308
Professional Fees	492	560	1,160	1,039
Amortization of Core Deposit Intangible	605	714	1,230	1,446
Decrease in Fair Value of Embedded Options	112	2	214	575
Other Operating Expenses	2,353	2,192	4,421	3,977
Merger-Related Expenses		(509)		(509)

Total Non-Interest Expenses	19,416	16,212	36,855	33,617
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INCOME BEFORE INCOME TAXES

Income Taxes	26,368	24,830	50,568	46,508
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Income Taxes	10,428	9,792	19,826	18,138
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NET INCOME	\$ 15,940	\$ 15,038	\$ 30,742	\$ 28,370
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EARNINGS PER SHARE:

Basic	\$ 0.33	\$ 0.30	\$ 0.63	\$ 0.57
Diluted	\$ 0.32	\$ 0.30	\$ 0.62	\$ 0.56

WEIGHTED-AVERAGE SHARES

OUTSTANDING:

Basic	48,822,729	49,556,926	48,768,881	49,508,917
Diluted	49,404,204	50,213,725	49,366,709	50,218,948

DIVIDENDS DECLARED PER SHARE	\$ 0.06	\$ 0.05	\$ 0.12	\$ 0.10
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See Accompanying Notes to Consolidated Financial Statements.

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HANMI FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY AND
COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(Dollars in Thousands)

	Common Stock - Number of Shares			Shareholders' Equity			Treasury Stock, at Cost	Total Shareholders' Equity
	Issued	Treasury Stock	Outstanding	Additional Common Stock	Unearned Compensation	Other Comprehensive Income		
BALANCE DECEMBER 31, 2004	49,330,704		49,330,704	\$ 49	\$ 334,932	\$ 1,035	\$ 63,894	\$ 399,910
Exercises of Stock Options	220,773		220,773	1	1,454			1,455
Restricted Stock Award	100,000		100,000		1,815	(1,815)		
Share-Based Compensation Expense						484		484
Tax Benefit from Exercises of Stock Options					333			333
Cash Dividends					4		(4,964)	(4,960)
Comprehensive Income:								
Net Income							28,370	28,370
Change in Unrealized Loss on Securities Available for Sale, Interest-Only Strips and Interest Rate Swaps, Net of Tax						(762)		(762)
Total Comprehensive Income								27,608
BALANCE JUNE 30, 2005	49,651,477		49,651,477	\$ 50	\$ 338,538	\$ (1,331)	\$ 87,300	\$ 424,830

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HANMI FINANCIAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In Thousands)

	Six Months Ended	
	June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 30,742	\$ 28,370
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:		
Depreciation and Amortization of Premises and Equipment	1,472	1,268
Amortization of Premiums and Accretion of Discounts on Investments, Net	150	(17)
Amortization of Core Deposit Intangible	1,230	1,446
Share-Based Compensation Expense	574	484
Provision for Credit Losses	3,860	586
FHLB Stock Dividend	(295)	(103)
Gain on Sales of Securities Available for Sale	(5)	(96)
Increase in Fair Value of Derivatives	(334)	(789)
Decrease in Fair Value of Embedded Options	214	575
Gain on Sales of Loans	(2,150)	(364)
Loss on Sales of Premises and Equipment	15	18
Tax Benefit from Exercises of Stock Options	(329)	333
Deferred Tax Benefit	(2,920)	44
Origination of Loans Held for Sale	(49,445)	(10,026)