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, 2011

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 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 29, 2011, there were 151,258,390 outstanding shares of the Registrant's Common Stock.

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
THREE MONTHS ENDED MARCH 31, 2011

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS *(UNAUDITED)*

(Dollars in Thousands, Except Share Data)

	March 31, 2011	December 31, 2010
ASSETS		
Cash and Due From Banks	$ 67,507	$ 60,983
Interest-Bearing Deposits in Other Banks	83,354	158,737
Federal Funds Sold	19,500	30,000
Cash and Cash Equivalents	170,361	249,720
Securities Held to Maturity, at Amortized Cost (Fair Value of $840 as of March 31, 2011 and $847 as of December 31, 2010)	838	845
Investment Securities Available for Sale, at Fair Value (Amortized Cost of $540,685 as of March 31, 2011 and $415,491 as of December 31, 2010)	538,356	413,118
Loans Receivable, Net of Allowance for Loan Losses of $125,780 as of March 31, 2011 and $146,059 as of December 31, 2010	1,999,986	2,084,447
Loans Held for Sale, at the Lower of Cost or Fair Value	47,649	36,620
Accrued Interest Receivable	8,796	8,048
Premises and Equipment, Net	17,165	17,599
Other Real Estate Owned, Net	2,642	4,089
Customers' Liability on Acceptances	805	711
Servicing Assets	2,698	2,890
Other Intangible Assets, Net	2,015	2,233
Federal Home Loan Bank Stock, at Cost	26,200	27,282
Federal Reserve Bank Stock, at Cost	7,449	7,449
Income Taxes Receivable	9,188	9,188
Bank-Owned Life Insurance	27,581	27,350
Other Assets	17,937	15,559
TOTAL ASSETS	**$ 2,879,666**	**$ 2,907,148**
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Noninterest-Bearing	$ 576,733	$ 546,815
Interest-Bearing	1,854,207	1,919,906
Total Deposits	2,430,940	2,466,721
Accrued Interest Payable	14,184	15,966
Bank's Liability on Acceptances	805	711
Federal Home Loan Bank Advances	153,565	153,650
Other Borrowings	1,386	1,570
Junior Subordinated Debentures	82,406	82,406
Other Liabilities	12,329	12,868
Total Liabilities	**2,695,615**	**2,733,892**
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common Stock, $0.001 Par Value; Authorized 500,000,000 Shares; Issued 155,890,890 Shares (151,258,390 Shares Outstanding) and 155,830,890 Shares (151,198,390 Shares Outstanding) as of March 31, 2011 and December 31, 2010, Respectively	156	156
Additional Paid-In Capital	472,676	472,335
Unearned Compensation	(246)	(219)
Accumulated Other Comprehensive Income — Unrealized Gain on Securities Available for Sale and Interest-Only Strips, Net of Income Taxes of $602 as of March 31, 2011 and December 31, 2010	(2,920)	(2,964)
Accumulated Deficit	(215,603)	(226,040)
Less Treasury Stock, at Cost: 4,632,500 Shares as of March 31, 2011 and December 31, 2010	(70,012)	(70,012)
Total Stockholders' Equity	**184,051**	**173,256**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 2,879,666**	**$ 2,907,148**

See Accompanying Notes to Consolidated Financial Statements (Unaudited).

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS *(UNAUDITED)*
(Dollars in Thousands, Except Per Share Data)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
INTEREST AND DIVIDEND INCOME:		
Interest and Fees on Loans	$ 30,905	$ 36,695
Taxable Interest on Investment Securities	2,673	1,070
Dividends on Federal Reserve Bank Stock	112	118
Interest on Interest-Bearing Deposits in Other Banks	89	55
Tax-Exempt Interest on Investment Securities	40	77
Interest on Term Federal Funds Sold	27	—
Dividends on Federal Home Loan Bank Stock	21	21
Interest on Federal Funds Sold and Securities Purchased Under Resale Agreements	8	17
Total Interest and Dividend Income	33,875	38,053
INTEREST EXPENSE:		
Interest on Deposits	6,735	9,704
Interest on Federal Home Loan Bank Advances	333	346
Interest on Junior Subordinated Debentures	698	669
Total Interest Expense	7,766	10,719
NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES	26,109	27,334
Provision for Credit Losses	—	57,996
NET INTEREST INCOME (LOSS) AFTER PROVISION FOR CREDIT LOSSES	26,109	(30,662)
NON-INTEREST INCOME:		
Service Charges on Deposit Accounts	3,141	3,726
Insurance Commissions	1,260	1,278
Remittance Fees	462	462
Trade Finance Fees	297	351
Other Service Charges and Fees	333	412
Bank-Owned Life Insurance Income	230	231
Net Gain on Sales of Investment Securities	—	105
Net Loss on Sales of Loans	(338)	—
Other Operating Income	123	440
Total Non-Interest Income	5,508	7,005
NON-INTEREST EXPENSE:		
Salaries and Employee Benefits	9,124	8,786
Occupancy and Equipment	2,565	2,725
Deposit Insurance premiums and Regulatory Assessments	2,070	2,224
Data Processing	1,399	1,499
Other Real Estate Owned Expense	829	5,700
Professional Fees	789	1,066
Directors and Officers Liability Insurance	734	716
Supplies and Communications	578	517
Advertising and Promotion	566	535
Loan-Related Expense	225	307
Amortization of Other Intangible Assets	218	328
Other Operating Expenses	1,964	1,821
Total Non-Interest Expense	21,061	26,224
INCOME (LOSS) BEFORE PROVISION (BENEFIT) FOR INCOME TAXES	10,556	(49,881)
Provision (Benefit) for Income Taxes	119	(395)
NET INCOME (LOSS)	**$ 10,437**	**$ (49,486)**
EARNINGS (LOSS) PER SHARE:		
Basic	$ 0.07	$ (0.97)
Diluted	$ 0.07	$ (0.97)
WEIGHTED-AVERAGE SHARES OUTSTANDING:		
Basic	151,061,012	50,998,990
Diluted	151,287,573	50,998,990
DIVIDENDS DECLARED PER SHARE	$ —	$ —

See Accompanying Notes to Consolidated Financial Statements (Unaudited).

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)*(UNAUDITED)*

(Dollars in Thousands)

	Common Stock — Number of Shares			Stockholders' Equity						
	Issued	Treasury Stock	Outstanding	Common Stock	Additional Paid-in Capital	Unearned Compensation	Accumulated Other Comprehensive Income	Accumulated Deficit	Treasury Stock, at Cost	Total Stockholders' Equity
BALANCE AS OF JANUARY 1, 2010	**55,814,890**	**(4,632,500)**	**51,182,390**	**$ 56**	**$ 357,174**	**$ (302)**	**$ 859**	**$ (138,031)**	**$ (70,012)**	**$ 149,744**
Share-Based Compensation Expense	—	—	—	—	185	21	—	—	—	206
Comprehensive Loss:										
Net Loss	—	—	—	—	—	—	—	(49,486)	—	(49,486)
Change in Unrealized Gain on Securities Available for Sale and Interest-Only Strips, Net of Income Taxes	—	—	—	—	—	—	558	—	—	558
Total Comprehensive Loss										(48,928)
BALANCE AS OF MARCH 31, 2010	**55,814,890**	**(4,632,500)**	**51,182,390**	**$ 56**	**$ 357,359**	**$ (281)**	**$ 1,417**	**$ (187,517)**	**$ (70,012)**	**$ 101,022**
BALANCE AS OF JANUARY 1, 2011	**155,830,890**	**(4,632,500)**	**151,198,390**	**$ 156**	**$ 472,335**	**$ (219)**	**$ (2,964)**	**$ (226,040)**	**$ (70,012)**	**$ 173,256**
Share-Based Compensation Expense	—	—	—	—	263	51	—	—	—	314
Restricted Stock Awards	60,000	—	60,000	—	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 AS OF MARCH 31, 2011	**155,890,890**	**(4,632,500)**	**151,258,390**	**$ 156**	**$ 472,676**	**$ (246)**	**$ (2,920)**	**$ (215,603)**	**$ (70,012)**	**$ 184,051**

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, 2011	Three Months Ended March 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	$ 10,437	$ (49,486)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided By Operating Activities:		
Depreciation and Amortization of Premises and Equipment	547	644
Amortization of Premiums and Accretion of Discounts on Investments, Net	717	200
Amortization of Other Intangible Assets	218	327
Amortization of Servicing Assets	192	252
Share-Based Compensation Expense	314	206
Provision for Credit Losses	—	57,996
Net Gain on Sales of Securities Available for Sale	—	(105)
Net Gain on Sales of Loans	(1,883)	—
Loss on Sales of Other Real Estate Owned	219	95
Provision for Valuation Allowance on Other Real Estate Owned	441	5,537
Lower of Cost or Fair Value Adjustment for Loans Held for Sale	2,221	—
Deferred Tax Benefit	—	3,208
Origination of Loans Held for Sale	(1,771)	(3,369)
Proceeds from Sales of Loans Held for Sale	27,944	2,959
(Increase) Decrease in Accrued Interest Receivable	(748)	466
Changes in Fair Value of Stock Warrants	14	—
Loss on Investment in Affordable Housing Partnership	220	220
Increase in Cash Surrender Value of Bank-Owned Life Insurance	(231)	(231)
Increase in Other Assets	(2,598)	(3,450)
Increase in Income Taxes Receivable	—	(3,126)
Increase (Decrease) in Accrued Interest Payable	(1,782)	540
Increase (Decrease) in Other Liabilities	722	524
Net Cash Provided By Operating Activities	**35,193**	**13,407**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Redemption of Federal Home Loan Bank and Federal Reserve Bank Stock	1,082	—
Proceeds from Matured or Called Securities Available for Sale	19,173	16,953
Proceeds from Matured or Called Securities Held to Maturity	7	7
Proceeds from Sales of Investment Securities Available for Sale	—	3,252
Proceeds from Sales of Other Real Estate Owned	1,752	2,482
Net Decrease in Loans Receivable	44,680	105,980
Purchases of Investment Securities Available for Sale	(145,083)	(305)
Purchases of Premises and Equipment	(113)	(223)
Net Cash (Used In) Provided By Investing Activities	**(78,502)**	**128,146**
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Decrease) Increase in Deposits	(35,781)	(99,047)
Repayment of Long-Term Federal Home Loan Bank Advances and Other Borrowings	(413)	(80)
Net Change in Short-Term Federal Home Loan Bank Advances and Other Borrowings	144	2,681
Net Cash Used In Financing Activities	**(36,050)**	**(96,446)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(79,359)**	**45,107**
Cash and Cash Equivalents at Beginning of Period	249,720	154,110
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 170,361**	**$ 199,217**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Period for:		
Interest Paid	$ 9,548	$ 10,179
Income Taxes Paid	$ —	$ 2
Non-Cash Activities:		
Transfer of Loans to Loans Held for Sale	$ 37,540	$ 4,684
Transfer of Loans to Other Real Estate Owned	$ 1,476	$ 4,397
Loan Provided in the Sale of Loans Held for Sale	$ 1,850	$ —
Loan Provided in the Sale of Other Real Estate Owned	$ 511	$ 190

See Accompanying Notes to Consolidated Financial Statements (Unaudited).

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(UNAUDITED)*
THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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"), a California state chartered bank. Our other subsidiaries are Chun-Ha Insurance Services, Inc. ("Chun-Ha") and All World Insurance Services, Inc. ("All World").

In the opinion of management, the accompanying unaudited consolidated financial statements of Hanmi Financial Corporation and Subsidiaries reflect all adjustments of a normal and recurring nature that are necessary for a fair presentation of the results for the interim period ended March 31, 2011, but are not necessarily indicative of the results that will be reported for the entire year. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted. In the opinion of management, the aforementioned unaudited consolidated financial statements are in conformity with GAAP. Such interim financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The interim information should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (the "2010 Annual Report on Form 10-K").

The preparation of interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Descriptions of our significant accounting policies are included in *"Note 2 — Summary of Significant Accounting Policies"* in our 2010 Annual Report on Form 10-K.

Certain reclassifications were made to the prior period's presentation to conform to the current period's presentation.

NOTE 2 — REGULATORY MATTERS AND GOING CONCERN CONSIDERATION

On November 2, 2009, the members of the Board of Directors of the Bank consented to the issuance of the Final Order ("Order") with the California Department of Financial Institutions (the "DFI"). On the same date, Hanmi Financial and the Bank entered into a Written Agreement (the "Agreement") with the Federal Reserve Bank of San Francisco (the "FRB"). The Order and the Agreement contain a list of strict requirements ranging from a capital directive to developing a contingency funding plan.

While Hanmi Financial intends to take such actions as may be necessary to enable Hanmi Financial and the Bank to comply with the requirements of the Order and Agreement, there can be no assurance that Hanmi Financial or the Bank will be able to comply fully with the provisions of the Order and the Agreement, or that compliance with the Order and the Agreement will not have material and adverse effects on the operations and financial condition of Hanmi Financial and the Bank. Any material failure to comply with the provisions of the Order and the Agreement could result in further enforcement actions by both the DFI and the FRB, or the placing of the Bank into conservatorship or receivership.

NOTE 2 — REGULATORY MATTERS AND GOING CONCERN CONSIDERATION *(Continued)*

Final Order and Written Agreement

The Order and the Agreement contain substantially similar provisions. The Order and the Agreement require the Board of Directors of the Bank to prepare and submit written plans to the DFI and the FRB that address the following items: (i) strengthening Board oversight of the management and operation of the Bank; (ii) strengthening credit risk management practices; (iii) improving credit administration policies and procedures; (iv) improving the Bank's position with respect to problem assets; (v) maintaining adequate reserves for loan and lease losses; (vi) improving the capital position of the Bank and, with respect to the Agreement, of Hanmi Financial; (vii) improving the Bank's earnings through a strategic plan and a budget for 2010; (viii) improving the Bank's liquidity position and funds management practices; and (ix) contingency funding. In addition, the Order and the Agreement place restrictions on the Bank's lending to borrowers who have adversely classified loans with the Bank and requires the Bank to charge off or collect certain problem loans. The Order and the Agreement also require the Bank to review and revise its methodology for calculating allowance for loan and lease losses consistent with relevant supervisory guidance. The Bank is also prohibited from paying dividends, incurring, increasing or guaranteeing any debt, or making certain changes to its business without prior approval from the DFI, and Hanmi Financial and the Bank must obtain prior approval from the FRB prior to declaring and paying dividends.

Under the Order, the Bank is also required to increase its capital and maintain certain regulatory capital ratios prior to certain dates specified in the Order. By July 31, 2010, the Bank was required to increase its contributed equity capital by not less than an additional $100 million. The Bank was required to maintain a ratio of tangible stockholders' equity to total tangible assets as follows:

Date	Ratio of Tangible Shareholder's Equity to Total Tangible Assets
From December 31, 2010 and Until the Order is Terminated	Not Less Than 9.5 Percent

If the Bank is not able to maintain the capital ratios identified in the Order, it must notify the DFI, and Hanmi Financial and the Bank are required to notify the FRB if their respective capital ratios fall below those set forth in the capital plan approved by the FRB. On July 27, 2010, we completed a registered rights and best efforts offering by which we raised $116.8 million in net proceeds. As a result, we satisfied the $100 million capital contribution requirement set forth in the Order. The Bank had tangible stockholders' equity to total tangible assets ratio of 9.10 percent at March 31, 2011. Accordingly, we notified the DFI and FRB that our tangible stockholders' equity to total tangible assets ratio was below the requirements in the Order. As of December 31, 2010, the Bank had tangible stockholders' equity to total tangible assets ratio of 8.59 percent.

In addition to complying with the provisions of the Order and the Agreement, we entered into a definitive securities purchase agreement with Woori Finance Holdings Co. Ltd. ("Woori") on May 25, 2010 which provides that upon satisfactions of all conditions to closing, we will issue 175 million shares of common stock to Woori at a purchase price per share of $1.20, for aggregate gross consideration of $210 million. On November 30, 2010, the agreement with Woori was amended to, among other things, extend the termination date to December 31, 2010, to release us from exclusivity with Woori, to eliminate our obligation to pay a termination fee upon the occurrence of certain events and to allow us to pursue further fundraising efforts. Accordingly, the agreement with Woori is currently terminable at will by either Hanmi Financial or Woori without any obligation to pay any fee in connection with such termination.

NOTE 2 — REGULATORY MATTERS AND GOING CONCERN CONSIDERATION *(Continued)*

Risk-Based Capital

The regulatory agencies require a minimum ratio of qualifying total capital to risk-weighted assets of 8.0 percent and a minimum ratio of Tier 1 capital to risk-weighted assets of 4.0 percent. In addition to the risk-based guidelines, regulators require banking organizations to maintain a minimum ratio of Tier 1 capital to average total assets, referred to as the leverage ratio, of 4.0 percent. For a bank rated in the highest of the five categories used by regulators to rate banks, the minimum leverage ratio is 3.0 percent. In addition to these uniform risk-based capital guidelines that apply across the industry, the regulators have the discretion to set individual minimum capital requirements for specific institutions at rates significantly above the minimum guidelines and ratios.

As of March 31, 2011, Hanmi Financial's Tier 1 capital (stockholders' equity plus junior subordinated debentures less intangible assets) was $247.2 million. This represented an increase of $14.5 million, or 6.3 percent, over Tier 1 capital of $232.7 million as of December 31, 2010. The capital ratios of Hanmi Financial and the Bank were as follows as of March 31, 2011:

	Actual		Minimum Regulatory Requirement		To be Categorized as "Well Capitalized" under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
March 31, 2011						
Total Capital (to Risk-Weighted Assets):						
Hanmi Financial	$294,446	13.05%	$180,446	8.00%	N/A	N/A
Hanmi Bank	$292,650	13.00%	$180,055	8.00%	$ 225,069	10.00%
Tier 1 Capital (to Risk-Weighted Assets):						
Hanmi Financial	$247,235	10.96%	$ 90,223	4.00%	N/A	N/A
Hanmi Bank	$263,285	11.70%	$ 90,027	4.00%	$ 135,041	6.00%
Tier 1 Capital (to Average Assets):						
Hanmi Financial	$247,235	8.51%	$116,272	4.00%	N/A	N/A
Hanmi Bank	$263,285	9.08%	$115,980	4.00%	$ 144,976	5.00%

Going Concern

As previously mentioned, we are required by federal regulatory authorities to maintain adequate levels of capital to support our operations. As part of the Order issued on November 2, 2009, the Bank is also required to increase its capital and maintain certain regulatory capital ratios prior to certain dates specified in the Order. By July 31, 2010, the Bank was required to increase its contributed equity capital by not less than an additional $100 million and maintain a ratio of tangible stockholders' equity to total tangible assets of at least 9.0 percent. As a result of the successful completion of the registered rights and best efforts offering in July 2010, the capital contribution requirement set forth in the Order has been satisfied. However, the tangible capital ratio requirement set forth in the Order has not been satisfied at March 31, 2011. Further, should our asset quality continue to erode and require significant additional provision for credit losses, resulting in added future net operating losses at the Bank, our capital levels will additionally decline requiring the raising of more capital than the amount currently required to satisfy our agreements with our regulators. An inability to raise additional capital when needed or comply with the terms of the Order or Agreement, raises substantial doubt about our ability to continue as a going concern.

The accompanying interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future, and do not include any adjustments to reflect the possible future effects on the recoverability or classification of assets, and the amounts or classification of liabilities that may result from the outcome of any regulatory action including being placed into receivership or conservatorship.

NOTE 2 — REGULATORY MATTERS AND GOING CONCERN CONSIDERATION *(Continued)*

As set forth above, on May 25, 2010, we entered into a definitive securities purchase agreement with Woori and are currently awaiting final regulatory approval for the applications filed by Woori in connection with the transactions contemplated by the securities purchase agreement. If the transaction with Woori is consummated, we will inject a substantial portion of the net proceeds from the Woori transaction as new capital into Hanmi Bank. However, we cannot provide assurance that we will be successful in consummating the transaction with Woori or that such regulatory approvals will be granted.

NOTE 3 — FAIR VALUE MEASUREMENTS

Fair Value Option and Fair Value Measurements

We determine the fair value of our assets and liabilities in accordance with ASC 820, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. We determine the fair value of an asset or liability based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for market activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact for the asset or liability.

In determining fair value, we use various methods including market and income approaches. Based on these approaches, we utilize certain assumptions that market participants would use in pricing the asset or liability. These inputs can be readily observable, market corroborated, or generally unobservable inputs. We utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, we classify and disclose assets and liabilities based on the fair value hierarchy presented below. The hierarchy is based on the quality and reliability of the information used to determine fair values. The hierarchy gives the highest priority to quoted prices available in active markets and the lowest priority to data lacking transparency.

FASB ASU 2010-06, "*Fair Value Measurements and Disclosures (Topic 820)*" — ASU 2010-06 adds new requirements for disclosures about transfers into and out of Level 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation, entities will be required to provide fair value measurement disclosures for each class of assets and liabilities, and about inputs and valuation techniques used to measure fair value. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010. The adoption of FASB ASU 2010-06 did not have a material effect on our financial condition or result of operations.

We used the following methods and significant assumptions to estimate fair value:

Investment Securities Available for Sale — The fair values of investment securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities. The fair values of investment securities are determined by reference to the average of at least two quoted

NOTE 3 — FAIR VALUE MEASUREMENTS *(Continued)*

market prices obtained from independent external brokers or independent external pricing service providers who have experience in valuing these securities. In obtaining such valuation information from third parties, we have evaluated the methodologies used to develop the resulting fair values. We perform a monthly analysis on the broker quotes received from third parties to ensure that the prices represent a reasonable estimate of the fair value. The procedures include, but are not limited to, initial and on-going review of third party pricing methodologies, review of pricing trends, and monitoring of trading volumes.

Level 1 investment securities include U.S. government and agency debentures and equity securities that are traded on an active exchange or by dealers or brokers in active over-the-counter markets. The fair value of these securities is determined by quoted prices on an active exchange or over-the-counter market. Level 2 investment securities primarily include mortgage-backed securities, municipal bonds, collateralized mortgage obligations, and asset-backed securities. In determining the fair value of the securities' categorized as Level 2, we obtain reports from nationally recognized broker-dealers detailing the fair value of each investment security we hold as of each reporting date. The broker-dealers use observable market information to value our fixed income securities, with the primary sources being nationally recognized pricing services. The fair value of the municipal securities is based on a proprietary model maintained by the broker-dealer. We review the market prices provided by the broker-dealer for our securities for reasonableness based on our understanding of the marketplace and we consider any credit issues related to the bonds. As we have not made any adjustments to the market quotes provided to us and they are based on observable market data, they have been categorized as Level 2 within the fair value hierarchy.

Securities classified as Level 3 investment securities are instruments that are not traded in the market. As such, no observable market data for the instrument is available. This necessitates the use of significant unobservable inputs into our proprietary valuation model. As of March 31, 2011 and December 31, 2010, we had no level 3 investment securities.

SBA Loans Held for Sale — Loans held for sale are carried at the lower of cost or fair value. As of March 31, 2011 and December 31, 2010, we had $12.9 million and $10.0 million of SBA loans held for sale, respectively. Management obtains quotes, bids or pricing indication sheets on all or part of these loans directly from the purchasing financial institutions. Premiums received or to be received on the quotes, bids or pricing indication sheets are indicative of the fact that cost is lower than fair value. At March 31, 2011 and December 31, 2010, the entire balance of loans held for sale was recorded at its cost. We record loans held for sale on a nonrecurring basis with Level 2 inputs.

Non-performing Loans Held for Sale — We reclassify certain non-performing loans when the decision to sell those loans is made. The fair value of non-performing loans held for sale is generally based upon the quotes, bids or sales contract price which approximate the fair value. Non-performing loans held for sale are recorded at estimated fair value less anticipated liquidation cost. As of March 31, 2011 and December 31, 2010, we had $34.8 million and $26.6 million of non-performing loans held for sale, respectively. We measure non-performing loans held for sale at fair value on a nonrecurring basis with Level 3 inputs.

Impaired Loans — FASB ASC 820 applies to loans measured for impairment using the practical expedients permitted by FASB ASC 310, *"Receivables,"* including impaired loans measured at an observable market price (if available), or at the fair value of the loan's collateral (if the loan is collateral dependent). Fair value of the loan's collateral, when the loan is dependent on collateral, is determined by appraisals or independent valuation, which is then adjusted for the cost related to liquidation of the collateral. These loans are classified as Level 3 and subject to non-recurring fair value adjustments.

Other Real Estate Owned — Other real estate owned is measured at fair value less selling costs. Fair value was determined based on third-party appraisals of fair value in an orderly sale. Selling costs were based on standard market factors. We classify other real estate owned as Level 3 and subject to non-recurring fair value adjustments.

NOTE 3 — FAIR VALUE MEASUREMENTS *(Continued)*

Servicing Assets and Servicing Liabilities — The fair values of servicing assets and servicing liabilities are based on a valuation model that calculates the present value of estimated net future cash flows related to contractually specified servicing fees. The valuation model incorporates assumptions that market participants would use in estimating future cash flows. We are able to compare the valuation model inputs and results to widely available published industry data for reasonableness. Fair value measurements of servicing assets and servicing liabilities use significant unobservable inputs. As such, we classify them as Level 3.

Other Intangible Assets — Other intangible assets consists of a core deposit intangible and acquired intangible assets arising from acquisitions, including non-compete agreements, trade names, carrier relationships and client/insured relationships. The valuation of other intangible assets is based on information and assumptions available to us at the time of acquisition, using income and market approaches to determine fair value. We test our other intangible assets annually for impairment, or when indications of potential impairment exist. Fair value measurements of other intangible assets use significant unobservable inputs. As such, we classify them as Level 3 and subject to non-recurring fair value adjustments.

Stock Warrants — The fair value of stock warrants was determined by the Black-Scholes option pricing model. The expected stock volatility is based on historical volatility of our common stock over the expected term of the warrants. The expected life assumption is based on the contract term. The dividend yield of zero is based on the fact that we have no present intention to pay cash dividends. The risk free rate used for the warrant is equal to the zero coupon rate in effect at the time of the grant. As such, we classify them as Level 3 and subject to recurring fair value adjustments.

Fair Value Measurement

FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a three-level fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are defined as follows:

- Level 1 — Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2 — Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Significant unobservable inputs that reflect a company’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair value is used on a recurring basis for certain assets and liabilities in which fair value is the primary basis of accounting. Additionally, fair value is used on a non-recurring basis to evaluate assets or liabilities for impairment or for disclosure purposes in accordance with ASC 825, Financial Instruments.

We record investment securities available for sale at fair value on a recurring basis. Certain other assets, such as loans held for sale, mortgage servicing assets, impaired loans, other real estate owned, and other intangible assets, are recorded at fair value on a non-recurring basis. Non-recurring fair value measurements typically involve assets that are periodically evaluated for impairment and for which any impairment is recorded in the period in which the re-measurement is performed.

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(UNAUDITED)*
THREE MONTHS ENDED MARCH 31, 2011 AND 2010 *(Continued)*

NOTE 3 — FAIR VALUE MEASUREMENTS *(Continued)*

Assets and Liabilities Measured at Fair Value on a Recurring Basis

There were no transfers of assets between Level 1 and Level 2 of the fair value hierarchy for the three months ended March 31, 2011. We recognize transfers of assets between levels at the end of each respective quarterly reporting period.

As of March 31, 2011 and December 31, 2010, assets and liabilities measured at fair value on a recurring basis are as follows:

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Observable Inputs With No Active Market With Identical Characteristics	Level 3 Significant Unobservable Inputs	Balance as of March 31, 2011 and December 31, 2010
		(In Thousands)		
March 31, 2011				
ASSETS:				
Debt Securities Available for Sale:				
Collateralized Mortgage Obligations	$ —	$ 183,299	$ —	$ 183,299
U.S. Government Agency Securities	177,068	—	—	177,068
Residential Mortgage-Backed Securities	—	125,761	$ —	125,761
Municipal Bonds	—	21,036	—	21,036
Corporate Bonds	—	20,114	—	20,114
Asset-Backed Securities	—	6,882	—	6,882
Other Securities	—	3,243	—	3,243
Total Debt Securities Available for Sale	$ 177,068	$ 360,335	$ —	$ 537,403
Equity Securities Available for Sale:				
Financial Services Industry	$ 953	—	—	$ 953
Total Equity Securities Available for Sale	$ 953	$ —	$ —	$ 953
Total Securities Available for Sale	$ 178,021	$ 360,335	$ —	$ 538,356
LIABILITIES:				
Stock Warrants	$ —	$ —	$ 1,614	$ 1,614
December 31, 2010				
ASSETS:				
Debt Securities Available for Sale:				
Collateralized Mortgage Obligations	$ —	$ 137,193	$ —	$ 137,193
U.S. Government Agency Securities	113,334	—	—	113,334
Residential Mortgage-Backed Securities	—	109,842	$ —	109,842
Municipal Bonds	—	21,028	—	21,028
Corporate Bonds	—	20,205	—	20,205
Asset-Backed Securities	—	7,384	—	7,384
Other Securities	—	3,259	—	3,259
Total Debt Securities Available for Sale	$ 113.334	$ 298,911	$ —	$ 412,245
Equity Securities Available for Sale:				
Financial Services Industry	$ 873	—	—	$ 873
Total Equity Securities Available for Sale	$ 873	$ —	$ —	$ 873
Total Securities Available for Sale	$ 114,207	$ 298,911	$ —	$ 413,118
LIABILITIES:				
Stock Warrants	$ —	$ —	$ 1,600	$ 1,600

NOTE 3 — FAIR VALUE MEASUREMENTS *(Continued)*

The table below presents a reconciliation and income statement classification of gains and losses for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2011:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Beginning Balance as of January 1, 2011	Purchases, Issuances and Settlements	Realized and Unrealized Gains or Losses in Earnings	Realized and Unrealized Gains or Losses in Other Comprehensive Income	Transfers In and/or Out of Level 3	Ending Balance as of March 31, 2011
	(In Thousands)					
LIABILITIES:						
Stock Warrants *(1)*	$ (1,600)	$ —	$ (14)	$ —	$ —	$ (1,614)

(1) Reflects warrants issued to Cappello Capital Corp. in connection with services it provided to us as a placement agent in connection with our best efforts public offering and as our financial adviser in connection with our completed rights offering. The warrants were immediately exercisable when issued at a purchase price of $1.20 per share of our common stock and expire on October 14, 2015. See "Note 8 — Stockholders' Equity" for more details.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

As of March 31, 2011 and 2010, assets and liabilities measured at fair value on a non-recurring basis are as follows:

	Level 1 Quoted Prices in Active Markets for Identical Assets	*Level 2* Significant Observable Inputs With No Active Market With Identical Characteristics	*Level 3* Significant Unobservable Inputs	Losses During The Three Months Ended March 31, 2011 and 2010
	(In Thousands)			
March 31, 2011				
ASSETS:				
Nonperforming Loans Held for Sale	$ —	$ —	$ 30,713(1)	$ 12,965
Impaired Loans	$ —	$ —	$ 155,352(2)	$ 3,883
Other Real Estate Owned	$ —	$ —	$ 1,350(3)	$ 882
March 31, 2010				
ASSETS:				
Nonperforming Loans Held for Sale	$ —	$ —	$ 4,684(4)	$ 577
Impaired Loans	$ —	$ —	$ 175,701(5)	$ 27,079
Other Real Estate Owned	$ —	$ —	$ 20,137(6)	$ 5,537

(1) Includes commercial property loans of $3.2 million, commercial term loan of $21.3 million, and SBA loans of $6.2 million.

(2) Includes real estate loans of $70.5 million, commercial and industrial loans of $84.4 million, and consumer loans of $517,000 .

(3) Includes properties from the foreclosure of commercial property loans of $360,000 and SBA loans of $990,000.

(4) Includes commercial term loans of $4.7 million.

(5) Includes real estate loans of $70.2 million, commercial and industrial loans of $104.8 million, and consumer loans of $659,000 .

(6) Includes properties from the foreclosure of real estate loans of $19.7 million, and commercial and industrial loans of $468,000.

FASB ASC 825 requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis or non-recurring basis are discussed above.

NOTE 3 — FAIR VALUE MEASUREMENTS *(Continued)*

The estimated fair value of financial instruments has been determined by using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data in order to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The estimated fair values of financial instruments were as follows:

	March 31, 2011		December 31, 2010	
	Carrying or Contract Amount	Estimated Fair Value	Carrying or Contract Amount	Estimated Fair Value
	(In Thousands)			
Financial Assets:				
Cash and Cash Equivalents	$ 170,361	$ 170,361	$ 249,720	$ 249,720
Investment Securities Held to Maturity	838	840	845	847
Investment Securities Available for Sale	538,356	538,356	413,118	413,118
Loans Receivable, Net of Allowance for Loan Losses	2,047,635	2,009,569	2,121,067	2,061,988
Accrued Interest Receivable	8,796	8,796	8,048	8,048
Investment in Federal Home Loan Bank Stock	26,200	26,200	27,282	27,282
Investment in Federal Reserve Bank Stock	7,449	7,449	7,449	7,449
Financial Liabilities:				
Noninterest-Bearing Deposits	576,733	576,733	546,815	546,815
Interest-Bearing Deposits	1,854,207	1,864,023	1,919,906	1,927,314
Borrowings	237,357	232,409	237,626	233,077
Accrued Interest Payable	14,184	14,184	15,966	15,966
Off-Balance Sheet Items:				
Commitments to Extend Credit	167,225	106	178,424	130
Standby Letters of Credit	15,103	42	15,226	50

The methods and assumptions used to estimate the fair value of each class of financial instruments for which it was practicable to estimate that value are explained below:

Cash and Cash Equivalents — The carrying amounts approximate fair value due to the short-term nature of these instruments.

Investment Securities — The fair value of securities was generally obtained from market bids for similar or identical securities or obtained from independent securities brokers or dealers.

Loans Receivable, Net of Allowance for Loan Losses — Fair values were estimated for loans based on the discounted cash flow approach. The discount rate was derived from the associated yield curve plus spreads, and reflects the offering rates offered by the Bank for loans with similar financial characteristics. Yield curves are constructed by product type using the Bank's loan pricing model for like-quality credits. The discount rates used in the Bank's model represent the rates the Bank would offer to current borrowers for like-quality credits. These rates could be different from what other financial institutions could offer for these loans. No adjustments have been made for changes in credit within the loan portfolio. It is our opinion that the allowance for loan losses relating to performing and nonperforming loans results in a fair valuation of such loans. Additionally, the fair value of our loans may differ significantly from the values that would have been used had a ready market existed for such loans and may differ materially from the values that we may ultimately realize.

NOTE 3 — FAIR VALUE MEASUREMENTS *(Continued)*

Accrued Interest Receivable — The carrying amount of accrued interest receivable approximates its fair value.

Investment in Federal Home Loan Bank and Federal Reserve Bank Stock— The carrying amounts approximate fair value as the stock may be resold to the issuer at carrying value.

Noninterest-Bearing Deposits — The fair value of noninterest-bearing deposits was the amount payable on demand at the reporting date.

Interest-Bearing Deposits — The fair value of interest-bearing deposits, such as savings accounts, money market checking, and certificates of deposit, was estimated based on discounted cash flows. The cash flows for non-maturity deposits, including savings accounts and money market checking, were estimated based on their historical decaying experiences. The discount rate used for fair valuation was based on interest rates currently being offered by the Bank on comparable deposits as to amount and term.

Borrowings — Borrowings consist of FHLB advances, junior subordinated debentures and other borrowings. Discounted cash flows have been used to value borrowings.

Accrued Interest Payable — The carrying amount of accrued interest payable approximates its fair value.

Stock Warrants — The fair value of stock warrants was determined by the Black-Scholes option pricing model. The expected stock volatility is based on historical volatility of our common stock over expected term of the warrants. The expected life assumption is based on the contract term. The dividend yield of zero is based on the fact that we have no present intention to pay cash dividends. The risk free rate used for the warrant is equal to the zero coupon rate in effect at the time of the grant.

Commitments to Extend Credit and Standby Letters of Credit— The fair values of commitments to extend credit and standby letters of credit were based upon the difference between the current value of similar loans and the price at which the Bank has committed to make the loans.

The following is a summary of investment securities held to maturity:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
		(In Thousands)		
March 31, 2011:				
Municipal Bonds	$ 697	$ —	$ —	$ 697
Mortgage-Backed Securities *(1)*	141	2	—	143
	$ 838	**$ 2**	**$ —**	**$ 840**
December 31, 2010:				
Municipal Bonds	$ 696	$ —	$ —	$ 696
Mortgage-Backed Securities *(1)*	149	2	—	151
	$ 845	**$ 2**	**$ —**	**$ 847**

(1) *Collateralized by residential mortgages and guaranteed by U.S. government sponsored entities.*

NOTE 4 — INVESTMENT SECURITIES

The following is a summary of investment securities available for sale:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
		(In Thousands)		
March 31, 2011:				
Collateralized Mortgage Obligations *(1)*	$ 184,732	$ 503	$ 1,936	$ 183,299
U.S. Government Agency Securities	178,055	67	1,054	177,068
Mortgage-Backed Securities *(1)*	124,477	2,014	730	125,761
Municipal Bonds	22,366	49	1,379	21,036
Corporate Bonds	20,452	10	348	20,114
Asset-Backed Securities	6,651	231	—	6,882
Other Securities	3,305	—	62	3,243
Equity Securities *(2)*	647	306	—	953
	$ 540,685	**$ 3,180**	**$ 5,509**	**$ 538,356**
December 31, 2010:				
Collateralized Mortgage Obligations *(1)*	$ 139,053	$ 470	$ 2,330	$ 137,193
U.S. Government Agency Securities	114,066	98	830	113,334
Mortgage-Backed Securities *(1)*	108,436	2,137	731	109,842
Municipal Bonds	22,420	48	1,440	21,028
Corporate Bonds	20,449	13	257	20,205
Asset-Backed Securities	7,115	269	—	7,384
Other Securities	3,305	—	46	3,259
Equity Securities *(2)*	647	226	—	873
	$ 415,491	**$ 3,261**	**$ 5,634**	**$ 413,118**

(1) *Collateralized by residential mortgages and guaranteed by U.S. government sponsored entities. .*

(2) *Balances presented for amortized cost, representing two corporate bonds, were net of an OTTI charge of $790,000, which was related to a credit loss, as of December 31, 2010. We recorded an OTTI charge of $790,000 to write down the value of one investment security to its fair value during the year ended December 31, 2010.*

The amortized cost and estimated fair value of investment securities at March 31, 2011, by contractual maturity, are shown below. Although mortgage-backed securities and collateralized mortgage obligations have contractual maturities through 2041, expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
		(In Thousands)		
Within One Year	$ —	$ —	$ —	$ —
Over One Year Through Five Years	178,438	177,230	697	697
Over Five Years Through Ten Years	32,440	32,238	—	—
Over Ten Years	19,951	18,875	—	—
Collateralized Mortgage Obligations	184,732	183,299	—	—
Mortgage-Backed Securities	124,477	125,761	141	143
Equity Securities	647	953	—	—
	$ 540,685	**$ 538,356**	**$ 838**	**$ 840**

In accordance with FASB ASC 320, *"Investments — Debt and Equity Securities,"* amended current other-than-temporary impairment ("OTTI") guidance, we periodically evaluate our investments for OTTI. For the three months ended March 31, 2011 and 2010, there were no OTTI charges recorded in earnings.

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(UNAUDITED)*
THREE MONTHS ENDED MARCH 31, 2011 AND 2010 *(Continued)*

NOTE 4 — INVESTMENT SECURITIES *(Continued)*

We perform periodic reviews for impairment in accordance with FASB ASC 320. Gross unrealized losses on investment securities available for sale, the estimated fair value of the related securities and the number of securities aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, were as follows as of March 31, 2011 and December 31, 2010:

	Holding Period								
	Less than 12 Months			12 Months or More			Total		
Investment Securities Available for Sale	Gross Unrealized Losses	Estimated Fair Value	*Number of Securities*	Gross Unrealized Losses	Estimated Fair Value	*Number of Securities*	Gross Unrealized Losses	Estimated Fair Value	*Number of Securities*
					(In Thousands)				
March 31, 2011:									
Mortgage-Backed Securities	$ 730	$ 73,164	*21*	$ —	$ —	—	$ 730	$ 73,164	*21*
Collateralized Mortgage Obligations	1,936	127,190	*27*	—	—	—	1,936	127,190	*27*
Municipal Bonds	1,379	17,914	*12*	—	—	—	1,379	17,914	*12*
U.S. Government Agency Securities	1,054	131,016	*35*	—	—	—	1,054	131,016	*35*
Other Securities	11	1,989	*2*	52	948	*1*	63	2,937	*3*
Corporate Bonds	348	17,120	*5*	—	—	—	348	17,120	*5*
	$ 5,458	**$ 368,393**	*102*	**$ 52**	**$ 948**	*1*	**$ 5,510**	**$ 369,341**	*103*
December 31, 2010:									
Mortgage-Backed Securities	$ 731	$ 62,738	*16*	$ —	$ —	—	$ 731	$ 62,738	*16*
Collateralized Mortgage Obligations	2,330	99,993	*20*	—	—	—	2,330	99,993	*20*
Municipal Bonds	1,440	16,907	*11*	—	—	—	1,440	16,907	*11*
U.S. Government Agency Securities	830	69,266	*14*	—	—	—	830	69,266	*14*
Other Securities	3	1,997	*2*	43	957	*1*	46	2,954	*3*
Corporate Bonds	257	17,210	*5*	—	—	—	257	17,210	*5*
	$ 5,591	**$ 268,111**	*68*	**$ 43**	**$ 957**	*1*	**$ 5,634**	**$ 269,068**	*69*

All individual securities that have been in a continuous unrealized loss position for 12 months or longer as of March 31, 2011 and December 31, 2010 had investment grade ratings upon purchase. The issuers of these securities have not established any cause for default on these securities and the various rating agencies have reaffirmed these securities' long-term investment grade status as of March 31, 2011. These securities have fluctuated in value since their purchase dates as market interest rates have fluctuated.

The unrealized losses on investments in U.S. agencies securities were caused by interest rate increases subsequent to the purchase of these securities. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than par. Because the Bank does not intend to sell the securities in this class and it is not likely that the Bank will be required to sell these securities before recovery of their amortized cost basis, which may include holding each security until contractual maturity, the unrealized losses on these investments are not considered other-than-temporarily impaired.

The unrealized losses on obligations of political subdivisions were caused by changes in market interest rates or the widening of market spreads subsequent to the initial purchase of these securities. Management monitors published credit ratings of these securities and no adverse ratings changes have occurred since the date of purchase of obligations of political subdivisions which are in an unrealized loss position as of March 31, 2011. Because the decline in fair value is attributable to changes in interest rates or widening market spreads and not credit quality, and because the Bank does not intend to sell the securities in this class and it is not likely that the Bank will be required to sell these securities before recovery of their amortized cost basis, which may include holding each security until maturity, the unrealized losses on these investments are not considered other-than-temporarily impaired.

Of the residential mortgage-backed securities and collateralized mortgage obligations portfolio in an unrealized loss position at March 31, 2011, all of them are issued and guaranteed by U.S. government sponsored entities. The unrealized losses on residential mortgage-backed securities and collateralized mortgage obligations were caused by changes in market interest rates or the widening of market spreads subsequent to the initial purchase of these securities, and no concerns regarding the underlying credit of the issuers or the underlying collateral.

NOTE 4 — INVESTMENT SECURITIES *(Continued)*

It is expected that these securities will not be settled at a price less than the amortized cost of each investment. Because the decline in fair value is attributable to changes in interest rates or widening market spreads and not credit quality, and because the Bank does not intend to sell the securities in this class and it is not likely that the Bank will be required to sell these securities before recovery of their amortized cost basis, which may include holding each security until contractual maturity, the unrealized losses on these investments are not considered other-than-temporarily impaired.

FASB ASC 320 requires other-than-temporarily impaired investment securities to be written down when fair value is below amortized cost in circumstances where: (1) an entity has the intent to sell a security; (2) it is more likely than not that an entity will be required to sell the security before recovery of its amortized cost basis; or (3) an entity does not expect to recover the entire amortized cost basis of the security. If an entity intends to sell a security or if it is more likely than not the entity will be required to sell the security before recovery, an OTTI write-down is recognized in earnings equal to the entire difference between the security's amortized cost basis and its fair value. If an entity does not intend to sell the security or it is not more likely than not that it will be required to sell the security before recovery, the OTTI write-down is separated into an amount representing credit loss, which is recognized in earnings, and the amount related to all other factors, which is recognized in other comprehensive income. We do not intend to sell these securities and it is not more likely than not that we will be required to sell the investments before the recovery of its amortized cost bases. Therefore, in management's opinion, all securities that have been in a continuous unrealized loss position for the past 12 months or longer as of March 31, 2011 and December 31, 2010 are not other-than-temporarily impaired, and therefore, no impairment charges as of March 31, 2011 and December 31, 2010 are warranted.

Realized gains and losses on sales of investment securities, proceeds from sales of investment securities and the tax expense on sales of investment securities were as follows for the periods indicated:

	Three Months Ended March 31,	
	2011	2010
	(In Thousands)	
Gross Realized Gains on Sales of Investment Securities	$ —	$ 210
Gross Realized Losses on Sales of Investment Securities	—	(105)
Net Realized Gains on Sales of Investment Securities	**$ —**	**$ 105**
Proceeds from Sales of Investment Securities	$ —	$ 3,252
Tax Expense on Sales of Investment Securities	$ —	$ 45

There were $0 and $105,000 in net realized gains on sales of securities available for sale during the three months ended March 31, 2011 and 2010, respectively. For the three months ended March 31, 2011, no investment securities were sold. For the three months ended March 31, 2011, $43,000 ($24,000, net of income taxes) of net unrealized gains arose during the period and was included in comprehensive income. For the three months ended March 31, 2010, $1.0 million ($605,000, net of income taxes) of net unrealized gains arose during the period and was included in comprehensive income and previously net unrealized gains of $99,000 ($57,000, net of income taxes) were realized in earnings.

Investment securities available for sale with carrying values of $127.3 million and $118.0 million as of March 31, 2011 and December 31, 2010, respectively, were pledged to secure FHLB advances, public deposits and for other purposes as required or permitted by law.

NOTE 5 — LOANS

The Board of Directors and management review and approve the Bank's loan policy and procedures on a regular basis to reflect issues such as regulatory and organizational structure change, strategic planning revisions, concentrations of credit, loan delinquencies and no-performing loans, problem loans, and policy adjustments.

Real estate loans are subject to loans secured by liens or interest in real estate, to provide purchase, construction, and refinance on real estate properties. Commercial and industrial loans are consisted of commercial term loans, commercial lines of credit, and SBA loans. Consumer loans are consisted of auto loans, credit cards, personal loans, and home equity lines of credit. We maintain management loan review and monitoring departments that review and monitor pass graded loans as well as problem loans to prevent further deterioration.

Concentrations of Credit: The majority of the Bank's loan portfolio consists of commercial real estate loans and commercial and industrial loans. The Bank has been diversifying and monitoring commercial real estate loans based on property types, tightening underwriting standards, and portfolio liquidity and management, and has not exceeded certain specified limits set forth in the Bank's loan policy. Most of the Bank's lending activity occurs within the Southern California.

Loans Receivable

Loans receivable consisted of the following as of the dates indicated:

	March 31, 2011	December 31, 2010
	(In Thousands)	
Real Estate Loans:		
Commercial Property	$ 695,357	$ 729,222
Construction	56,707	60,995
Residential Property	60,352	62,645
Total Real Estate Loans	812,416	852,862
Commercial and Industrial Loans: (1)		
Commercial Term	1,058,250	1,118,999
SBA	101,079	105,688
Commercial Lines of Credit	59,318	59,056
International	46,860	44,167
Total Commercial and Industrial Loans	1,265,507	1,327,910
Consumer Loans	48,120	50,300
Total Gross Loans	**2,126,043**	**2,231,072**
Allowance for Loans Losses	(125,780)	(146,059)
Deferred Loan Fees	(277)	(566)
Loans Receivable, Net	**$ 1,999,986**	**$ 2,084,447**

(1) *Commercial and industrial loans include owner-occupied property loans of $864.7 million and $894.8 million as of March 31, 2011 and December 31, 2010, respectively.*

Accrued interest on loans receivable amounted to $6.6 million and $6.5 million at March 31, 2011 and December 31, 2010, respectively. At March 31, 2011 and December 31, 2010, loans receivable totaling $976.3 million and $1.03 billion, respectively, was pledged to secure FHLB advances and the Fed Discount Window.

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(UNAUDITED)*
THREE MONTHS ENDED MARCH 31, 2011 AND 2010 *(Continued)*

NOTE 5 — LOANS *(Continued)*

The following table details the information on the purchases, sales and reclassification of loan receivables to held for sale by portfolio segment for the three months ended March 31, 2011 and 2010.

	Real Estate	Commercial and Industrial	Consumer	Total
		(Dollars in Thousands)		
March 31, 2011				
Loans Held for Sale:				
Beginning Balance	$ 3,666	$ 32,954	$ —	$ 36,620
Reclassification from Loan Receivables to Loans Held for sale	17,909	23,081	—	40,990
Sales of Loans Held for sale	(17,989)	(9,316)	—	(27,305)
Principal Payoffs and Amortization	(7)	(407)	—	(414)
Valuation Adjustments	(66)	(2,176)	—	(2,242)
Ending Balance	**$ 3,513**	**$ 44,136**	**$ —**	**$ 47,649**
March 31, 2010				
Loans Held for Sale:				
Beginning Balance	$ —	$ 5,010	$ —	$ 5,010
Reclassification from Loan Receivables to Loans Held for sale	12,816	19,153	—	31,969
Sales of Loans Held for sale	(12,816)	(13,993)	—	(26,809)
Principal Payoffs and Amortization	—	(66)	—	(66)
Valuation Adjustments	—	—	—	—
Ending Balance	**$ —**	**$ 10,104**	**$ —**	**$ 10,104**

For the three months ended March 31, 2011, loan receivables of $41.0 million were reclassified as loans held for sale and loans held for sale of $27.3 million were sold. For the same quarter ended March 31, 2010, loan receivables of $32.0 million were reclassified as loans held for sale and loans held for sale of $26.8 million were sold. There were no purchases of loans receivables for the three months ended March 31, 2011 and 2010.

Allowance for Loan Losses and Allowance for Off-Balance Sheet Items

Activity in the allowance for loan losses and allowance for off-balance sheet items was as follows for the periods indicated:

	As of and for the Three Months Ended		
	March 31, 2011	December 31, 2010	March 31, 2010
		(In Thousands)	
Allowance for Loan Losses:			
Balance at Beginning of Period	$ 146,059	$ 176,063	$ 144,996
Actual Charge-Offs	(25,181)	(37,787)	(30,114)
Recoveries on Loans Previously Charged Off	3,626	2,538	3,721
Net Loan Charge-Offs	(21,555)	(35,249)	(26,393)
Provision Charged to Operating Expense	1,276	5,245	59,217
Balance at End of Period	**$ 125,780**	**$ 146,059**	**$ 177,820**
Allowance for Off-Balance Sheet Items:			
Balance at Beginning of Period	$ 3,417	$ 3,662	$ 3,876
Provision Charged to (Reversal of Charged to) Operating Expense	(1,276)	(245)	(1,221)
Balance at End of Period	**$ 2,141**	**$ 3,417**	**$ 2,655**

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(UNAUDITED)*
THREE MONTHS ENDED MARCH 31, 2011 AND 2010 *(Continued)*

NOTE 5 — LOANS *(Continued)*

The following table details the information on the allowance for credit losses by portfolio segment for the three months ended March 31, 2011 and 2010.

	Real Estate	Commercial and Industrial	Consumer	Unallocated	Total
			(Dollars in Thousands)		
March 31, 2011					
Allowance for Loan Losses:					
Beginning Balance	$ 32,766	$ 108,986	$ 2,079	$ 2,228	$ 146,059
Charge-Offs	7,053	17,955	173	—	25,181
Recoveries on Loans Previously Charged Off	521	3,096	9	—	3,626
Provision	(350)	(249)	(183)	2,058	1,276
Ending Balance	**$ 25,884**	**$ 93,878**	**$ 1,732**	**$ 4,286**	**$ 125,780**
Ending Balance: Individually Evaluated for Impairment	$ 3,855	$ 27,599	$ 81	$ —	$ 31,535
Ending Balance: Collectively Evaluated for Impairment	$ 22,029	$ 66,279	$ 1,651	$ 4,286	$ 94,245
Loans Receivable:					
Ending Balance	**$ 812,416**	**$ 1,265,507**	**$ 48,120**	**$ —**	**$ 2,126,043**
Ending Balance: Individually Evaluated for Impairment	$ 75,154	$ 107,585	$ 903	$ —	$ 183,642
Ending Balance: Collectively Evaluated for Impairment	$ 737,262	$ 1,157,922	$ 47,217	$ —	$ 1,942,401
March 31, 2010					
Allowance for Loan Losses:					
Beginning Balance	$ 30,080	$ 112,225	$ 2,691	$ —	$ 144,996
Charge-Offs	5,404	24,091	619	—	30,114
Recoveries on Loans Previously Charged Off	1,703	1,982	36	—	3,721
Provision	5,218	53,878	121	—	59,217
Ending Balance	**$ 31,597**	**$ 143,994**	**$ 2,229**	**$ —**	**$ 177,820**
Ending Balance: Individually Evaluated for Impairment	$ 4,213	$ 22,685	$ 268	$ —	$ 27,166
Ending Balance: Collectively Evaluated for Impairment	$ 27,384	$ 121,309	$ 1,961	$ —	$ 150,654
Loans Receivable:					
Ending Balance	**$ 986,417**	**$ 1,628,446**	**$ 58,886**	**$ —**	**$ 2,673,749**
Ending Balance: Individually Evaluated for Impairment	$ 110,358	$ 143,669	$ 659	$ —	$ 254,686
Ending Balance: Collectively Evaluated for Impairment	$ 876,059	$ 1,484,777	$ 58,227	$ —	$ 2,419,063

Credit Quality Indicators

As part of the on-going monitoring of the credit quality of our loan portfolio, we utilize an internal loan grading system to identify credit risk and assign appropriate grade for each and every loan in our loan portfolio on a grade of 0 to 8.

Pass-grade (0 to 4) loans are reviewed for reclassification on an annual basis, while criticized (5) and classified (6 and 7) loans are reviewed semi-annually. Additional adjustments may be made daily as needed. The loan grade definitions are as follows:

Pass: pass loans are loans conforming in all respects to the Bank credit policy and regulatory requirements, that do not exhibit any potential or defined weaknesses as defined under Special Mention, Substandard or Doubtful. This is the lowest level of the Bank's loan grading system. It incorporates all performing loans with no credit weaknesses. It includes cash and stock/security secured loans or other investment grade loans. Following are sub categories within Pass grade:

Pass 0: loans secured in full by cash or cash equivalents.

Pass 1: requires a very strong, well-structured credit relationship with an established borrower. The relationship should be supported by audited financial statements indicating cash flow, well in excess of debt service requirement, excellent liquidity, and very strong capital.

NOTE 5 — LOANS *(Continued)*

Pass 2: requires a well-structured credit that may not be as seasoned or as high quality as grade 1. Capital, liquidity, debt service capacity, and collateral coverage must all be well above average, this category includes individuals with substantial net worth centered in liquid assets and strong income.

Pass 3: loans or commitments to borrowers exhibiting a fully acceptable credit risk. These borrowers should have sound balance sheet proportions and significant cash flow coverage, although they may be somewhat more leveraged and exhibit grater fluctuations in earning and financing but generally would be considered very attractive to the Bank as a borrower. The borrower has historically demonstrated the ability to manage economic adversity. Real estate and asset-based loans which are designated this grade must have characteristics that place them well above the minimum underwriting requirements. Asset-based borrowers assigned this grade must exhibit extremely favorable leverage and cash flow characteristics and consistently demonstrate a high level of unused borrowing capacity

Pass 4: loans or commitments to borrowers exhibiting either somewhat weaker balance sheet proportions or positive, but inconsistent, cash flow coverage. These borrowers may exhibit somewhat greater credit risk, and as a result of this the Bank may have secured its exposure in an effort to mitigate the risk. If so, the collateral taken should provide an unquestionable ability to repay the indebtedness in full through liquidation, if necessary. Cash flows should be adequate to cover debt service and fixed obligations, although there may be a question about the borrower's ability to provide alternative sources of funds in emergencies. Better quality real estate and asset-based borrowers who fully comply with all underwriting standards and are performing according to projections would be assigned this grade.

Special Mention or 5: Special Mention credits are potentially weak, as the borrower is exhibiting deteriorating trends which, if not corrected, could jeopardize repayment of the debt and result in a substandard classification. Credits which have significant actual, not potential, weaknesses are considered more severely classified.

Substandard or 6: A Substandard credit has a well-defined weakness that jeopardizes the liquidation of the debt. A credit graded Substandard is not protected by the sound worth and paying capacity of the borrower, or of the value and type of collateral pledged. With a Substandard loan, there is a distinct possibility that the Bank will sustain some loss if the weaknesses or deficiencies are not corrected.

Doubtful or 7: A Doubtful credit is one that has critical weaknesses that would make the collection or liquidation of the full amount due improbable. However, there may be pending events which may work to strengthen the credit, and therefore the amount or timing of a possible loss cannot be determined at the current time.

Loss or 8: Loans classified Loss are considered uncollectible and of such little value that their continuance as bank-able assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future. Loans classified Loss will be charged off in a timely manner.

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(UNAUDITED)*
THREE MONTHS ENDED MARCH 31, 2011 AND 2010 *(Continued)*

NOTE 5 — LOANS *(Continued)*

	Pass (Grade 0-4)	Criticized (Grade 5)	Classified (Grade 6-7)	Total Loans
		(In Thousands)		
March 31, 2011:				
Real Estate Loans:				
Commercial Property				
Retail	$ 308,057	$ 18,347	$ 30,391	$ 356,795
Land	3,639	—	28,596	32,235
Other	253,168	20,040	33,119	306,327
Construction	8,752	18,758	29,197	56,707
Residential Property	56,956	—	3,396	60,352
Commercial and Industrial Loans:				
Commercial Term				
Unsecured	123,222	25,507	55,678	204,407
Secured by Real Estate	607,526	114,749	131,568	853,843
Commercial Lines of Credit	41,684	9,902	7,732	59,318
SBA	65,658	2,385	33,036	101,079
International	41,422	4,786	652	46,860
Consumer Loans	45,670	590	1,860	48,120
Total	**$ 1,555,754**	**$ 215,064**	**$ 355,225**	**$ 2,126,043**
December 31, 2010:				
Real Estate Loans:				
Commercial Property				
Retail	$ 302,696	$ 18,507	$ 38,568	$ 359,771
Land	3,845	—	37,353	41,198
Other	265,957	20,804	41,493	328,254
Construction	12,958	25,897	22,139	60,994
Residential Property	59,329	—	3,315	62,644
Commercial and Industrial Loans:				
Commercial Term				
Unsecured	134,709	24,620	63,739	223,068
Secured by Real Estate	617,200	107,645	171,086	895,931
Commercial Lines of Credit	40,195	8,019	10,841	59,055
SBA	68,994	731	35,965	105,690
International	38,447	4,693	1,027	44,167
Consumer Loans	48,027	347	1,926	50,300
Total	**$ 1,592,357**	**$ 211,263**	**$ 427,452**	**$ 2,231,072**

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(UNAUDITED)*
THREE MONTHS ENDED MARCH 31, 2011 AND 2010 *(Continued)*

NOTE 5 — LOANS *(Continued)*

The following is an aging analysis of past due loans, disaggregated by class of loan, as of March 31, 2011 and December 31, 2010:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans	Accruing 90 Days or More Past Due
				(In Thousands)			
March 31, 2011:							
Real Estate Loans:							
Commercial Property							
Retail	$ —	$ —	$ —	$ —	$ 356,796	$ 356,796	$ —
Land	1,000	—	22,523	23,523	8,711	32,234	—
Other	1,852	688	517	3,057	303,270	306,327	—
Construction	—	—	19,750	19,750	36,957	56,707	—
Residential Property	2,069	—	1,342	3,411	56,941	60,352	—
Commercial and Industrial Loans:							
Commercial Term							
Unsecured	2,309	1,743	2,863	6,915	197,493	204,408	—
Secured by Real Estate	4,959	3,503	2,899	11,361	842,481	853,842	—
Commercial Lines of Credit	1,266	191	1,422	2,879	56,439	59,318	—
SBA	9,129	1,554	12,012	22,695	78,384	101,079	—
International	—	—	—	—	46,860	46,860	—
Consumer Loans	126	607	148	881	47,239	48,120	—
Total	**$ 22,710**	**$ 8,286**	**$ 63,476**	**$ 94,472**	**$ 2,031,571**	**$ 2,126,043**	**$ —**
December 31, 2010:							
Real Estate Loans:							
Commercial Property							
Retail	$ —	$ —	$ 7,857	$ 7,857	$ 351,913	$ 359,770	$ —
Land	—	—	25,725	25,725	15,471	41,196	—
Other	—	—	7,212	7,212	321,043	328,255	—
Construction	10,409	—	8,477	18,886	42,108	60,994	—
Residential Property	522	—	1,240	1,762	60,883	62,645	—
Commercial and Industrial Loans:							
Commercial Term							
Unsecured	2,208	2,781	6,842	11,831	211,237	223,068	—
Secured by Real Estate	5,111	3,720	10,530	19,361	876,570	895,931	—
Commercial Lines of Credit	454	—	1,745	2,199	56,857	59,056	—
SBA	2,287	8,205	13,957	24,449	81,241	105,690	—
International	—	—	—	—	44,167	44,167	—
Consumer Loans	596	202	865	1,663	48,637	50,300	—
Total	**$ 21,587**	**$ 14,908**	**$ 84,450**	**$ 120,945**	**$ 2,110,127**	**$ 2,231,072**	**$ —**

NOTE 5 — LOANS *(Continued)*

Impaired Loans

Loans are considered impaired specifically when, non-accrual and principal or interest payments have been contractually past due for 90 days or more, unless the loan is both well-collateralized and in the process of collection; or Troubled Debt Restructuring (TDR) loans to offer terms not typically granted by the Bank or when current information or events make it unlikely to collect in full according to the contractual terms of the loan agreements; or Substandard loans in the amount over 5% of the Bank's Tier 1 Capital; or a deterioration in the borrower's financial condition raises uncertainty as to timely collection of either principal or interest; or full payment of both interest and principal is in doubt according to the original contractual terms.

We evaluate loan impairment in accordance with applicable GAAP. Loans are considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement, including scheduled interest payments. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent, less costs to sell. If the measure of the impaired loan is less than the recorded investment in the loan, the deficiency will be charged off against the allowance for loan losses or, alternatively, a specific allocation will be established. Additionally, loans that are considered impaired are specifically excluded from the quarterly migration analysis when determining the amount of the allowance for loan losses required for the period.

The allowance for the collateral-dependent loans is calculated by the difference between the outstanding loan balance and the value of the collateral as determined by recent appraisals. The allowance for collateral-dependent loans varies from loan to loan based on the collateral coverage of the loan at the time of designation as non-performing. We continue to monitor the collateral coverage, based on recent appraisals, on these loans on a quarterly basis and adjust the allowance accordingly.

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(UNAUDITED)*
THREE MONTHS ENDED MARCH 31, 2011 AND 2010 *(Continued)*

NOTE 5 — LOANS *(Continued)*

The following table provides information on impaired loans, disaggregated by class of loan, as of the dates indicated:

	Recorded Investment	Unpaid Principal Balance	With No Related Allowance Recorded	With an Allowance Recorded	Related Allowance	Average Recorded Investment	Interest Income Recognized for the Three Months Ended (1)
				(In Thousands)			
March 31, 2011:							
Real Estate Loans:							
Commercial Property							
Retail	$ 16,757	$ 17,134	$ 7,204	$ 9,553	$ 1,881	$ 17,016	$ 174
Land	27,515	27,515	22,523	4,992	1,602	29,655	—
Other	5,448	5,578	3,470	1,978	138	5,383	28
Construction	23,421	23,643	14,264	9,157	195	23,536	76
Residential Property	2,014	2,091	1,651	362	39	2,068	10
Commercial and Industrial Loans:							
Commercial Term							
Unsecured	12,785	13,339	2,149	10,636	9,057	13,229	145
Secured by Real Estate	82,068	83,757	26,833	55,235	15,853	83,745	1,136
Commercial Lines of Credit	3,428	3,483	1,549	1,879	826	3,469	23
SBA	18,038	19,503	9,176	8,862	1,740	18,712	290
International	123	139	—	124	123	135	2
Consumer Loans	903	921	654	249	81	915	10
Total	**$ 192,500**	**$ 197,103**	**$ 89,473**	**$ 103,027**	**$ 31,535**	**$ 197,863**	**$ 1,894**
December 31, 2010:							
Real Estate Loans:							
Commercial Property							
Retail	$ 17,606	$ 18,050	$ 6,336	$ 11,270	$ 1,543	$ 21,190	$ 30
Land	35,207	35,295	5,482	29,725	1,485	40,858	—
Other	11,357	11,476	10,210	1,147	33	15,342	42
Construction	17,691	17,831	13,992	3,699	280	12,311	—
Residential Property	1,926	1,990	1,926	—	—	2,383	19
Commercial and Industrial Loans:							
Commercial Term							
Unsecured	17,847	18,799	6,465	11,382	10,313	18,460	198
Secured by Real Estate	80,213	81,395	35,154	45,059	11,831	101,617	318
Commercial Lines of Credit	4,067	4,116	1,422	2,645	1,321	4,988	15
SBA	17,715	18,544	7,112	10,603	2,122	23,213	301
International	127	141	—	127	127	397	3
Consumer Loans	934	951	393	541	393	639	6
Total	**$ 204,690**	**$ 208,588**	**$ 88,492**	**$ 116,198**	**$ 29,448**	**$ 241,398**	**$ 932**

(1) *Represents interest income recognized on impaired loans subsequent to classification as impaired.*

NOTE 5 — LOANS *(Continued)*

The following is a summary of interest foregone on impaired loans for the periods indicated:

	Three Months Ended	
	March 31, 2011	March 31, 2010
	(In Thousands)	
Interest Income That Would Have Been Recognized Had Impaired Loans Performed in Accordance With Their Original Terms	$ 4,429	$ 5,569
Less: Interest Income Recognized on Impaired Loans	(2,485)	(2,771)
Interest Foregone on Impaired Loans	**$ 1,944**	**$ 2,798**

There were no commitments to lend additional funds to borrowers whose loans are included above.

Non-Accrual Loans

Loans are placed on non-accrual status when, in the opinion of management, the full timely collection of principal or interest is in doubt. Generally, the accrual of interest is discontinued when principal or interest payments become more than 90 days past due, unless management believes the loan is adequately collateralized and in the process of collection. However, in certain instances, we may place a particular loan on non-accrual status earlier, depending upon the individual circumstances surrounding the loan's delinquency. When a loan is placed on non-accrual status, previously accrued but unpaid interest is reversed against current income. Subsequent collections of cash are applied as principal reductions when received, except when the ultimate collectibility of principal is probable, in which case interest payments are credited to income. Non-accrual loans may be restored to accrual status when principal and interest become current and full repayment is expected.

The following table details non-accrual loans, disaggregated by class of loan, for the periods indicated:

	March 31, 2011	December 31, 2010
	(In Thousands)	
Real Estate Loans:		
Commercial Property		
Retail	$ 8,669	$ 10,998
Land	22,523	25,725
Other	2,177	8,953
Construction	23,421	17,691
Residential Property	2,014	1,926
Commercial and Industrial Loans:		
Commercial Term		
Unsecured	10,370	17,065
Secured by Real Estate	27,959	31,053
Commercial Lines of Credit	2,169	2,798
SBA	24,327	25,054
International	123	127
Consumer Loans	966	1,047
Total	**$ 124,718**	**$ 142,437**

HANMI FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(UNAUDITED)*
THREE MONTHS ENDED MARCH 31, 2011 AND 2010 *(Continued)*

NOTE 5 — LOANS *(Continued)*

The following table details non-performing assets as of the dates indicated:

	March 31, 2011	December 31, 2010
	(In Thousands)	
Non-Accrual Loans	$ 124,718	$ 142,437
Loans 90 Days or More Past Due and Still Accruing	—	—
Total Non-Performing Loans	124,718	142,437
Other Real Estate Owned	2,642	4,089
Total Non-Performing Assets	**$ 127,360**	**$ 146,526**
Troubled Debt Restructurings on Accrual Status	$ 43,311	$ 47,395

Loans on non-accrual status, excluding loans held for sale, totaled $124.7 million as of March 31, 2011, compared to $142.4 million as of December 31, 2010, representing a 12.4 percent decrease. Delinquent loans (defined as 30 days or more past due), excluding loans held for sale, were $94.5 million as of March 31, 2011, compared to $120.9 million as of December 31, 2010, representing a 21.9 percent decrease.

As of March 31, 2011, other real estate owned consisted of seven properties, primarily located in California, with a combined net carrying value of $2.6 million. During the three months ended March 31, 2011, two properties, with a carrying value of $1.5 million, were transferred from loans receivable to other real estate owned and three properties, with a carrying value of $2.0 million, were sold and a loss of $219,000 was recognized. As of December 31, 2010, other real estate owned consisted of eight properties with a combined net carrying value of $4.1 million.

During the three months ended March 31, 2011, we restructured monthly payments on 43 loans, with a net carrying value of $46.2 million as of March 31, 2011, through temporary payment structure modification from principal and interest due monthly to interest only due monthly for six months or less. For the restructured loans on accrual status, we determined that, based on the financial capabilities of the borrowers at the time of the loan restructuring and the borrowers' past performance in the payment of debt service under the previous loan terms, we believe that performance and collection under the revised terms is probable. As of March 31, 2011, troubled debt restructured loans,excluding loans held for sale, totaled $63.3 million and a $12.0 million reserve relating to these loans was included in the allowance for loan losses. As of December 31, 2010, troubled debt restructured loans, excluding loans held for sale, totaled $72.2 million and the related allowance was $10.2 million.

NOTE 6 — INCOME TAXES

Under GAAP, a valuation allowance must be recorded if it is “more likely than not” that such deferred tax assets will not be realized. Appropriate consideration is given to all available evidence (both positive and negative) related to the realization of the deferred tax assets on a quarterly basis.

In conducting our regular quarterly evaluation, we decided to maintain a full deferred tax asset valuation allowance as of March 31, 2011 based primarily upon the existence of a three-year cumulative loss position. Although our current financial forecasts indicate that sufficient taxable income will be generated in the future to ultimately realize the existing deferred tax benefits, those forecasts were not considered to constitute sufficient positive evidence to overcome the observable negative evidence associated with the three-year cumulative loss position determined as of March 31, 2011.

At March 31, 2011, valuation allowance decreased to $88.6 million compared to $92.7 million in December 31, 2010. This decrease was mainly due to a decrease of deferred tax assets balance related to credit loss provision. We had zero balance of net deferred tax assets as of March 31, 2011 and March 31, 2010. During the first quarter of 2010, we recorded a valuation allowance of $23.6 million against our deferred tax assets, totaling $68.8 million of valuation allowance as of March 31, 2010.

NOTE 7 — SHARE-BASED COMPENSATION

Share-Based Compensation Expense

For the three months ended March 31, 2011 and 2010, share-based compensation expense was $314,000 and $206,000, respectively, and the related tax benefits were $132,000 and $87,000, respectively.

Unrecognized Share-Based Compensation Expense

As of March 31, 2011, unrecognized share-based compensation expense was as follows:

	Unrecognized Expense	Average Expected Recognition Period
	(Dollars in Thousands)	
Stock Option Awards	$ 235	2.0 years
Restricted Stock Awards	246	2.5 years
Total Unrecognized Share-Based Compensation Expense	**$ 481**	**2.2 years**

NOTE 7 — SHARE-BASED COMPENSATION *(Continued)*

Share-Based Payment Award Activity

The table below provides stock option information for the three months ended March 31, 2011:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value of In-the-Money Options
		(Dollars in Thousands, Except Per Share Data)		
Options Outstanding at Beginning of Period	1,066,891	$ 11.93	5.3 years	$ — (1)
Options Granted	150,000	$ 1.30	9.9 years	
Options Expired	(4,000)	$ 18.22	4.9 years	
Options Forfeited	(2,800)	$ 18.00	5.1 years	
Options Outstanding at End of Period	**1,210,091**	**$ 10.58**	**5.7 years**	**$ — (2)**
Options Exercisable at End of Period	843,691	$ 13.18	4.7 years	$ — (2)

(1) *Intrinsic value represents the excess of the closing stock price on the last trading day of the period, which was $1.15 as of December 31, 2010, over the exercise price, multiplied by the number of options.*

(2) *Intrinsic value represents the excess of the closing stock price on the last trading day of the period, which was $1.24 as of March 31, 2011, over the exercise price, multiplied by the number of options.*

There were no options exercised during the three months ended March 31, 2011 and 2010.

Restricted Stock Awards

The table below provides information for restricted stock awards for the three months ended March 31, 2011:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Share
Restricted Stock at Beginning of Period	145,600	$ 1.77
Restricted Stock Granted	60,000	$ 1.30
Restricted Stock Forfeited	—	$ —
Restricted Stock Vested	(20,000)	$ 1.30
Restricted Stock at End of Period	**185,600**	**$ 1.72**

NOTE 8 — STOCKHOLDERS' EQUITY

Stock Warrants

As part of the agreement with the placement agency company executed on July 27, 2010, we issued warrants to purchase two million shares of common stock for services performed. The warrants have an exercise price of $1.20 per share. According to the agreement, the warrants vested on October 14, 2010 and are exercisable until its expiration on October 14, 2015. The Company followed the guidance of FASB ASC Topic 815- 40, "*Derivatives and Hedging — Contracts in Entity's Own Stock"* ("ASC 815- 40"), which establishes a framework for determining whether certain freestanding and embedded instruments are indexed to a company's own stock for purposes of evaluation of the accounting for such instruments under existing accounting literature. Under GAAP, the issuer is required to measure the fair value of the equity instruments in the transaction as of earlier of i) the date at which a commitment for performance by the counterparty to earn the equity instruments is reached or ii) the date at which the counterparty's performance is complete.

NOTE 8 — STOCKHOLDERS' EQUITY *(Continued)*

The fair value of the warrants at the date of issuance totaling $2.0 million was recorded as a liability and a cost of equity, which was determined by the Black-Scholes option pricing model. The expected stock volatility is based on historical volatility of our common stock over the expected term of the warrants. We used a weighted average expected stock volatility of 111.46%. The expected life assumption is based on the contract term of five years. The dividend yield of zero is based on the fact that we have no present intention to pay cash dividends. The risk free rate of 2.07% used for the warrant is equal to the zero coupon rate in effect at the time of the grant.

Upon re-measuring the fair value of the stock warrants at March 31, 2011, compared to $1.6 million at December 31, 2010, the fair value decreased by $14,000, which we have included in other operating expenses for the three months ended March 31, 2011. We used a weighted average expected stock volatility of 84.01% and a remaining contractual life of 4.5 years based on the contract terms. We also used a dividend yield of zero as we have no present intention to pay cash dividends. The risk free rate of 2.33% used for the warrant is equal to the zero coupon rate in effect at the end of the measurement period.

NOTE 9 — EARNINGS (LOSS) PER SHARE

Earnings (loss) per share ("EPS") is calculated on both a basic and a diluted basis. Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted from the issuance of common stock that then shared in earnings, excluding common shares in treasury. Unvested restricted stock is excluded from the calculation of weighted-average common shares for basic EPS. For diluted EPS, weighted-average common shares include the impact of restricted stock under the treasury method.

The following tables present a reconciliation of the components used to derive basic and diluted EPS for the periods indicated:

	Three Months Ended March 31,					
	2011			2010		
	(Numerator) Net Income	*(Denominator)* Weighted-Average Shares	Per Share Amount	*(Numerator)* Net Loss	*(Denominator)* Weighted-Average Shares	Per Share Amount
	(Dollars in Thousands, Except Per Share Data)					
Basic EPS	$ 10,437	151,061,012	$ 0.07	$ (49,486)	50,998,990	$ (0.97)
Effect of Dilutive Securities — Options, Warrants and Unvested Restricted Stock	—	226,561	—	—	—	—
Diluted EPS	$ 10,437	151,287,573	$ 0.07	$ (49,486)	50,998,990	$ (0.97)

For the three months ended March 31, 2011 and 2010, there were 1,210,091 and 1,320,915 options, warrants and unvested restricted stock outstanding, respectively, that were not included in the computation of diluted EPS because their effect would be anti-dilutive.

NOTE 10 — OFF-BALANCE SHEET COMMITMENTS

We are a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheets. The Bank's exposure to credit losses in the event of non-performance by the other party to commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments.

NOTE 10 — OFF-BALANCE SHEET COMMITMENTS *(Continued)*

The Bank uses the same credit policies in making commitments and conditional obligations as it does for extending loan facilities to customers. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty.

Collateral held varies but may include accounts receivable; inventory; property, plant and equipment; and income-producing or borrower-occupied properties. The following table shows the distribution of undisbursed loan commitments as of the dates indicated:

	March 31, 2011	December 31, 2010
	(In Thousands)	
Commitments to Extend Credit	$ 167,225	$ 178,424
Standby Letters of Credit	15,103	15,226
Commercial Letters of Credit	8,694	11,899
Unused Credit Card Lines	23,990	24,649
Total Undisbursed Loan Commitments	**$ 215,012**	**$ 230,198**

NOTE 11 — SEGMENT REPORTING

Through our branch network and lending units, we provide a broad range of financial services to individuals and companies located primarily in Southern California. These services include demand, time and savings deposits; and commercial and industrial, real estate and consumer lending. While our chief decision makers monitor the revenue streams of our various products and services, operations are managed and financial performance is evaluated on a company-wide basis. Accordingly, we consider all of our operations to be aggregated in one reportable operating segment.

NOTE 12 — LIQUIDITY

Hanmi Financial

Currently, management believes that Hanmi Financial, on a stand-alone basis, has adequate liquid assets to meet its operating cash needs through December 31, 2011. On August 29, 2008, we elected to suspend payment of quarterly dividends on our common stock in order to preserve our capital position. In addition, Hanmi Financial has elected to defer quarterly interest payments on its outstanding junior subordinated debentures until further notice, beginning with the interest payment that was due on January 15, 2009. As of March 31, 2011, Hanmi Financial's liquid assets, including amounts deposited with the Bank, totaled $7.1 million, down from $7.7 million as of December 31, 2010.

Hanmi Bank

Management believes that the Bank, on a stand-alone basis, has adequate liquid assets to meet its current obligations. The Bank's primary funding source will continue to be deposits originated through its branch platform. The Bank's wholesale funds historically consisted of FHLB advances and brokered deposits. As of March 31, 2011, in compliance with its regulatory restrictions, the Bank had no brokered deposits, and had FHLB advances of only $153.6 million that slightly decreased $85,000 in 2011.

The Bank's primary source of borrowings is the FHLB, from which the Bank is eligible to borrow up to 15 percent of its total assets. As of March 31, 2011, the total borrowing capacity available based on pledged collateral and the remaining available borrowing capacity were $435.1 million and $281.5 million, respectively. The Bank's FHLB borrowings as of March 31, 2011 totaled $153.6 million, representing 5.3 percent of total assets.

NOTE 12 — LIQUIDITY *(Continued)*

As of May 6, 2011, the Bank's FHLB borrowing capacity available based on pledged collateral and the remaining available borrowing capacity were $435.1 million and $281.5 million, respectively. The amount that the FHLB is willing to advance differs based on the quality and character of qualifying collateral pledged by the Bank, and the advance rates for qualifying collateral may be adjusted upwards or downwards by the FHLB from time to time. To the extent deposit renewals and deposit growth are not sufficient to fund maturing and withdrawable deposits, repay maturing borrowings, fund existing and future loans and investment securities and otherwise fund working capital needs and capital expenditures, the Bank may utilize the remaining borrowing capacity from its FHLB borrowing arrangement.

As a means of augmenting its liquidity, the Bank had an available borrowing source of $165.8 million from the Federal Reserve Discount Window (the "Fed Discount Window"), to which the Bank pledged loans with a carrying value of $354.6 million, and had no borrowings as of March 31, 2011. The Bank is currently in the secondary program of the Borrower in Custody Program of the Fed Discount Window, which allows the Bank to request very short-term credit (typically overnight) at a rate that is above the primary credit rate within a specified period. In August 2010, South Street Securities LLC extended a line of credit to the Bank for reverse repurchase agreements up to a maximum of $100.0 million.

Current market conditions have limited the Bank's liquidity sources principally to interest-bearing deposits, unpledged marketable securities, and secured funding outlets such as the FHLB and Fed Discount Window. There can be no assurance that actions by the FHLB or Federal Reserve Bank would not reduce the Bank's borrowing capacity or that the Bank would be able to continue to replace deposits at competitive rates. As of March 31, 2011, in compliance with its regulatory restrictions, the Bank did not have any brokered deposits and would consult in advance with its regulators if it were to consider accepting brokered deposits in the future.

The Bank has Contingency Funding Plans ("CFPs") designed to ensure that liquidity sources are sufficient to meet its ongoing obligations and commitments, particularly in the event of a liquidity contraction. The CFPs are designed to examine and quantify its liquidity under various "stress" scenarios. Furthermore, the CFPs provide a framework for management and other critical personnel to follow in the event of a liquidity contraction or in anticipation of such an event. The CFPs address authority for activation and decision making, liquidity options and the responsibilities of key departments in the event of a liquidity contraction.

The Bank believes that it nonetheless has adequate liquidity resources to fund its obligations with its interest-bearing deposits, unpledged marketable securities, and secured credit lines with the FHLB and Fed Discount Window.

NOTE 13 — SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of issuance of the financial data included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the Consolidated Financial Statements (Unaudited) as of March 31, 2011.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of the major factors that influenced our results of operations and financial condition as of and for the three months ended March 31, 2011. This analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2010 and with the unaudited consolidated financial statements and notes thereto set forth in this Report.

FORWARD-LOOKING STATEMENTS

Some of the statements under *"Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations"* and elsewhere in this Form 10-Q constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements in this Form 10-Q other than statements of historical fact are "forward —looking statements" for purposes of federal and state securities laws, including, but not limited to, statements about anticipated future operating and financial performance, financial position and liquidity, business strategies, regulatory and competitive outlook, investment and expenditure plans, capital and financing needs, plan and availability, plans and objectives of management for future operations, developments regarding our securities purchase agreement with Woori, and other similar forecasts and statements of expectation and statements of assumption underlying any of the foregoing. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of such terms and other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ from those expressed or implied by the forward-looking statement. These factors include the following:

- our ability to continue as going concern;
- closure of Hanmi Bank and appointment of the Federal Deposit Insurance Corporation as receiver;
- failure to complete the transaction contemplated by the securities purchase agreement with Woori Finance Holdings Co., Ltd.;
- failure to raise enough capital to support our operations or meet our regulatory requirements;
- failure to maintain adequate levels of capital to support our operations;
- conditions in the capital markets for raising capital;
- a significant number of customers failing to perform under their loans and other terms of credit agreements;
- our compliance with and the effect of regulatory orders we have entered into and potential future supervisory or governmental actions against us or Hanmi Bank;
- fluctuations in interest rates and a decline in the level of our interest rate spread;
- failure to attract or retain deposits and restrictions on taking brokered deposits;
- sources of liquidity available to us and to Hanmi Bank becoming limited or our potential inability to access sufficient sources of liquidity when needed or the requirement that we obtain government waivers to do so;
- adverse changes in domestic or global financial markets, economic conditions or business conditions;
- regulatory restrictions on Hanmi Bank's ability to pay dividends to us and on our ability to make payments on our obligations;
- significant reliance on loans secured by real estate and the associated vulnerability to downturns in the local real estate market, natural disasters and other variables impacting the value of real estate;
- failure to attract or retain our key employees;
- adequacy of our allowance for loan losses;
- credit quality and the effect of credit quality on our provision for credit losses and allowance for loan losses;
- volatility and disruption in financial, credit and securities markets, and the price of our common stock;
- deterioration in financial markets that may result in impairment charges relating to our securities portfolio;
- competition in our primary market areas;.

- demographic changes in our primary market areas;
- global hostilities, acts of war or terrorism, including but not limited to, conflict between North and South Korea;
- the effects of climate change and attendant regulation on our customers and borrowers;
- the effects of litigation against us;
- significant government regulations, legislation and potential changes thereto; and
- other risks described herein and in the other reports and statements we file with the SEC.

For a discussion of some of the other factors that might cause such a difference, see the discussion contained in this Form 10-Q under the heading*"Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations."* Also see *"Item 1A. Risk Factors"* and *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations"* in our Annual Report on Form 10-K for the year ended December 31, 2010 as well as other factors we identify from time to time in our periodic reports filed pursuant to the Exchange Act. We undertake no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date on which such statements were made, except as required by law.

CRITICAL ACCOUNTING POLICIES

We have established various accounting policies that govern the application of GAAP in the preparation of our financial statements. Our significant accounting policies are described in the *"Notes to Consolidated Financial Statements"* in our Annual Report on Form 10-K for the year ended December 31, 2010. Certain accounting policies require us to make significant estimates and assumptions that have a material impact on the carrying value of certain assets and liabilities, and we consider these critical accounting policies. For a description of these critical accounting policies, see *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies"* in our Annual Report on Form 10-K for the year ended December 31, 2010. We use estimates and assumptions based on historical experience and other factors that we believe to be reasonable under the circumstances. Actual results could differ significantly from these estimates and assumptions, which could have a material impact on the carrying value of assets and liabilities at the balance sheet dates and our results of operations for the reporting periods. Management has discussed the development and selection of these critical accounting policies with the Audit Committee of Hanmi Financial's Board of Directors.

SELECTED FINANCIAL DATA

The following tables set forth certain selected financial data for the periods indicated.

	As of and for the Three Months Ended March 31, 2011	2010
	(Dollars in Thousands, Except Per Share Data)	
AVERAGE BALANCES:		
Average Gross Loans, Net (1)	$ 2,234,110	$ 2,765,701
Average Investment Securities	$ 473,113	$ 125,340
Average Interest-Earning Assets	$ 2,892,404	$ 3,010,938
Average Total Assets	$ 2,906,253	$ 3,086,198
Average Deposits	$ 2,458,836	$ 2,662,960
Average Borrowings	$ 237,452	$ 257,132
Average Interest-Bearing Liabilities	$ 2,133,097	$ 2,360,992
Average Stockholders' Equity	$ 178,221	$ 137,931
PER SHARE DATA:		
Earnings (Loss) Per Share — Basic	$ 0.07	$ (0.97)
Earnings (Loss) Per Share — Diluted	$ 0.07	$ (0.97)
Common Shares Outstanding	151,258,390	51,182,390
Book Value Per Share (2)	$ 1.22	$ 1.97
SELECTED PERFORMANCE RATIOS:		
Return on Average Assets (3) (4)	1.46%	(6.50%)
Return on Average Stockholders' Equity (3) (5)	23.75%	(145.50%)
Efficiency Ratio (6)	66.61%	76.37%
Net Interest Spread (7)	3.27%	3.29%
Net Interest Margin (8)	3.66%	3.69%
Average Stockholders' Equity to Average Total Assets	6.13%	4.47%
SELECTED CAPITAL RATIOS: (9)		
Total Risk-Based Capital Ratio:		
Hanmi Financial	13.05%	7.86%
Hanmi Bank	13.00%	7.81%
Tier 1 Risk-Based Capital Ratio:		
Hanmi Financial	10.96%	4.80%
Hanmi Bank	11.70%	6.49%
Tier 1 Leverage Ratio:		
Hanmi Financial	8.51%	4.20%
Hanmi Bank	9.08%	5.68%
SELECTED ASSET QUALITY RATIOS:		
Non-Performing Loans to Total Gross Loans (10)	6.98%	9.77%
Non-Performing Assets to Total Assets (11)	5.36%	9.43%
Net Loan Charge-Offs to Average Total Gross Loans (12)	3.91%	3.87%
Allowance for Loan Losses to Total Gross Loans	5.79%	6.63%
Allowance for Loan Losses to Non-Performing Loans	82.90%	67.81%

(1) *Loans are net of deferred fees and related direct costs.*

(2) *Total stockholders' equity divided by common shares outstanding.*

(3) *Calculation based upon annualized net income (loss).*

(4) *Net income (loss) divided by average total assets.*

(5) *Net income (loss) divided by average stockholders' equity.*

(6) *Total non-interest expenses divided by the sum of net interest income before provision for credit losses and total non-interest income.*

(7) *Average yield earned on interest-earning assets less average rate paid on interest-bearing liabilities. Computed on a tax-equivalent basis using an effective marginal rate of 35 percent.*

(8) *Net interest income before provision for credit losses divided by average interest-earning assets. Computed on a tax-equivalent basis using an effective marginal rate of 35 percent.*

(9) *The required ratios for a "well-capitalized" institution, as defined by regulations of the Board of Governors of the Federal Reserve System, are 10 percent for the Total Risk-Based Capital Ratio (total capital divided by total risk-weighted assets); 6 percent for the Tier 1 Risk-Based Capital Ratio (Tier 1 capital divided by total risk-weighted assets); and 5 percent for the Tier 1 Leverage Ratio (Tier 1 capital divided by average total assets).*

(10) *Non-performing loans consist of non-accrual loans and loans past due 90 days or more and still accruing interest.*

(11) *Non-performing assets consist of non-performing loans (see footnote (10) above) and other real estate owned.*

(12) *Calculation based upon annualized net loan charge-offs.*

Non-GAAP Financial Measures

Tangible Stockholders' Equity to Tangible Assets Ratio

Tangible Stockholders' equity to tangible assets ratio is supplemental financial information determined by a method other than in accordance with U.S. generally accepted accounting principles ("GAAP"). This non-GAAP measure is used by management in the analysis of Hanmi Bank's capital strength. Tangible equity is calculated by subtracting goodwill and other intangible assets from total stockholders' equity.

Banking and financial institution regulators also exclude goodwill and other intangible assets from total stockholders' equity when assessing the capital adequacy of a financial institution. Management believes the presentation of this financial measure excluding the impact of these items provides useful supplemental information that is essential to a proper understanding of the capital strength of Hanmi Bank. This disclosure should not be viewed as a substitution for results determined in accordance with GAAP, nor is it necessarily comparable to non-GAAP performance measures that may be presented by other companies.

The following table reconciles this non-GAAP performance measure to the GAAP performance measure for the periods indicated:

Hanmi Bank

	March 31, 2011	March 31, 2010
	(In Thousands)	
Total Assets	$ 2,872,804	$ 3,011,524
Less Intangible Assets	(303)	(1,058)
Tangible Assets	**$ 2,872,501**	**$ 3,010,466**
Total Stockholders' Equity	$ 261,639	$ 178,513
Less Intangible Assets	(303)	(1,058)
Tangible Stockholders' Equity	**$ 261,336**	**$ 177,455**
Total Stockholders' Equity to Total Assets Ratio	9.11%	5.93%
Tangible Stockholders' Equity to Tangible Assets Ratio	9.10%	5.89%

As of March 31, 2011 and 2010, the Bank had tangible stockholders' equity to tangible assets ratio of 9.10% and 5.89%, respectively.

EXECUTIVE OVERVIEW

For the first quarter ended March 31, 2011, we recognized net income of $10.4 million or $0.07 per diluted share, compared to net income of $5.3 million or $0.04 per diluted share and net losses of $49.5 million or $(0.97) per share for the fourth quarter ended December 31, 2010 and the first quarter ended March 31, 2010, respectively. The increase in net income for the first quarter of 2011 was primarily driven by the lack of any provision for credit losses for the first quarter of 2011, reflecting the continuous improvement in our credit quality metrics. We recorded $5.0 million and $58.0 million in provision for credit losses for the fourth quarter ended December 31, 2010 and the first quarter ended March 31, 2010, respectively.

On July 27, 2010, we successfully completed a $120 million registered rights and best efforts offering to strengthen our capital position. As a result, we satisfied the $100 million capital contribution requirement set forth in the Order and the Bank has met the threshold for being considered "well-capitalized" for regulatory purposes since September 30, 2010. However, the tangible capital ratio requirement set forth in the Order has not been satisfied as of March 31, 2011. Accordingly, we notified the DFI and the FRB of such event. For a further discussion of the Bank's capital condition and capital resources, see "Capital Resources and Liquidity."

We have made continuous efforts to improve our asset quality through proactive loan monitoring, accelerated problem loan resolutions, and sales of non-performing assets. In accordance with our liquidity preservation strategy, funds raised from the secondary stock offerings and sales of loans were placed into highly liquid assets. As a result, we maintained a strong liquidity position with $709.6 million in cash and marketable securities as of March 31, 2011.

Significant financial highlights include (as of and for the period ended March 31, 2011):

- The Bank's total risk-based capital ratio improved to 13.00% as of March 31, 2011 compared to 12.22% as of December 31, 2010. The Bank's tangible common equity to tangible assets also improved to 9.10% as of March 31, 2011 compared to 8.59% as of December 31, 2010.
- Non-performing loans decreased to $151.7 million, or 6.98% of total gross loans, as of March 31, 2011 compared to $169.0 million, or 7.45% as of December 31, 2010. Non-performing assets decreased to $154.4 million, or 5.36% of total assets, as of March 31, 2011 compared to $173.1 million, or 5.95% as of December 31, 2010.

- The average loan yield improved by 23 basis points to 5.61% in the first quarter of 2011 compared to 5.38% for the same period of 2010, reflecting the improvement in credit quality.
- The cost of funds decreased primarily through downward re-pricing of matured time deposits. The average funding cost decreased by 32 basis points to 1.17% in the first quarter of 2011 compared to 1.49% for the same period of 2010.

Outlook for 2011

As set forth in our Form 10-K for the year ended December 31, 2010, our strategic focuses for 2011 will be to enhance our capital position, continue to improve our credit quality and to fully comply with all of the requirements of the Order and the Agreement.

We believe that our continuous proactive initiatives to manage credit risk exposure have resulted in improvement of our asset quality over the past several quarters. Our commitment to elevate our credit risk management systems will continue in order to meet the challenges of our uncertain economic environment.

In addition to sustained credit quality improvement, we will focus on growth and expansion in two primary areas: quality loans and core deposits. We intend to continue to launch innovative new core deposit products and services as well as generate quality new loans to expand our existing customer base with the goal of improving our profitability.

We are actively evaluating various opportunities to further enhance our capital position with additional capital, including Woori Finance's proposed investment, so as to strengthen our balance sheet for future growth and unexpected economic events, and to fully comply with regulatory orders we are subject to. We expect to make progress during the second quarter of 2011.

RESULTS OF OPERATIONS

Net Interest Income Before Provision for Credit Losses

Our earnings depend largely upon the difference between the interest income received from our loan portfolio and other interest-earning assets and the interest paid on deposits and borrowings. The difference is "net interest income." The difference between the yield earned on interest-earning assets and the cost of interest-bearing liabilities is "net interest spread." Net interest income, when expressed as a percentage of average total interest-earning assets, is referred to as the "net interest margin."

Net interest income is affected by the change in the level and mix of interest-earning assets and interest-bearing liabilities, referred to as "volume changes." Our net interest income also is affected by changes in the yields earned on interest-earning assets and rates paid on interest-bearing liabilities, referred to as "rate changes." Interest rates charged on loans are affected principally by the demand for such loans, the supply of money available for lending purposes and competitive factors. Those factors are affected by general economic conditions and other factors beyond our control, such as Federal economic policies, the general supply of money in the economy, income tax policies, governmental budgetary matters and the actions of the FRB.

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The following table shows the average balances of assets, liabilities and stockholders' equity; the amount of interest income and interest expense; the average yield or rate for each category of interest-earning assets and interest-bearing liabilities; and the net interest spread and the net interest margin for the periods indicated. All average balances are daily average balances.

	Three Months Ended					
	March 31, 2011			March 31, 2010		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
			(Dollars in Thousands)			
ASSETS						
Interest-Earning Assets:						
Gross Loans, Net (1)	$ 2,234,110	$ 30,905	5.61%	$ 2,765,701	$ 36,695	5.38%
Municipal Securities:						
Taxable	17,531	178	4.06%	—	—	—
Tax — Exempt (2)	4,466	62	5.55%	7,549	118	6.25%
Obligations of Other U.S. Government Agencies	146,312	623	1.70%	32,120	383	4.77%
Other Debt Securities	304,804	1,872	2.46%	85,671	701	3.27%
Equity Securities	35,557	132	1.48%	39,369	125	1.27%
Federal Funds Sold	6,699	8	0.48%	14,118	17	0.48%
Term Federal Funds Sold	19,778	27	0.55%	—	—	—
Interest-Earning Deposits	123,147	89	0.29%	66,410	55	0.33%
Total Interest-Earning Assets	2,892,404	33,896	4.75%	3,010,938	38,094	5.13%
Noninterest-Earning Assets:						
Cash and Cash Equivalents	67,854			67,157		
Allowance for Loan Losses	(145,784)			(157,296)		
Other Assets	91,779			165,399		
Total Noninterest-Earning Assets	13,849			75,260		
TOTAL ASSETS	**$ 2,906,253**			**$ 3,086,198**		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest-Bearing Liabilities:						
Deposits:						
Savings	$ 113,080	749	2.69%	$ 115,625	824	2.89%
Money Market Checking and NOW Accounts	448,807	1,002	0.91%	558,916	1,622	1.18%
Time Deposits of $100,000 or More	1,051,340	4,059	1.57%	924,055	4,677	2.05%
Other Time Deposits	282,418	925	1.33%	505,264	2,581	2.07%
Federal Home Loan Bank Advances	153,609	333	0.88%	173,062	346	0.81%
Other Borrowings	1,437	—	—	1,664	—	—
Junior Subordinated Debentures	82,406	698	3.44%	82,406	669	3.29%
Total Interest-Bearing Liabilities	2,133,097	7,766	1.48%	2,360,992	10,719	1.84%
Noninterest-Bearing Liabilities:						
Demand Deposits	563,191			559,100		
Other Liabilities	31,744			28,175		
Total Noninterest-Bearing Liabilities	594,935			587,275		
Total Liabilities	2,728,032			2,948,267		
Stockholders' Equity	178,221			137,931		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 2,906,253**			**$ 3,086,198**		
NET INTEREST INCOME		**$ 26,130**			**$ 27,375**	
NET INTEREST SPREAD (3)			**3.27%**			**3.29%**
NET INTEREST MARGIN (4)			**3.66%**			**3.69%**

(1) *Loans are net of deferred fees and related direct costs, but excluding the allowance for loan losses. Non-accrual loans are included in the average loan balance. Loan fees have been included in the calculation of interest income. Loan fees were $495,000 and $450,000 for the three months ended March 31, 2011 and 2010, respectively.*

(2) *Computed on a tax-equivalent basis using an effective marginal rate of 35 percent.*

(3) *Represents the average rate earned on interest-earning assets less the average rate paid on interest-bearing liabilities.*

(4) *Represents annualized net interest income as a percentage of average interest-earning assets.*

The table below shows changes in interest income and interest expense and the amounts attributable to variations in interest rates and volumes for the periods indicated. The variances attributable to simultaneous volume and rate changes have been allocated to the change due to volume and the change due to rate categories in proportion to the relationship of the absolute dollar amount attributable solely to the change in volume and to the change in rate.

	Three Months Ended March 31, 2011 vs. Three Months Ended March 31, 2010 — Increases (Decreases) Due to Change in		
	Volume	Rate	Total
		(In Thousands)	
Interest and Dividend Income:			
Gross Loans, Net	$ (7,299)	$ 1,509	$ (5,790)
Municipal Securities:			
Taxable	178	—	178
Tax — Exempt	(44)	(12)	(56)
Obligations of Other U.S. Government Agencies	620	(380)	240
Other Debt Securities	1,386	(215)	1,171
Equity Securities	(13)	20	7
Federal Funds Sold	(9)	—	(9)
Term Federal Funds Sold	27	—	27
Interest-Earning Deposits	42	(8)	34
Total Interest and Dividend Income	(5,112)	914	(4,198)
Interest Expense:			
Savings	(18)	(57)	(75)
Money Market Checking and NOW Accounts	(286)	(334)	(620)
Time Deposits of $100,000 or More	588	(1,206)	(618)
Other Time Deposits	(913)	(743)	(1,656)
Federal Home Loan Bank Advances	(41)	28	(13)
Junior Subordinated Debentures	—	29	29
Total Interest Expense	(670)	(2,283)	(2,953)
Change in Net Interest Income	**$ (4,442)**	**$ 3,197**	**$ (1,245)**

For the three months ended March 31, 2011 and 2010, net interest income before provision for credit losses on a tax-equivalent basis was $26.1 million and $27.4 million, respectively. Interest income decreased 11.02 percent to $33.9 million for the three months ended March 31, 2011 from $38.1 million for the same period in 2010 and interest expense decreased 27.55 percent to $7.8 million for the three months ended March 31, 2011 from $10.7 million for the same period in 2010. The net interest spread and net interest margin for the three months ended March 31, 2011 were 3.27 percent and 3.66 percent, respectively, compared to 3.29 percent and 3.69 percent, respectively, for the same period in 2010. The decrease in net interest income was primarily due to the decrease in gross loans resulting from the disposition of non-performing assets under the credit quality improvement strategy, coupled with relatively weak loan demand in current challenging business and economic conditions. This decrease was partially offset by lower deposit costs resulting from the replacement of high-cost promotional time deposits with low-cost deposit products through a series of core deposit campaigns.

Average gross loans decreased by $531.6 million, or 19.22 percent, to $2.23 billion for the three months ended March 31, 2011 from $2.77 billion for the same period in 2010. Average investment securities increased by $347.8 million, or 277.5 percent, to $473.1 million for the three months ended March 31, 2011 from $125.3 million for the same period in 2010. Average interest-earning assets decreased by $118.5 million, or 3.94 percent, to $2.89 billion for the three months ended March 31, 2011 from $3.01 billion for the same period in 2010. The decrease in average interest earning assets was a direct result of our balance sheet deleveraging and credit quality improvement strategy during 2010 through the disposition of problem assets while maintaining strong level of liquidity with the increased investment in short and mid-term instruments. Consistent with this strategy, the average interest-bearing liabilities decreased by $227.9 million, or 9.65 percent to $2.13 billion for the three months ended March 31, 2011 from $2.36 billion for the same period in 2010. Average FHLB advances decreased by $19.5 million, or 11.24 percent, to $153.6 million for the three months ended March 31, 2011 from $173.1 million for the same period in 2010.

The average yield on interest-earning assets decreased by 38 basis points from 5.13 percent for the three months ended March 31, 2010 to 4.75 percent for the same period in 2011, primarily due to lower yields on investment securities in the current low interest rate environment, partially offset by an increase in loan portfolio yields. Total loan interest and fee income decreased by $5.8 million, or 15.78 percent to $30.9 million for the three months ended March 31, 2011 from $36.7 million for the same period in 2010 due primarily to a 19.22 percent decrease in the average gross loans. The average yield on loans increased from 5.38 percent for the three months ended March 31, 2010 to 5.61 percent for the same period in 2011. This increase reflected substantial improvement in credit quality metrics, including delinquent loan levels and non-performing loans. The average cost on interest-bearing liabilities decreased by 36 basis points from 1.84 percent for the three months ended March 31, 2010 to 1.48 percent for the same period in 2011. This decrease was primarily due to a continued shift in funding sources toward lower-cost funds through disciplined deposit pricing while reducing wholesale funds and rate sensitive deposits. Average brokered deposits decreased to zero for the three months ended March 31, 2011 from $63.4 million for the same period in 2010. Average FHLB advances decreased by $19.5 million, or 11.24 percent to $153.6 million for the three months ended March 31, 2011 from $173.1 million for the same period in 2010.

Provision for Credit Losses

For the three months ended March 31, 2011 and 2010, the provision for credit losses was zero and $58.0 million, respectively. The substantial decrease in the provision for credit losses is attributable to decreases in net charge-offs and problem loans, reflecting the improvement in asset quality through aggressive management of our problem assets. Net charge-offs decreased $4.8 million, or 18.3 percent, from $26.4 million for the three months ended March 31, 2010 to $21.6 million for the same period in 2011. Non-performing loans decreased from $262.2 million, or 9.77 percent of total gross loans, as of March 31, 2010 to $151.7 million, or 6.98 percent of total gross loans, as of March 31, 2011. See *"Non-Performing Assets"* and *"Allowance for Loan Losses and Allowance for Off-Balance Sheet Items"* for further details.

Non-Interest Income

The following table sets forth the various components of non-interest income for the periods indicated:

	Three Months Ended March 31,		Increase (Decrease)	
	2011	2010	Amount	Percentage
	(Dollars in Thousands)			
Service Charges on Deposit Accounts	$ 3,141	$ 3,726	$ (585)	(15.7%)
Insurance Commissions	1,260	1,278	(18)	(1.4%)
Remittance Fees	462	462	—	—
Trade Finance Fees	297	351	(54)	(15.4%)
Other Service Charges and Fees	333	412	(79)	(19.2%)
Bank-Owned Life Insurance Income	230	231	(1)	(0.4%)
Net Gain on Sales of Investment Securities	—	105	(105)	(100.0%)
Net Gain (Loss) on Sales of Loans	(338)	—	(338)	—
Other Operating Income	123	440	(317)	(72.0%)
Total Non-Interest Income	**$ 5,508**	**$ 7,005**	**$ (1,497)**	**(21.4%)**

For the three months ended March 31, 2011, non-interest income was $5.5 million, a decrease of $1.5 million, or 21.4 percent, from $7.0 million for the same period in 2010. The decrease in non-interest income is primarily attributable to the decreases in service charges on deposit accounts, net gain on sales of loans and investment securities, and other operating income. The service charges on deposit accounts decreased by $585,000, or 15.7 percent, to $3.1 million for the three months ended March 31, 2011 compared to $3.7 million for the same period in 2010, due mainly to a decrease of $520,000 in NSF charges, reflecting the continued underlying decline in activity as customers better managed their account balances. Net loss on sales of loans increased by $338,000 for the three months ended March 31, 2011 compared to the same period in 2010. The net loss on sales of loans reflected $2.2 million valuation adjustment on loans held for sale, partially offset by $1.9 million gains from the sales of loans held for sale. Net gain on sales of investment securities decreased by $105,000 for the three months ended March 31, 2011 compared to the same period in 2010. The sales of investment securities for the March 31, 2010 were a direct result of our balance-sheet deleveraging strategy. The proceeds from the sale of investment securities provided additional liquidity to reduce our wholesale funds. No investment security was sold during the first quarter of 2011. Other operating income decreased by $317,000, or 72.0 percent, to $123,000 for the three months ended March 31, 2011 compared to $440,000 for the same period in 2010.

The decrease was attributable primarily to a $274,000 recovery on a previously recorded loss on sale of OREO during the three months ended March 31, 2010. There was no such recovery for the same period in 2011.

Non-Interest Expense

The following table sets forth the breakdown of non-interest expense for the periods indicated:

	Three Months Ended March 31,		Increase (Decrease)	
	2011	2010	Amount	Percentage
	(Dollars in Thousands)			
Salaries and Employee Benefits	$ 9,124	$ 8,786	$ 338	3.8%
Occupancy and Equipment	2,565	2,725	(160)	(5.9%)
Deposit Insurance Premiums and Regulatory Assessments	2,070	2,224	(154)	(6.9%)
Data Processing	1,399	1,499	(100)	(6.7%)
Other Real Estate Owned Expense	829	5,700	(4,871)	(85.5%)
Professional Fees	789	1,066	(277)	(26.0%)
Directors and Officers Liability Insurance	734	716	18	2.5%
Supplies and Communications	578	517	61	11.8%
Advertising and Promotion	566	535	31	5.8%
Loan-Related Expense	225	307	(82)	(26.7%)
Amortization of Other Intangible Assets	218	328	(110)	(33.5%)
Other Operating Expenses	1,964	1,821	143	7.9%
Total Non-Interest Expense	**$ 21,061**	**$ 26,224**	**$ (5,163)**	**(19.7%)**

For the three months ended March 31, 2011, non-interest expense was $21.1 million, a decrease of $5.2 million, or 19.7 percent, from $26.2 million for the same period in 2010. The efficiency ratio for the three months ended March 31, 2011 was 66.61 percent, compared to 76.37 percent for the same period in 2010. The $5.2 million decrease in non-interest expense was primarily due to the decreases in OREO expense and professional fees, partially offset by an increase in compensation. OREO expense decreased by $4.9 million, or 85.5 percent to $829,000 for the three months ended March 31, 2011 compared to $5.7 million for the same period in 2010, primarily as a result of a $5.1 million decrease in valuation allowance. Professional fees decreased by $277,000, or 26.0 percent, to $789,000 for the three months ended March 31, 2011 compared to $1.1 million for the same period in 2010, primarily due to the absence of expenses paid for due diligence and tax consulting service during the three months ended March 31, 2010. Salaries and employee benefits increased by $338,000, or 3.8 percent, from $8.8 million for the three months ended March 31, 2010 to $9.1 million for the same period in 2010, primarily due to $293,000 of severance payments recognized during the quarter ended March 31, 2011.

Provision (Benefit) for Income Taxes

For the three months ended March 31, 2011, income tax expenses of $119,000 were recognized on pre-tax income of $10.6 million, representing an effective tax rate of 1.13 percent, compared to income tax benefits of $395,000 recognized on pre-tax loss of $49.9 million, representing an effective tax rate of 0.8 percent, for the same period in 2010. This income tax expenses primarily resulted from the changes in FIN 48 reserve during the first quarter in 2011.

FINANCIAL CONDITION

Investment Portfolio

Investment securities are classified as held to maturity or available for sale in accordance with GAAP. Those securities that we have the ability and the intent to hold to maturity are classified as “held to maturity.” All other securities are classified as “available for sale.” There were no trading securities as of March 31, 2011 and December 31, 2010. Securities classified as held to maturity are stated at cost, adjusted for amortization of premiums and accretion of discounts, and available for sale securities are stated at fair value. The composition of our investment portfolio reflects our investment strategy of providing a relatively stable source of interest income while maintaining an appropriate level of liquidity. The investment portfolio also provides a source of liquidity by pledging as collateral or through repurchase agreement and collateral for certain public funds deposits.

As of March 31, 2011, the investment portfolio was composed primarily of mortgage-backed securities, U.S. government agency securities, and collateralized mortgage obligations.

Investment securities available for sale were 99.84 percent and 99.80 percent of the total investment portfolio as of March 31, 2011 and December 31, 2010, respectively. Most of the securities held carried fixed interest rates. Other than holdings of U.S. government agency securities, there were no investments in securities of any one issuer exceeding 10 percent of stockholders' equity as of March 31, 2011 and December 31, 2010.

As of March 31, 2011, securities available for sale were $538.4 million, or 18.7 percent of total assets, compared to $413.1 million, or 14.2 percent of total assets, as of December 31, 2010. Securities available for sale increased in 2011, due mainly to our liquidity-preservation and earnings-enhancement strategies that we put additional funds from amortization and sales of loans into marketable securities. For the three months ended March 31, 2011 and December 31, 2010, we purchased $145.1 million and $153.8 million, respectively, of various types of marketable securities to replenish the portfolio for principal repayments in the form of calls, prepayments and scheduled amortization and to maintain an investment portfolio mix and size consistent with our capital market expectations and asset-liability management strategies.

The following table summarizes the amortized cost, estimated fair value and unrealized gain (loss) on investment securities as of the dates indicated:

	March 31, 2011			December 31, 2010		
	Amortized Cost	Estimated Fair Value	Unrealized Gain (Loss)	Amortized Cost	Estimated Fair Value	Unrealized Gain (Loss)
	(In Thousands)					
Securities Held to Maturity:						
Municipal Bonds	$ 697	$ 697	$ —	$ 696	$ 696	$ —
Mortgage-Backed Securities (1)	141	143	2	149	151	2
Total Securities Held to Maturity	**$ 838**	**$ 840**	**$ 2**	**$ 845**	**$ 847**	**$ 2**
Securities Available for Sale:						
Collateralized Mortgage Obligations	$ 184,732	$ 183,299	$ (1,433)	$ 139,053	$ 137,193	$ (1,860)
U.S. Government Agency Securities	178,055	177,068	(987)	114,066	113,334	(732)
Mortgage-Backed Securities (1)	124,477	125,761	1,284	108,436	109,842	1,460
Municipal Bonds	22,366	21,036	(1,330)	22,420	21,028	(1,392)
Corporate Bonds	20,452	20,114	(338)	20,449	20,205	(244)
Asset-Backed Securities	6,651	6,882	231	7,115	7,384	269
Other Securities	3,305	3,243	(62)	3,305	3,259	(46)
Equity Securities (2)	647	953	306	647	873	226
Total Securities Available for Sale	**$ 540,685**	**$ 538,356**	**$ (2,329)**	**$ 415,491**	**$ 413,118**	**$ (2,373)**

(1) *Collateralized by residential mortgages and guaranteed by U.S. government sponsored entities.*

(2) *Balances presented for amortized cost, representing two corporate bonds, were net of an OTTI charge of $790,000, which was related to a credit loss, as of December 31, 2010. We recorded an OTTI charge of $790,000 to write down the value of one investment security to its fair value during the year ended December 31, 2010.*

The amortized cost and estimated fair value of investment securities as of March 31, 2011, by contractual maturity, are shown below. Although mortgage-backed securities and collateralized mortgage obligations have contractual maturities through 2041, expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In Thousands)			
Within One Year	$ —	$ —	$ —	$ —
Over One Year Through Five Years	178,438	177,230	697	697
Over Five Years Through Ten Years	32,440	32,238	—	—
Over Ten Years	19,951	18,875	—	—
Collateralized Mortgage Obligations	184,732	183,299	—	—
Mortgage-Backed Securities	124,477	125,761	141	143
Equity Securities	647	953	—	—
	$ 540,685	**$ 538,356**	**$ 838**	**$ 840**

We perform periodic reviews for impairment in accordance with FASB ASC 320. The impairment losses described previously are not included in the table below as the impairment losses were recorded. Gross unrealized losses on investment securities available for sale, the estimated fair value of the related securities and the number of securities aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, were as follows as of March 31, 2011 and December 31, 2010:

	Holding Period								
	Less than 12 Months			12 Months or More			Total		
Investment Securities Available for Sale	Gross Unrealized Losses	Estimated Fair Value	*Number of Securities*	Gross Unrealized Losses	Estimated Fair Value	*Number of Securities*	Gross Unrealized Losses	Estimated Fair Value	*Number of Securities*
					(In Thousands)				
March 31, 2011:									
Mortgage-Backed Securities	$ 730	$ 73,164	*21*	$ —	$ —	—	$ 730	$ 73,164	*21*
Collateralized Mortgage Obligations	1,936	127,190	*27*	—	—	—	1,936	127,190	*27*
Municipal Bonds	1,379	17,914	*12*	—	—	—	1,379	17,914	*12*
U.S. Government Agency Securities	1,054	131,016	*35*	—	—	—	1,054	131,016	*35*
Other Securities	11	1,989	*2*	52	948	*1*	63	2,937	*3*
Corporate Bonds	348	17,120	*5*	—	—	—	348	17,120	*5*
	$ 5,458	**$ 368,393**	*102*	**$ 52**	**$ 948**	*1*	**$ 5,510**	**$ 369,341**	*103*
December 31, 2010:									
Mortgage-Backed Securities	$ 731	$ 62,738	*16*	$ —	$ —	—	$ 731	$ 62,738	*16*
Collateralized Mortgage Obligations	2,330	99,993	*20*	—	—	—	2,330	99,993	*20*
Municipal Bonds	1,440	16,907	*11*	—	—	—	1,440	16,907	*11*
U.S. Government Agency Securities	830	69,266	*14*	—	—	—	830	69,266	*14*
Other Securities	3	1,997	*2*	43	957	*1*	46	2,954	*3*
Corporate Bonds	257	17,210	*5*	—	—	—	257	17,210	*5*
	$ 5,591	**$ 268,111**	*68*	**$ 43**	**$ 957**	*1*	**$ 5,634**	**$ 269,068**	*69*

All individual securities that have been in a continuous unrealized loss position for 12 months or longer as of March 31, 2011 and December 31, 2010 had investment grade ratings upon purchase. The issuers of these securities have not established any cause for default on these securities and the various rating agencies have reaffirmed these securities' long-term investment grade status as of March 31, 2011. These securities have fluctuated in value since their purchase dates as market interest rates have fluctuated.

The unrealized losses on investments in U.S. agencies securities were caused by interest rate increases subsequent to the purchase of these securities. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than par. Because the Bank does not intend to sell the securities in this class and it is not likely that the Bank will be required to sell these securities before recovery of their amortized cost basis, which may include holding each security until contractual maturity, the unrealized losses on these investments are not considered other-than-temporarily impaired.

The unrealized losses on obligations of political subdivisions were caused by changes in market interest rates or the widening of market spreads subsequent to the initial purchase of these securities. Management monitors published credit ratings of these securities and no adverse ratings changes have occurred since the date of purchase of obligations of political subdivisions which are in an unrealized loss position as of March 31, 2011. Because the decline in fair value is attributable to changes in interest rates or widening market spreads and not credit quality, and because the Bank does not intend to sell the securities in this class and it is not more likely than not that the Bank will be required to sell these securities before recovery of their amortized cost basis, which may include holding each security until maturity, the unrealized losses on these investments are not considered other-than-temporarily impaired.

Of the residential mortgage-backed securities and collateralized mortgage obligations portfolio in an unrealized loss position at March 31, 2011, all of them are issued and guaranteed by governmental sponsored entities. The unrealized losses on residential mortgage-backed securities and collateralized mortgage obligations were caused by changes in market interest rates or the widening of market spreads subsequent to the initial purchase of these securities, and no concerns regarding the underlying credit of the issuers or the underlying collateral. It is expected that these securities will not be settled at a price less than the amortized cost of each investment. Because the decline in fair value is attributable to changes in interest rates or widening market spreads and not credit quality, and because the Bank does not intend to sell the securities in this class and it is not likely that the Bank will be required to sell these securities before recovery of their amortized cost basis, which may include holding each security until contractual maturity, the unrealized losses on these investments are not considered other-than-temporarily impaired.

FASB ASC 320 requires an entity to assess whether the entity has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. We do not intend to sell these securities and it is not more likely than not that we will be required to sell the investments before the recovery of its amortized cost bases. Therefore, in the opinion of management, all securities that have been in a continuous unrealized loss position for the past 12 months or longer as of March 31, 2011 and December 31, 2010 are not other-than-temporarily impaired, and therefore, no impairment charges as of March 31, 2011 and December 31, 2010 are warranted.

Investment securities available for sale with carrying values of $127.3 million and $118.0 million as of March 31, 2011 and December 31, 2010, respectively, were pledged to secure FHLB advances, public deposits and for other purposes as required or permitted by law.

Loan Portfolio

The following table shows the loan composition by type, including loans held for sale, as of the dates indicated.

	March 31, 2011	December 31, 2010	Increase (Decrease) Amount	Increase (Decrease) Percentage
		(Dollars in Thousands)		
Real Estate Loans:				
Commercial Property *(1)*	$ 698,869	$ 731,482	$ (32,613)	(4.5%)
Construction *(2)*	56,707	62,400	(5,693)	(9.1%)
Residential Property	60,352	62,645	(2,293)	(3.7%)
Total Real Estate Loans	815,928	856,527	(40,599)	(4.7%)
Commercial and Industrial Loans: *(3)*				
Commercial Term *(4)*	1,083,294	1,133,892	(50,598)	(4.5%)
Commercial Lines of Credit	59,318	59,056	262	0.4%
SBA *(5)*	120,172	123,750	(3,578)	(2.9%)
International	46,860	44,167	2,693	6.1%
Total Commercial and Industrial Loans	1,309,644	1,360,865	(51,221)	(3.8%)
Consumer Loans	48,120	50,300	(2,180)	(4.3%)
Total Loans — Gross	**2,173,692**	**2,267,692**	**(94,000)**	**(4.1%)**
Deferred Loan Fees	(277)	(566)	289	(51.1%)
Allowance for Loan Losses	(125,780)	(146,059)	20,279	(13.9%)
Net Loans Receivable	**$ 2,047,635**	**$ 2,121,067**	**$ (73,432)**	**(3.5%)**

(1) *Includes loans held for sale, at the lower of cost or fair value, of $3.5 million and $2.3 million as of March 31, 2011 and December 31, 2010, respectively.*

(2) *Includes loans held for sale, at the lower of cost or fair value, of $0 and $1.4 million as of March 31, 2011 and December 31, 2010, respectively.*

(3) *Includes owner-occupied property loans of $864.7 million and $894.8 million as of March 31, 2011 and December 31, 2010, respectively.*

(4) *Includes loans held for sale, at the lower of cost or fair value, of $25.0 million and $14.9 million as of March 31, 2011 and December 31, 2010, respectively.*

(5) *Includes loans held for sale, at the lower of cost or fair value, of $19.1 million and $18.1 million as of March 31, 2011 and December 31, 2010, respectively.*

As of March 31, 2011 and December 31, 2010, loans receivable (including loans held for sale), net of deferred loan fees and allowance for loan losses, totaled $2.05 billion and $2.12 billion, respectively, a decrease of $73.4 million, or 3.5 percent. Total gross loans decreased by $94.0 million, or 4.1 percent, from $2.27 billion as of December 31, 2010 to $2.17 billion as of March 31, 2011.

During the first quarter of 2011, total new loan production and advances amounted to $58.7 million. For the same period, we experienced decreases in loans totaling $152.7 million, comprised of $100.5 million in principal amortization and payoffs, $25.2 million in charge-offs, $25.5 million in problem loan sales, and $1.5 million that were transferred to OREO. For the three months ended March 31, 2011, the $32.6 million decrease in commercial property loans was attributable to $22.4 million in principal amortization and payoffs, $7.1 million in charge-offs, and $15.0 million in loan sales, partially offset by new loan production and advances of $11.9 million. The $50.6 million decrease in commercial term loans for the three months ended March 31, 2011 was attributable to $50.3 million in principal amortization and payoffs, $14.4 million in charge-offs, and $8.7 million in loan sales, partially offset by new loan production and advances of $22.8 million.

Real estate loans, composed of commercial property, construction loans and residential property, decreased $40.6 million, or 4.7 percent, to $815.9 million as of March 31, 2011 from $856.5 million as of December 31, 2010, representing 37.5 percent and 37.8 percent, respectively, of total gross loans. Commercial and industrial loans, composed of owner-occupied commercial property, trade finance, SBA and commercial lines of credit, decreased $51.2 million, or 3.8 percent, to $1.31 billion as of March 31, 2011 from $1.36 billion as of December 31, 2010, representing 60.2 percent and 60.0 percent, respectively, of total gross loans. Consumer loans decreased $2.2 million, or 4.3 percent, to $48.1 million as of March 31, 2011 from $50.3 million as of December 31, 2010.

As of March 31, 2011, our loan portfolio included the following concentrations of loans to one type of industry that were greater than 10 percent of total gross loans outstanding:

Industry	Balance as of March 31, 2011	Percentage of Total Gross Loans Outstanding
	(In Thousands)	
Lessors of Non-Residential Buildings	$ 378,387	17.4%
Accommodation/Hospitality	$ 304,379	14.0%
Gasoline Stations	$ 281,569	13.0%

There was no other concentration of loans to any one type of industry exceeding ten percent of total gross loans outstanding.

Non-Performing Assets

Non-performing loans consist of loans on non-accrual status and loans 90 days or more past due and still accruing interest. Non-performing assets consist of non-performing loans and OREO. Loans are placed on non-accrual status when, in the opinion of management, the full timely collection of principal or interest is in doubt. Generally, the accrual of interest is discontinued when principal or interest payments become more than 90 days past due, unless management believes the loan is adequately collateralized and in the process of collection. However, in certain instances, we may place a particular loan on non-accrual status earlier, depending upon the individual circumstances surrounding the loan's delinquency. When an asset is placed on non-accrual status, previously accrued but unpaid interest is reversed against current income. Subsequent collections of cash are applied as principal reductions when received, except when the ultimate collectibility of principal is probable, in which case interest payments are credited to income. Non-accrual assets may be restored to accrual status when principal and interest become current and full repayment is expected. Interest income is recognized on the accrual basis for impaired loans not meeting the criteria for non-accrual. OREO consists of properties acquired by foreclosure or similar means that management intends to offer for sale.

Management's classification of a loan as non-accrual is an indication that there is reasonable doubt as to the full collectibility of principal or interest on the loan; at this point, we stop recognizing income from the interest on the loan and reverse any uncollected interest that had been accrued but unpaid. These loans may or may not be collateralized, but collection efforts are continuously pursued.

Except for non-performing loans set forth below, management is not aware of any loans as of March 31, 2011 and December 31, 2010 for which known credit problems of the borrower would cause serious doubts as to the ability of such borrowers to comply with their present loan repayment terms, or any known events that would result in the loan being designated as non-performing at some future date. Management cannot, however, predict the extent to which a deterioration in general economic conditions, real estate values, increases in general rates of interest, or changes in the financial condition or business of borrower may adversely affect a borrower's ability to pay.

The following table provides information with respect to the components of non-performing assets as of the dates indicated:

	March 31, 2011	December 31, 2010	Increase (Decrease) Amount	Percentage
		(Dollars in Thousands)		
Non-Performing Loans:				
Non-Accrual Loans:				
Real Estate Loans:				
Commercial Property	$ 36,300	$ 47,937	$ (11,637)	(24.3%)
Construction	23,421	19,097	4,324	22.6%
Residential Property	2,014	1,925	89	4.6%
Commercial and Industrial Loans:				
Commercial Term	56,198	63,012	(6,814)	(10.8%)
Commercial Lines of Credit	2,169	2,798	(629)	(22.5%)
SBA	30,539	33,085	(2,546)	(7.7%)
International	123	127	(4)	(3.1%)
Consumer Loans	966	1,047	(81)	(7.7%)
Total Non-Accrual Loans	151,730	169,028	(17,298)	(10.2%)
Loans 90 Days or More Past Due and Still Accruing (as to Principal or Interest):	—	—	—	—
Total Non-Performing Loans (1) (2)	151,730	169,028	(17,298)	(10.2%)
Other Real Estate Owned	2,642	4,089	(1,447)	(35.4%)
Total Non-Performing Assets	**$ 154,372**	**$ 173,117**	**$ (18,745)**	**(10.8%)**
Non-Performing Loans as a Percentage of Total Gross Loans	6.98%	7.45%		
Non-Performing Assets as a Percentage of Total Assets	5.36%	5.95%		
Troubled Debt Restructured Performing Loans	**$ 43,311**	**$ 47,395**	**$ (4,084)**	**(8.6%)**

(1) *Includes troubled debt restructured non-performing loans of $34.2 million and $27.0 million as of March 31, 2011 and December 31, 2010, respectively.*

(2) *Includes loans held for sale.*

Non-accrual loans totaled $151.7 million as of March 31, 2011, compared to $169.0 million as of December 31, 2010, representing a 10.2 percent decrease. Delinquent loans (defined as 30 days or more past due) were $119.1 million as of March 31, 2011, compared to $147.5 million as of December 31, 2010, representing a 19.3 percent decrease. Of the $119.1 million delinquent loans as of March 31, 2011, $98.3 million was included in non-performing loans. The $126.1 million of $147.5 million delinquent loans as of December 31, 2010 was included in non-performing loans. During the first quarter of 2011, loans totaling $38.5 million were placed on nonaccrual status. The additions to nonaccrual loans of $38.5 million were offset by $22.1 million in charge-offs, $21.7 million in sales of problem loans, $8.3 million in principal paydowns and payoffs, $3.1 million that were placed back to accrual status, and $657,000 that were transferred to OREO.

The ratio of non-performing loans to total gross loans also decreased to 6.98 percent at March 31, 2011 from 7.45 percent at December 31, 2010. During the same period, our allowance for loan losses decreased by $20.3 million, or 13.9 percent, to $125.8 million from $146.1 million. Of the $151.7 million non-performing loans, approximately $107.2 million were impaired based on the definition contained in FASB ASC 310, "Receivables," which resulted in aggregate impairment reserve of $12.6 million as of March 31, 2011. We calculate our allowance for the collateral-dependent loans as the difference between the outstanding loan balance and the value of the collateral as determined by recent appraisals less estimated costs to sell. The allowance for collateral-dependent loans varies from loan to loan based on the collateral coverage of the loan at the time of designation as non-performing. We continue to monitor the collateral coverage, based on recent appraisals, on these loans on a quarterly basis and adjust the allowance accordingly.

As of March 31, 2011, $128.8 million, or 84.9 percent, of the $151.7 million of non-performing loans were secured by real estate, compared to $138.1 million, or 81.7 percent, of the $169.0 million of non-performing loans as of December 31, 2010. In light of declining property values in the current challenging economic condition affecting the real estate markets, the Bank obtained current appraisals for most non-performing loan collaterals, but factored in adequate market discounts on some non-performing loan collaterals to compensate for their non-current appraisals.

As of March 31, 2011, other real estate owned consisted of seven properties, primarily located in California, with a combined net carrying value of $2.6 million.

During the three months ended March 31, 2011, two properties, with a carrying value of $1.5 million, were transferred from loans receivable to other real estate owned and three properties, with a carrying value of $2.0 million, were sold and a loss of $219,000 was recognized. As of December 31, 2010, other real estate owned consisted of eight properties with a combined net carrying value of $4.1 million.

We evaluate loan impairment in accordance with applicable GAAP. Loans are considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement, including scheduled interest payments. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as an expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent, less costs to sell. If the measure of the impaired loan is less than the recorded investment in the loan, the deficiency will be charged off against the allowance for loan losses or, alternatively, a specific allocation will be established. Additionally, impaired loans are specifically excluded from the quarterly migration analysis when determining the amount of the allowance for loan losses required for the period.

The following table provides information on impaired loans as of the dates indicated:

	Recorded Investment	Unpaid Principal Balance	With No Related Allowance Recorded	With an Allowance Recorded	Related Allowance	Average Recorded Investment	Interest Income Recognized for the Three Months Ended(1)
				(In Thousands)			
March 31, 2011:							
Real Estate Loans:							
Commercial Property							
Retail	$ 16,757	$ 17,134	$ 7,204	$ 9,553	$ 1,881	$ 17,016	$ 174
Land	27,515	27,515	22,523	4,992	1,602	29,655	—
Other	5,448	5,578	3,470	1,978	138	5,383	28
Construction	23,421	23,643	14,264	9,157	195	23,536	76
Residential Property	2,014	2,091	1,651	362	39	2,068	10
Commercial and Industrial Loans:							
Commercial Term							
Unsecured	12,785	13,339	2,149	10,636	9,057	13,229	145
Secured by Real Estate	82,068	83,757	26,833	55,235	15,853	83,745	1,136
Commercial Lines of Credit	3,428	3,483	1,549	1,879	826	3,469	23
SBA	18,038	19,503	9,176	8,862	1,740	18,712	290
International	123	139	—	124	123	135	2
Consumer Loans	903	921	654	249	81	915	10
Total	**$ 192,500**	**$ 197,103**	**$ 89,473**	**$ 103,027**	**$ 31,535**	**$ 197,863**	**$ 1,894**
December 31, 2010:							
Real Estate Loans:							
Commercial Property							
Retail	$ 17,606	$ 18,050	$ 6,336	$ 11,270	$ 1,543	$ 21,190	$ 30
Land	35,207	35,295	5,482	29,725	1,485	40,858	—
Other	11,357	11,476	10,210	1,147	33	15,342	42
Construction	17,691	17,831	13,992	3,699	280	12,311	—
Residential Property	1,926	1,990	1,926	—	—	2,383	19
Commercial and Industrial Loans:							
Commercial Term							
Unsecured	17,847	18,799	6,465	11,382	10,313	18,460	198
Secured by Real Estate	80,213	81,395	35,154	45,059	11,831	101,617	318
Commercial Lines of Credit	4,067	4,116	1,422	2,645	1,321	4,988	15
SBA	17,715	18,544	7,112	10,603	2,122	23,213	301
International	127	141	—	127	127	397	3
Consumer Loans	934	951	393	541	393	639	6
Total	**$ 204,690**	**$ 208,588**	**$ 88,492**	**$ 116,198**	**$ 29,448**	**$ 241,398**	**$ 932**

(1) *Represents interest income recognized on impaired loans subsequent to classification as impaired.*

The following is a summary of interest foregone on impaired loans for the periods indicated:

	Three Months Ended March 31, 2011	2010
	(In Thousands)	
Interest Income That Would Have Been Recognized Had Impaired Loans Performed in Accordance With Their Original Terms	$ 4,429	$ 5,569
Less: Interest Income Recognized on Impaired Loans	(2,485)	(2,771)
Interest Foregone on Impaired Loans	**$ 1,944**	**$ 2,798**

During the three months ended March 31, 2011, we restructured monthly payments on 43 loans, with a net carrying value of $46.2 million as of March 31, 2011, through temporary payment structure modification from principal and interest due monthly to interest only due monthly for six months or less. For the restructured loans on accrual status, we determined that, based on the financial capabilities of the borrowers at the time of the loan restructuring and the borrowers' past performance in the payment of debt service under the previous loan terms, we believe that performance and collection under the revised terms is probable. As of March 31, 2011, troubled debt restructurings on accrual status totaled $43.3 million, all of which were temporary interest rate reductions, and a $7.5 million reserve relating to these loans is included in the allowance for loan losses. Troubled debt restructurings on accrual status are comprised of loans that are contractually current and have sustained repayment ability and performance or well secured and in process of collection. As of December 31, 2010, troubled debt restructured loans on accrual status totaled $47.4 million and a $6.4 million reserve relating to these loans is included in the allowance for loan losses.

Allowance for Loan Losses and Allowance for Off-Balance Sheet Items

The Bank will charge off a loan and declare a loss when its collectability is sufficiently questionable that the Bank can no longer justify showing the loan as an asset on its balance sheet. To determine if a loan should be charged off, all possible sources of repayment are analyzed, including the potential for future cash flow from income or liquidation of other assets, the value of any collateral, and the strength of co-makers or guarantors. When these sources do not provide a reasonable probability that principal can be collected in full, the Bank will fully or partially charge off the loan.

Provisions to the allowance for loan losses are made quarterly to recognize probable loan losses. The quarterly provision is based on the allowance need, which is determined through analysis involving quantitative calculations based on historic loss rates for general reserves and individual impairment calculations for specific allocations to impaired loans as well as qualitative adjustments.

To determine general reserve requirements, existing loans are divided into 10 general loan pools of risk-rated loans (commercial real estate, construction, commercial term — unsecured, commercial term — T/D secured, commercial line of credit, SBA, international, consumer installment, consumer line of credit, and miscellaneous loans) as well as 3 homogenous loan pools (residential mortgage, auto loans, and credit card). For risk-rated loans, migration analysis allocates historical losses by loan pool and risk grade (pass, special mention, substandard, and doubtful) to determine risk factors for potential loss inherent in the current outstanding loan portfolio.

During the first quarter of 2010, to enhance reserve calculations to better reflect the Bank's current loss profile, the two loan pools of commercial real estate and commercial term — T/D secured were subdivided according to the 21 collateral codes used by the Bank to identify commercial property types (apartment, auto, car wash, casino, church, condominium, gas station, golf course, industrial, land, manufacturing, medical, mixed used, motel, office, retail, school, supermarket, warehouse, wholesale, and others). This further segregation allows the Bank to more specifically allocate reserves within the commercial real estate portfolio according to risks defined by historic loss as well as current loan concentrations of the different collateral types.

Risk factor calculations were previously based on 12-quarters of historic loss analysis with 1.5 to 1 weighting given to the most recent six quarters. In the first quarter of 2010, the historic loss window was reduced to eight quarters with 1.5 to 1 weighting given to the most recent four quarters. The enhanced window places greater emphasis on losses taken by the Bank within the past year, as recent loss history is more relevant to the Bank's risks given the rapid changes to asset quality within the current economic conditions.

As homogenous loans are bulk graded, the risk grade is not factored into the historical loss analysis; however, as with risk-rated loans, risk factor calculations are based on 8-quarters of historic loss analysis with 1.5 to 1 weighting given to the most recent four quarters.

The Bank will charge off a loan and declare a loss when its collectability is sufficiently questionable that the Bank can no longer justify showing the loan as an asset on its balance sheet. To determine if a loan should be charged off, all possible sources of repayment are analyzed, including the potential for future cash flow from income or liquidation of other assets, the value of any collateral, and the strength of co-makers or guarantors. When these sources do not provide a reasonable probability that principal can be collected in full, the Bank will fully or partially charge off the loan.

For purposes of determining the allowance for credit losses, the loan portfolio is subdivided into three portfolio segments: real estate, commercial and industrial, and consumer. The portfolio segment of real estate contains the allowance loan pools of commercial real estate, construction, and residential mortgage. The portfolio segment of commercial and industrial contains the loan pools of commercial term — unsecured, commercial term — T/D secured, commercial line of credit, SBA, international, and miscellaneous. Lastly, the portfolio segment of Consumer contains the loan pools of consumer installment, consumer line of credit, auto, and credit card.

Real estate loans, which are mostly dependent on rental income from non-owner occupied or investor properties, have been subject to increased losses. Prior to 2009, no historic losses were recorded for loans secured by commercial real estate. However, given the decrease in sales and increase in vacancies due to the current slowed economy, losses in loans secured by office and retail properties have been significant. Loans secured by vacant land have also had significant losses as valuations have decreased and further development has been limited. Also, commercial term — T/D secured loans, which are mostly owner-occupied property loans, have been subject to decreases in collateral value and have had more losses than prior to the current economic condition. Similarly, construction loans have been subject to losses due to unforeseen difficulties in completion of projects. As such, allocations to general reserves for those loan pools have been higher than that of loan pools with lower risk. Residential mortgage loans constitute a limited concentration within the Bank's entire loan portfolio, and losses as well as supplementary reserves have been minimal.

Commercial and industrial loans, which are largely subject to changes in business cash flow, have had the most historic losses within the Bank's entire loan portfolio. The largest loan pool within the commercial and industrial sector is commercial term — T/D secured, which are mostly loans secured by owner-occupied business properties. Loans secured by car washes, gas stations, golf courses, and motels have had the most significant losses, as the hospitality and recreation industries have been negatively affected by the current economy. As such, allocations to general reserve for those loan pools have been increased. Also, commercial term — unsecured and SBA loans have had considerable losses and additional general reserves as decreased business cash flow due to the challenging economic condition has weakened borrowers' repayment abilities.

Consumer loans constitute a limited concentration within the Bank's loan portfolio and are mostly evaluated in bulk for general reserve requirements due to the relatively small volume per loan.

Specific reserves are allocated for loans deemed "impaired." FASB ASC 310, "Receivables," indicates that a loan is "impaired" when it is probable that a creditor will be unable to collect all amounts due, including principal and interest, according to the contractual terms and schedules of the loan agreement. Loans that represent significant concentrations of credit, material non-performing loans, insider loans and other material credit exposures are subject to FASB ASC 310 impairment analysis.

Loans that are determined to be impaired under FASB ASC 310, are individually analyzed to estimate the Bank's exposure to loss based on the following factors: the borrower's character, the current financial condition of the borrower and the guarantor, the borrower's resources, the borrower's payment history, repayment ability, debt servicing ability, action plan, the prevailing value of the underlying collateral, the Bank's lien position, general economic conditions, specific industry conditions, and outlook for the future.

The loans identified as impaired are measured using one of the three methods of valuations: (1) the present value of expected future cash flows discounted at the loan's effective interest rate, (2) the fair market value of the collateral if the loan is collateral dependent, or (3) the loan's observable market price.

When determining the appropriate level for allowance for loan losses, the management considers qualitative adjustments for any factors that are likely to cause estimated credit losses associated with the Bank's current portfolio to differ from historical loss experience, including but not limited to:

- changes in lending policies and procedures, including underwriting standards and collection, charge-offs, and recovery practice;
- changes in national and local economic and business conditions and developments, including the condition of various market segments;
- changes in the nature and volume of the portfolio;
- changes in the trend of the volume and severity of past due and classified loans, and trends in the volume of non-accrual loans, troubled debt restructurings, charge-offs and other loan modifications;
- changes in the quality of the Bank's loan review system and the degree of oversight by the Board of Directors;
- the existence and effect of any concentrations of credit, and changes in the level of such concentrations;
- transfer risk on cross-border lending activities; and
- the effect of external factors such as competition and legal and regulatory requirements as well as declining collateral values on the level of estimated credit losses in the Bank's current portfolio.

In order to systematically quantify the credit risk impact of trends and changes within the loan portfolio, a credit risk matrix is utilized. The above factors are considered on a loan pool by loan pool basis subsequent to, and in conjunction with, a loss migration analysis. The credit risk matrix provides various scenarios with positive or negative impact on the asset portfolio along with corresponding basis points for qualitative adjustments.

The following table reflects our allocation of allowance for loan and lease losses by loan category as well as the loans receivable for each loan type:

Allowance for Loan Losses Applicable To	March 31, 2011 Allowance Amount	March 31, 2011 Loans Receivable	December 31, 2010 Allowance Amount	December 31, 2010 Loans Receivable
	(Dollars in Thousands)			
Real Estate Loans:				
Commercial Property (1)	$ 21,693	$ 695,357	$ 26,248	$ 729,222
Construction	3,454	56,707	5,606	60,995
Residential Property	737	60,352	911	62,645
Total Real Estate Loans	25,884	812,416	32,765	852,862
Commercial and Industrial Loans: (1)	93,878	1,265,507	108,986	1,327,920
Consumer Loans	1,732	48,120	2,077	50,300
Unallocated	4,286	—	2,231	—
Total	**$ 125,780**	**$ 2,126,043**	**$ 146,059**	**$ 2,231,072**

(1) Excludes Loans held for sale.

The following table sets forth certain information regarding our allowance for loan losses and allowance for off-balance sheet items for the periods presented. Allowance for off-balance sheet items is determined by applying reserve factors according to loan pool and grade as well as actual current commitment usage figures by loan type to existing contingent liabilities.

	As of and for the Three Months Ended		
	March 31, 2011	December 31, 2010	March 31, 2010
		(Dollars in Thousands)	
Allowance for Loan Losses:			
Balance at Beginning of Period	$ 146,059	$ 176,063	$ 144,996
Actual Charge-Offs	(25,181)	(37,787)	(30,114)
Recoveries on Loans Previously Charged Off	3,626	2,538	3,721
Net Loan Charge-Offs	(21,555)	(35,249)	(26,393)
Provision Charged to Operating Expenses	1,276	5,245	59,217
Balance at End of Period	**$ 125,780**	**$ 146,059**	**$ 177,820**
Allowance for Off-Balance Sheet Items:			
Balance at Beginning of Period	$ 3,417	$ 3,662	$ 3,876
Provision Charged to Operating Expenses	(1,276)	(245)	(1,221)
Balance at End of Period	**$ 2,141**	**$ 3,417**	**$ 2,655**
Ratios:			
Net Loan Charge-Offs to Average Total Gross Loans *(1)*	3.91%	5.95%	3.87%
Net Loan Charge-Offs to Total Gross Loans *(1)*	4.02%	6.17%	3.99%
Allowance for Loan Losses to Average Total Gross Loans	5.63%	6.21%	6.43%
Allowance for Loan Losses to Total Gross Loans	5.79%	6.44%	6.63%
Net Loan Charge-Offs to Allowance for Loan Losses *(1)*	69.50%	95.75%	60.20%
Net Loan Charge-Offs to Provision Charged to Operating Expenses	1,689.26%	672.05%	44.57%
Allowance for Loan Losses to Non-Performing Loans	82.90%	86.41%	67.81%
Balances:			
Average Total Gross Loans Outstanding During Period	$ 2,234,570	$ 2,350,425	$ 2,766,965
Total Gross Loans Outstanding at End of Period	$ 2,173,692	$ 2,267,692	$ 2,683,853
Non-Performing Loans at End of Period	$ 151,730	$ 169,028	$ 262,232

(1) *Net loan charge-offs are annualized to calculate the ratios.*

The allowance for loan losses decreased by $20.3 million, or 13.9 percent, to $125.8 million as of March 31, 2011 as compared to $146.1 million as of December 31, 2010. The allowance for loan losses as a percentage of total gross loans decreased to 5.79 percent as of March 31, 2011 from 6.44 percent as of December 31, 2010. The provision for credit losses decreased by $5.0 million to $0 as of March 31, 2011 from $5.0 million as of December 31, 2010. The $1.3 million provision for loan loans were offset by the $1.3 million reversal in provision for off-balance items, resulting in the $0 total provision for credit losses as of March 31, 2011.

The decrease in the allowance for loan losses as of March 31, 2011 was due primarily to subsequent decreases in historical loss rates, classified assets, and overall gross loans. Due to these factors, general reserves decreased $23.1 million, or 26.0 percent, to $65.6 million as of March 31, 2011 as compared to $88.7 million at December 31, 2010. In addition, total qualitative reserves decreased $1.2 million, or 4.7 percent, to $24.3 million as of March 31, 2011 as compared to $25.5 million as of December 31, 2010. This was a direct result of the decrease in overall loan volume of $105.0 million, or 4.7 percent, to $2.13 billion at March 31, 2011 as compared to $2.23 billion at December 31, 2010. Improvements in metrics related to credit quality as well as decreases in overall gross loan balances have directly resulted in subsequent decreases in allowance and provision for loan losses as of March 31, 2011.

Total impaired loans, excluding loans held for sale, decreased $12.2 million, or 6.0 percent, to $192.5 million as of March 31, 2011 as compared to $204.7 million at December 31, 2010. However, specific reserve allocations associated with impaired loans increased $2.1 million, or 7.1 percent, to $31.5 million as of March 31, 2011 as compared to $29.4 million as of December 31, 2010. The increase in impairment reserves was mostly due to more conservative discounts taken by the Bank on out-dated valuations and out-of-state collaterals as a measure of prudence against potential losses.

The following table presents a summary of charge-offs by the loan portfolio.

	For the Three Months Ended		
	March 31, 2011	December 31, 2010	March 31, 2010
		(Dollars in Thousands)	
Charge-offs:			
Real Estate Loans	$ 7,053	$ 10,847	$ 5,404
Commercial Term Loans	14,348	22,435	20,855
SBA Loans	3,154	3,593	2,980
Commercial Lines of Credit	451	427	251
International Loans	—	410	—
Consumer Loans	175	75	624
Total Charge-offs	$ 25,181	$ 37,787	$ 30,114
Recoveries:			
Real Estate Loans	$ 521	$ 98	$ 1,703
Commercial Term Loans	2,928	1,823	1,581
SBA Loans	110	215	351
Commercial Lines of Credit	52	20	44
International Loans	6	364	1
Consumer Loans	9	18	41
Total Recoveries	$ 3,626	$ 2,538	$ 3,721
Net Charge-offs	**$ 21,555**	**$ 35,249**	**$ 26,393**

For the three months ended March 31, 2011, total charge-offs were $25.2 million, compared to $37.8 million for the three months ended December 31, 2010. Charge-offs in commercial term (T/D secured and unsecured) loans decreased $8.1 million to $14.3 million for the three months ended March 31, 2011 as compared to $22.4 million for the three months ended December 31, 2010. There was no charge-off for construction loans for the three months ended March 31, 2011 as compared to $4.0 million for the three months ended December 31, 2010. Charge-offs in SBA and international loans decreased $440,000 and $410,000 to $3.2 million and $0, respectively for the three months ended March 31, 2011, compared to $3.6 million and $410,000, respectively, for the three months ended December 31, 2010. However, charge-offs for commercial real estate loans increased slightly by $199,000 to $7.1 million for the three months ended March 31, 2011 as compared to $6.9 million for the three months ended December 31, 2010.

The Bank recorded in other liabilities an allowance for off-balance sheet exposure, primarily unfunded loan commitments, of $2.1 million and $3.4 million as of March 31, 2011 and December 31, 2010, respectively. The decrease was primarily due to lower reserve factors based on historical loss rates as well as decreases in total off-balance items. The Bank closely monitors the borrower's repayment capabilities while funding existing commitments to ensure losses are minimized. Based on management's evaluation and analysis of portfolio credit quality and prevailing economic conditions, we believe these reserves are adequate for losses inherent in the loan portfolio and off-balance sheet exposure as of March 31, 2011 and December 31, 2010.

Deposits

The following table shows the composition of deposits by type as of the dates indicated.

	March 31, 2011	December 31, 2010	Increase (Decrease)	
			Amount	Percentage
		(Dollars in Thousands)		
Demand — Noninterest-Bearing	$ 576,733	$ 546,815	$ 29,918	5.5%
Interest-Bearing:				
Savings	113,513	113,968	(455)	(0.4%)
Money Market Checking and NOW Accounts	469,377	402,481	66,896	16.6%
Time Deposits of $100,000 or More	977,738	1,118,621	(140,883)	(12.6%)
Other Time Deposits	293,579	284,836	8,743	3.1%
Total Deposits	**$ 2,430,940**	**$ 2,466,721**	**$ (35,781)**	**(1.5%)**

Total deposits decreased $35.8 million, or 1.5 percent, to $2.43 billion as of March 31, 2011 from $2.47 billion as of December 31, 2010. Total time deposits outstanding decreased $132.1 million, or 9.4 percent, to $1.27 billion as of March 31, 2011 from $1.40 billion as of December 31, 2010, representing 52.3 percent and 56.9 percent respectively, of total deposits. The decreases in total deposits were the direct results of strategic plans aiming to increase core deposits while reducing the reliance on volatile wholesale funds and rate-sensitive time deposits.

During the quarter ended March 31, 2011, $111.8 million high-cost promotional time deposits and $42.5 million deposits raised from rate listing services matured. Core deposits (defined as demand, savings, money market and NOW) increased by $96.4 million, or 9.1 percent, to $1.16 billion as of March 31, 2011 from $1.06 billion as of December 31, 2010. At March 31, 2011, noninterest-bearing demand deposits represented 23.7 percent of total deposits compared to 22.2 percent at December 31, 2010. We had no brokered deposits as of March 31, 2011 and December 31, 2010. As of March 31, 2011, time deposits of more than $250,000 were $356.4 million.

Federal Home Loan Bank Advances and Other Borrowings

FHLB advances and other borrowings mostly take the form of advances from the FHLB of San Francisco and overnight federal funds. At March 31, 2011, advances from the FHLB were $153.6 million, a decrease of $85,000, from the December 31, 2010 balance of $153.7 million. As of March 31, 2011, FHLB advances with a remaining maturity of less than one year were $150.0 million, and the weighted-average interest rate thereon was 0.76 percent.

Junior Subordinated Debentures

During the first half of 2004, we issued two junior subordinated notes bearing interest at the three-month London InterBank Offered Rate ("LIBOR") plus 2.90 percent totaling $61.8 million and one junior subordinated note bearing interest at the three-month LIBOR plus 2.63 percent totaling $20.6 million. The outstanding subordinated debentures related to these offerings, the proceeds of which were used to finance the purchase of Pacific Union Bank, totaled $82.4 million at March 31, 2011 and December 31, 2010. In October 2008, we committed to the FRB that no interest payments on the junior subordinated debentures would be made without the prior written consent of the FRB. Therefore, in order to preserve its capital position, Hanmi Financial's Board of Directors has elected to defer quarterly interest payments on its outstanding junior subordinated debentures until further notice, beginning with the interest payment that was due on January 15, 2009. In addition, we are prohibited from making interest payments on our outstanding junior subordinated debentures under the terms of our recently issued regulatory enforcement actions without the prior written consent of the FRB and DFI. Accrued interest payable on junior subordinated debentures amounted to $7.6 million and $6.9 million at March 31, 2011 and December 31, 2010, respectively.

INTEREST RATE RISK MANAGEMENT

Interest rate risk indicates our exposure to market interest rate fluctuations. The movement of interest rates directly and inversely affects the economic value of fixed-income assets, which is the present value of future cash flow discounted by the current interest rate; under the same conditions, the higher the current interest rate, the higher the denominator of discounting. Interest rate risk management is intended to decrease or increase the level of our exposure to market interest rates. The level of interest rate risk can be managed through such means as the changing of gap positions and the volume of fixed-income assets. For successful management of interest rate risk, we use various methods to measure existing and future interest rate risk exposures, giving effect to historical attrition rates of core deposits. In addition to regular reports used in business operations, repricing gap analysis, stress testing and simulation modeling are the main measurement techniques used to quantify interest rate risk exposure.

The following table shows the status of our gap position as of March 31, 2011:

	Within Three Months	After Three Months But Within One Year	After One Year But Within Five Years	After Five Years	Non-Interest-Sensitive	Total
			(Dollars in Thousands)			
ASSETS						
Cash and Due From Banks	$ —	$ —	$ —	$ —	$ 67,507	$ 67,507
Interest-Bearing Deposits in Other Banks	101,618	1,236	—	—	—	102,854
Investment Securities:						
Fixed Rate	12,499	39,274	237,875	143,021	4,876	437,545
Floating Rate	8,787	51,012	36,022	6,333	(505)	101,649
Loans:						
Fixed Rate	109,890	172,039	404,814	10,123	—	696,866
Floating Rate	1,250,062	46,781	29,674	1,257	—	1,327,774
Non-Accrual	—	—	—	—	151,730	151,730
Deferred Loan Fees, Discounts, and Allowance for Loan Losses	—	—	—	—	(128,735)	(128,735)
Investment in Federal Home Loan Bank Stock and Federal Reserve Bank Stock	—	—	—	33,649	—	33,649
Other Assets	—	27,581	—	6,376	54,870	88,827
Total Assets	**$ 1,482,856**	**$ 337,923**	**$ 708,385**	**$ 200,759**	**$ 149,743**	**$ 2,879,666**
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities:						
Deposits:						
Demand — Noninterest-Bearing	$ —	$ —	$ —	$ —	$ 576,733	$ 576,733
Savings	11,238	26,971	54,997	20,307	—	113,513
Money Market Checking and NOW Accounts	34,062	162,347	208,878	64,090	—	469,377
Time Deposits:						
Fixed Rate	214,004	664,523	392,734	—	—	1,271,259
Floating Rate	—	—	56	—	—	56
Federal Home Loan Bank Advances	150,060	273	3,232	—	—	153,565
Other Borrowings	1,386	—	—	—	—	1,386
Junior Subordinated Debentures	82,406	—	—	—	—	82,406
Other Liabilities	—	—	—	—	27,318	27,318
Stockholders' Equity	—	—	—	—	184,051	184,051
Total Liabilities and Stockholders' Equity	**$ 493,156**	**$ 854,114**	**$ 659,895**	**$ 84,399**	**$ 788,102**	**$ 2,879,666**
Repricing Gap	$ 989,700	$ (516,191)	$ 48,488	$ 116,362	$ (638,359)	$ —
Cumulative Repricing Gap	$ 989,700	$ 473,509	$ 521,997	$ 638,359	$ —	$ —
Cumulative Repricing Gap as a Percentage of Total Assets	34.37%	16.44%	18.13%	22.17%	—	
Cumulative Repricing Gap as a Percentage of Interest-Earning Assets	36.65%	17.54%	19.33%	23.64%	—	

The repricing gap analysis measures the static timing of repricing risk of assets and liabilities (i.e., a point-in-time analysis measuring the difference between assets maturing or repricing in a period and liabilities maturing or repricing within the same period). Assets are assigned to maturity and repricing categories based on their expected repayment or repricing dates, and liabilities are assigned based on their repricing or maturity dates. Core deposits that have no maturity dates (demand deposits, savings, money market checking and NOW accounts) are assigned to categories based on expected decay rates.

As of March 31, 2011, the cumulative repricing gap for the three-month period was asset-sensitive position and 36.65 percent of interest-earning assets, which increased from 33.67 percent as of December 31, 2010. The increase was caused primarily by a decrease of $214.4 million in fixed rate time deposits, partially offset by decreases of $82.7 million, $53.7 million, and $8.6 million in interest bearing deposits in other banks, fixed rate loans, and floating rate securities, respectively. The cumulative repricing gap for the twelve-month period was asset-sensitive position and 17.54% of interest-earning assets, which decreased from the December 31, 2010 figure of 31.25%. The decrease was caused by increases of $69.1 million and $28.7 million in fixed rate time deposits, and money market checking and NOW accounts, respectively, and decreases of $85.9 million, $146.0 million, and $56.2 million in interest-bearing deposits in other banks, fixed rate loans, and floating rate loans, respectively, partially offset by an increase of 15.1 million in floating-rate investment securities.

The following table summarizes the status of the cumulative gap position as of the dates indicated.

	Less Than Three Months		Less Than Twelve Months	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
		(Dollars in Thousands)		
Cumulative Repricing Gap	$989,700	$ 921,942	$473,509	$ 855,812
Cumulative Repricing Gap as a Percentage of Total Assets	34.37%	31.71%	16.44%	29.44%
Cumulative Repricing Gap as a Percentage of Interest-Earning Assets	36.65%	33.67%	17.54%	31.25%

The spread between interest income on interest-earning assets and interest expense on interest-bearing liabilities is the principal component of net interest income, and interest rate changes substantially affect our financial performance. We emphasize capital protection through stable earnings rather than maximizing yield. In order to achieve stable earnings, we prudently manage our assets and liabilities and closely monitor the percentage changes in net interest income and equity value in relation to limits established within our guidelines.

To supplement traditional gap analysis, we perform simulation modeling to estimate the potential effects of interest rate changes. The following table summarizes one of the stress simulations performed to forecast the impact of changing interest rates on net interest income and the market value of interest-earning assets and interest-bearing liabilities reflected on our balance sheet (i.e., an instantaneous parallel shift in the yield curve of the magnitude indicated). This sensitivity analysis is compared to policy limits, which specify the maximum tolerance level for net interest income exposure over a one-year horizon, given the basis point adjustment in interest rates reflected below.

Rate Shock Table

	Percentage Changes		Change in Amount	
Change in Interest Rate	Net Interest Income	Economic Value of Equity	Net Interest Income	Economic Value of Equity
		(Dollars in Thousands)		
200%	7.82%	(10.49)%	$8,723	$(33,677)
100%	3.22%	(5.46)%	$3,596	$(17,525)
(100%)	*(1)*	*(1)*	*(1)*	*(1)*
(200%)	*(1)*	*(1)*	*(1)*	*(1)*

(1) *The table above only reflects the impact of upward shocks due to the fact that a downward parallel shock of 100 basis points or more is not possible given that some short-term rates are currently less than one percent.*

The estimated sensitivity does not necessarily represent our forecast and the results may not be indicative of actual changes to our net interest income. These estimates are based upon a number of assumptions including: the nature and timing of interest rate levels including yield curve shape, prepayments on loans and securities, pricing strategies on loans and deposits, and replacement of asset and liability cash flows. While the assumptions used are based on current economic and local market conditions, there is no assurance as to the predictive nature of these conditions, including how customer preferences or competitor influences might change.

CAPITAL RESOURCES AND LIQUIDITY

Capital Resources

Historically, our primary source of capital has been the retention of operating earnings. In order to ensure adequate levels of capital, the Board continually assesses projected sources and uses of capital in conjunction with projected increases in assets and levels of risk. Management considers, among other things, earnings generated from operations, and access to capital from financial markets through the issuance of additional securities, including common stock or notes, to meet our capital needs.

Under the Order, the Bank is required to increase its capital and maintain certain regulatory capital ratios prior to certain dates specified in the Order. By July 31, 2010, the Bank was required to increase its contributed equity capital by not less than an additional $100 million, which it was able to satisfy the requirement through the successful completion of a registered rights and best efforts offering by which we raised net proceeds of approximately $116.8 million. As of March 31, 2011, the Bank's capital ratios exceeded the ratios required to be considered "well capitalized" under the regulatory PCA guidelines. However, the Order requires the Bank to maintain a ratio of tangible shareholder's equity to total tangible assets as follows:

Date	Ratio of Tangible Shareholder's Equity to Total Tangible Assets
From December 31, 2010 and Until the Order is Terminated	Not Less Than 9.5 Percent

If the Bank is not able to maintain the capital ratios identified in the Order, it must notify the DFI, and Hanmi Financial and the Bank are required to notify the FRB if their respective capital ratios fall below those set forth in the capital plan submitted to the FRB. As of March 31, 2011, the Bank had a tangible stockholders' equity to total tangible assets ratio of 9.10 percent. Accordingly, we notified the DFI and the FRB of such event.

To comply with the provisions of the Order and the Agreement, we entered into the agreement with Woori on May 25, 2010, which provides that upon satisfaction of all conditions to closing, we will issue 175 million shares of common stock to Woori at a purchase price per share of $1.20, for aggregate gross consideration of $210 million. On November 30, 2010, the agreement with Woori was amended to, among other things, extend the termination date to December 31, 2010, to release us from exclusivity with Woori, to eliminate our obligation to pay a termination fee upon the occurrence of certain events and to allow us to pursue further fundraising efforts. Accordingly, the agreement with Woori is currently terminable at will by either Hanmi Financial or Woori without any obligation to pay any fee in connection with such termination.

We continue to evaluate opportunities to further enhance our capital position with additional capital, so as to strengthen our balance sheet for future growth and unexpected events, and to fully comply with regulatory orders we are subject to. We are actively considering various alternatives for raising capital, including Woori's proposed investment, and expect to make progress during the second quarter of 2011. We are currently awaiting final regulatory approval for the applications filed by Woori in connection with the transactions contemplated by the securities purchase agreement.

Even if we are successful in completing the transaction with Woori or raising capital from alternative sources, we may still need to raise additional capital in the future to support our operations. Our ability to raise additional capital will depend on conditions in the capital markets at that time, which are outside our control, and on our financial performance.

Liquidity — Hanmi Financial

Currently, management believes that Hanmi Financial, on a stand-alone basis, has adequate liquid assets to meet its operating cash needs through December 31, 2011. On August 29, 2008, we elected to suspend payment of quarterly dividends on our common stock in order to preserve our capital position. In addition, Hanmi Financial has elected to defer quarterly interest payments on its outstanding junior subordinated debentures until further notice, beginning with the interest payment that was due on January 15, 2009. As of March 31, 2011, Hanmi Financial's liquid assets, including amounts deposited with the Bank, totaled $7.1 million, down from $7.7 million as of December 31, 2010.

Liquidity — Hanmi Bank

Management believes that the Bank, on a stand-alone basis, has adequate liquid assets to meet its current obligations. The Bank's primary funding source will continue to be deposits originated through its branch platform. The Bank's wholesale funds historically consisted of FHLB advances and brokered deposits. As of March 31, 2011, in compliance with its regulatory restrictions, the Bank had no brokered deposits, and had FHLB advances of only $153.6 million that slightly decreased $85,000 for the three months ended March 31, 2011.

The Bank's primary source of borrowings is the FHLB, from which the Bank is eligible to borrow up to 15 percent of its total assets. As of March 31, 2011, the total borrowing capacity available based on pledged collateral and the remaining available borrowing capacity were $435.1 million and $281.5 million, respectively. The Bank's FHLB borrowings as of March 31, 2011 totaled $153.6 million, representing 5.4 percent of total assets. As of May 6, 2011, the Bank's FHLB borrowing capacity available based on pledged collateral and the remaining available borrowing capacity were $435.1 million and $281.5 million, respectively. The amount that the FHLB is willing to advance differs based on the quality and character of qualifying collateral pledged by the Bank, and the advance rates for qualifying collateral may be adjusted upwards or downwards by the FHLB from time to time. To the extent deposit renewals and deposit growth are not sufficient to fund maturing and withdrawable deposits, repay maturing borrowings, fund existing and future loans and investment securities and otherwise fund working capital needs and capital expenditures, the Bank may utilize the remaining borrowing capacity from its FHLB borrowing arrangement.

As a means of augmenting its liquidity, the Bank had an available borrowing source of $165.8 million from the Federal Reserve Discount Window (the "Fed Discount Window"), to which the Bank pledged loans with a carrying value of $354.6 million, and had no borrowings as of March 31, 2011. The Bank is currently in the secondary program of the Borrower in Custody Program of the Fed Discount Window, which allows the Bank to request very short-term credit (typically overnight) at a rate that is above the primary credit rate within a specified period. In August 2010, South Street Securities LLC extended a line of credit to the Bank for reverse repurchase agreements up to a maximum of $100.0 million.

Current market conditions have limited the Bank's liquidity sources principally to interest-bearing deposits, unpledged marketable securities, and secured funding outlets such as the FHLB and Fed Discount Window. There can be no assurance that actions by the FHLB or Federal Reserve Bank would not reduce the Bank's borrowing capacity or that the Bank would be able to continue to replace deposits at competitive rates. As of March 31, 2011, in compliance with its regulatory restrictions, the Bank did not have any brokered deposits and would consult in advance with its regulators if it were to consider accepting brokered deposits in the future.

The Bank has Contingency Funding Plans ("CFPs") designed to ensure that liquidity sources are sufficient to meet its ongoing obligations and commitments, particularly in the event of a liquidity contraction. The CFPs are designed to examine and quantify its liquidity under various "stress" scenarios. Furthermore, the CFPs provide a framework for management and other critical personnel to follow in the event of a liquidity contraction or in anticipation of such an event. The CFPs address authority for activation and decision making, liquidity options and the responsibilities of key departments in the event of a liquidity contraction.

The Bank believes that it nonetheless has adequate liquidity resources to fund its obligations with its interest-bearing deposits, unpledged marketable securities, and secured credit lines with the FHLB and Fed Discount Window.

OFF-BALANCE SHEET ARRANGEMENTS

For a discussion of off-balance sheet arrangements, see *"Note 10 — Off-Balance Sheet Commitments"* of Notes to Consolidated Financial Statements (Unaudited) in this Report and *"Item 1. Business — Off-Balance Sheet Commitments"* in our Annual Report on Form 10-K for the year ended December 31, 2010.

CONTRACTUAL OBLIGATIONS

There have been no material changes to the contractual obligations described in our Annual Report on Form 10-K for the year ended December 31, 2010.

RECENTLY ISSUED ACCOUNTING STANDARDS

FASB ASU 2011-02, "Receivable (Topic 310), Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses"— ASU 2011-02 clarifies the guidance for evaluating whether a restructuring constitutes a troubled debt restructuring ('TDR"). The guidance requires that a creditor separately conclude that both of the following exist: i) The restructuring constitutes a concession, ii) The debtor is experiencing financial difficulties. In addition, the guidance clarifies that a creditor is precluded from using the effective interest rate test in the debtor's guidance on restructuring of payables when evaluating whether a restructuring constitutes a TDR. The amendments in ASU 2011-02 are effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. Adoption of ASU 2011-02 is not expected to have a significant impact on our financial condition or result of operations.

FASB ASU 2011-01, "Receivable (Topic 310), Deferral of the Effective Date of Disclosure about Troubled Debt Restructurings in Update No. 2010-20"— ASU 2011-01 temporarily delays the effective date of the disclosure about troubled debt restructurings ("TDRs") in ASU 2010-20 for public entities. The delay is intended to allow the FASB to complete its deliberations on what constitutes a TDR. The effective date of the new disclosure about TDRs for public entities and the guidance for determining what constitute a TDR will then be coordinated. This guidance is anticipated to be effective for interim an annual periods ending after June 15, 2011.

FASB ASU 2010-20, "Receivable (Topic 310), Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses"— ASU 2010-20 requires new and enhanced disclosures about the credit quality of an entity's financing receivables and its allowance for credit losses. The new and amended disclosure requirements focus on such areas as nonaccrual and past due financing receivables, allowance for credit losses related to financing receivables, impaired loans, credit quality information and modifications. The ASU requires an entity to disaggregate new and existing disclosures based on how it develops its allowance for credit losses and how it manages credit exposures. The guidance is effective for an entity's first annual period that ends on or after December 15, 2010. Adoption of ASU 2010-20 did not have a significant impact on our financial condition or results of operations.

FASB ASU 2010-06, "Fair Value Measurements and Disclosures (Topic 820)"— ASU 2010-06 adds new requirements for disclosures about transfers into and out of Level 1 and 2 and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation, entities will be required to provide fair value measurement disclosures for each class of assets and liabilities, and about inputs and valuation techniques used to measure fair value. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010. Adoption of ASU 2010-06 did not have a significant impact on our consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative disclosures regarding market risks in Hanmi Bank's portfolio, see *"Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Interest Rate Risk Management"* and *"— Capital Resources and Liquidity."*

ITEM 4. CONTROLS AND PROCEDURES

As of March 31, 2011, Hanmi Financial carried out an evaluation, under the supervision and with the participation of Hanmi Financial's management, including Hanmi Financial's Chief Executive Officer and Chief Financial Officer, of the effectiveness of Hanmi Financial's disclosure controls and procedures and internal controls over financial reporting pursuant to Securities and Exchange Commission rules. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Hanmi Financial's disclosure controls and procedures were effective as of the end of the period covered by this report.

During our most recent fiscal quarter ended March 31, 2011, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, Hanmi Financial and its subsidiaries are parties to litigation that arises in the ordinary course of business, such as claims to enforce liens, claims involving the origination and servicing of loans, and other issues related to the business of Hanmi Financial and its subsidiaries. In the opinion of management, the resolution of any such issues would not have a material adverse impact on the financial condition, results of operations, or liquidity of Hanmi Financial or its subsidiaries.

ITEM 1A. RISK FACTORS

There have been no material changes in the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010 that was filed on March 16, 2011.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Document
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

HANMI FINANCIAL CORPORATION

Date: May 9, 2011

By: /s/ Jay S. Yoo
Jay S. Yoo
President and Chief Executive Officer

By: /s/ Brian E. Cho
Brian E. Cho
Executive Vice President and Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Jay S. Yoo, Chief Executive Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hanmi Financial Corporation;

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

   (d) disclosed in this Report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting, and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the Audit Committee of the Registrant’s Board of Directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: May 9, 2011

By: /s/ Jay S. Yoo
Jay S. Yoo
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Brian E. Cho, Chief Financial Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hanmi Financial Corporation;

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

   (d) disclosed in this Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting, and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit Committee of the Registrant's Board of Directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 9, 2011

/s/ Brian E. Cho
Brian E. Cho
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hanmi Financial Corporation (the “Company”) on Form 10-Q for the period ended March 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jay S. Yoo, President and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2011

By: /s/ Jay S. Yoo
Jay S. Yoo
President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hanmi Financial Corporation (the "Company") on Form 10-Q for the period ended March 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian E. Cho, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2011

/s/ Brian E. Cho
Brian E. Cho
Chief Financial Officer