UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the Fiscal Year Ended December 31, 2004

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 *(State or Other Jurisdiction of Incorporation or Organization)*	**95-4788120** *(I.R.S. Employer Identification No.)*
3660 Wilshire Boulevard, Penthouse Suite A **Los Angeles, California** *(Address of Principal Executive Offices)*	**90010** *(Zip Code)*

(213) 382-2200

(Registrant's Telephone Number, Including Area Code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	**None**

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, $.001 Par Value

(Title of Class)

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes☑ No ☐

As of June 30, 2004, the aggregate market value of the common stock held by non-affiliates of the Registrant was approximately $572,147,000. For purposes of the foregoing calculation only, in addition to affiliated companies, all directors and officers of the Registrant have been deemed affiliates.

Number of shares of common stock of the Registrant outstanding as of February 24, 2005 was approximately 49,547,266 shares.

The following documents are incorporated by reference herein:

Registrant's Definitive Proxy Statement for its Annual Meeting of Stockholders, which will be filed within 120 days of the fiscal year ended December 31, 2004, is incorporated by reference into Part III of this report.

HANMI FINANCIAL CORPORATION

ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

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FORWARD-LOOKING STATEMENTS

Some of the statements under "Item 1. Business," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this Form 10-K 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. 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. For a discussion of some of the factors that might cause such a difference, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors That May Affect Future Results of Operations."

PART I

ITEM 1. *BUSINESS*

General

Hanmi Financial Corporation ("Hanmi Financial" or the "Company") is a Delaware corporation incorporated on March 14, 2000 pursuant to a Plan of Reorganization and Agreement of Merger to be the holding company for Hanmi Bank (the "Bank"). The Company became the holding company for the Bank in June 2000 and is subject to the Bank Holding Company Act of 1956, as amended. The principal office of Hanmi Financial is located at 3660 Wilshire Boulevard, Penthouse Suite A, Los Angeles, California 90010, and its telephone number is (213) 382-2200.

Hanmi Bank, the primary subsidiary of the Company, was incorporated under the laws of the State of California on August 24, 1981 and was licensed by the California Department of Financial Institutions on December 15, 1982. Hanmi Bank's deposit accounts are insured under the Federal Deposit Insurance Act up to applicable limits thereof, and the Bank is a member of the Federal Reserve System. Hanmi Bank's headquarters office is located at 3660 Wilshire Boulevard, Penthouse Suite A, Los Angeles, California 90010.

Hanmi Bank is a community bank conducting general business banking, with its primary market encompassing the multi-ethnic population of Los Angeles, Orange, San Diego, San Francisco and Santa Clara counties. Hanmi Bank's full-service offices are located in business areas where many of the businesses are run by immigrants and other minority groups. Hanmi Bank's client base reflects the multi-ethnic composition of these communities. On April 30, 2004, the Company completed its acquisition of Pacific Union Bank ("PUB"), a $1.2 billion (assets) commercial bank headquartered in Los Angeles that, like Hanmi, served primarily the Korean-American community. At December 31, 2004, Hanmi Bank had 23 full-service branch offices.

The Company's revenues are derived primarily from interest on its loan and securities portfolios and service charges on deposit accounts. A summary of revenues for the years ended December 31, 2004, 2003 and 2002 follows:

	2004		2003		2002	
			(Dollars in thousands)			
Interest and Fees on Loans	$ 116,612	72.1%	$ 64,211	65.9%	$ 56,398	62.3%
Interest on Investments	17,372	10.7%	12,410	12.7%	11,363	12.6%
Other Interest Income	183	0.1%	502	0.5%	1,555	1.7%
Service Charges on Deposit Accounts	14,441	8.9%	10,339	10.6%	9,195	10.2%
Other Non-Interest Income	13,157	8.2%	9,977	10.3%	12,009	13.2%
Total Revenues	**$ 161,765**	**100.0%**	**$ 97,439**	**100.0%**	**$ 90,520**	**100.0%**

Business Combination

On April 30, 2004, the Company completed its acquisition of PUB and merged PUB with Hanmi Bank. The Company paid $164.5 million in cash to acquire 5,537,431 of the PUB shares owned by Korea Exchange Bank. All of the remaining PUB shares were converted in the acquisition into shares of the Company's common stock based on an exchange ratio of 2.312 shares for each PUB share.

Immediately prior to the completion of the acquisition, the Company issued a total of 7,894,738 shares of its common stock pursuant to a private placement for total proceeds of $75,000,000 before expenses and placement fees. As a result of the issuance of shares in the merger and the private placement, as well as normal stock option activity, the number of outstanding Company shares has increased to 49,330,704 as of December 31, 2004.

In addition, all outstanding PUB employee stock options were converted into 137,414 options to purchase Hanmi Financial stock valued at $1.1 million in total. Based on Hanmi Financial's average price of $12.53 for the five-day trading period from April 28, 2004 through May 4, 2004, the total consideration paid for PUB was $324.6 million and resulted in the recognition of goodwill aggregating $207.8 million. Net assets acquired totaled $324.6 million.

The Company's post-merger integration of PUB's operations is proceeding substantially as planned. During the third quarter of 2004, the Company successfully completed the conversion of PUB's core loan, deposits and general ledger data processing systems onto Hanmi Bank's platform. On October 4, 2004, the Bank closed four redundant branches, bringing the total number of branches to 23. On January 22, 2005, the Bank closed an additional branch, as planned, and completed its post-merger staff reduction program.

Following the acquisition of PUB, management initiated and approved plans to restructure the operations of the existing Bank and PUB branch networks and corporate headquarters to eliminate duplicative facilities, streamline operations and reduce costs. Through December 31, 2004, 42 employees had been terminated. On a pro forma basis, the combined employee headcount of the Bank and PUB decreased from 671 as of December 31, 2003 to 533 as of December 31, 2004, primarily as a result of attrition and the hiring freeze instituted January 2, 2004.

For further discussion of the financial effects of the merger, see "Notes to Consolidated Financial Statements, Note 2 — Business Combinations."

Market Area

Hanmi Bank historically has provided its banking services through its branch network, located primarily in the Koreatown area of Los Angeles, to a wide variety of small to medium-sized businesses. In recent years, it has expanded its service areas through de novo branching to Orange County, Santa Clara and San Diego and through acquisition to San Francisco and Seattle. Throughout Hanmi Bank's service area, competition is intense for both loans and deposits. While the market is dominated by a few nationwide banks with many offices operating over a wide geographic area, savings banks, thrift and loan associations, credit unions, mortgage companies, insurance companies and other lending institutions, Hanmi Bank's primary competitors are relatively smaller community banks that focus their marketing efforts on Korean-American businesses in Hanmi Bank's service areas. Substantially all of the Company's assets are located in and substantially all of the company's revenues are derived from the state of California.

Lending Activities

Hanmi Bank originates loans for its own portfolio and for sale in the secondary market. Lending activities include commercial loans, Small Business Administration ("SBA") guaranteed loans, loans secured by real estate (commercial mortgage loans, real estate construction loans and residential mortgage loans) and consumer loans.

Commercial Loans

Hanmi Bank offers commercial loans for intermediate and short-term credit. Commercial loans may be unsecured, partially secured or fully secured. The majority of the origination of commercial loans is in Los Angeles and Orange Counties, and loan maturities are normally 12 to 60 months. Hanmi Bank requires a complete re-analysis before considering any extension of loans. The Bank finances primarily small and middle market businesses in a wide spectrum of industries. Short-term business loans generally are intended to finance current transactions and typically provide for periodic principal payments, with interest payable monthly. Term loans normally provide for floating interest rates, with monthly payments of both principal and interest. In general, it is the intent of Hanmi Bank to take collateral whenever possible, regardless of the loan purpose(s). Collateral may include liens on inventory, accounts receivable, fixtures and equipment and, in some cases, leasehold improvements and real estate. When real estate is the primary collateral, the Bank obtains formal appraisals in accordance with applicable regulations to support the value of the real estate collateral. As a matter of policy, Hanmi Bank requires all principals of a business to be co-obligors on all loan instruments and all significant stockholders of corporations to execute a specific debt guaranty. All borrowers must demonstrate the ability to service and repay not only Hanmi Bank debt, but also all outstanding business debt, without liquidating the collateral, on the basis of historical earnings or reliable projections.

Commercial and industrial loans consist of credit lines for operating needs, loans for equipment purchases and working capital and various other business purposes.

As compared to consumer lending, commercial lending entails significant additional risks. These loans typically involve larger loan balances and are generally dependent on the business's cash flow and, thus, may be subject to adverse conditions in the general economy or in a specific industry.

Small Business Administration Guaranteed Loans

Hanmi Bank originates loans qualifying for guarantees issued by the United States SBA, an independent agency of the Federal government. The SBA guarantees on such loans currently range from 75% to 85% of the principal and accrued interest. Under certain circumstances, the guarantee of principal and interest may be less than 75%. In general, the guaranteed percentage is less than 75% for loans over $1.3 million. Hanmi Bank typically requires that SBA loans be secured by business assets and by a first or second deed of trust on any available real property. When the loan is secured by a first deed of trust on real property, the Bank obtains appraisals in accordance with applicable regulations. SBA loans have terms ranging from 7 to 25 years depending on the use of the proceeds. To qualify for a SBA loan, a borrower must demonstrate the capacity to service and repay the loan, without liquidating the collateral, on the basis of historical earnings or reliable projections.

Hanmi Bank generally sells to unrelated third parties a substantial amount of the guaranteed portion of the SBA guaranteed loans that it originates. When Hanmi Bank sells a SBA loan, it may be obligated to repurchase the loan (for a period of 90 days after the sale) if the loan fails to comply with certain representations and warranties given by the Bank. Hanmi Bank retains the obligation to service the SBA loans, for which it receives servicing fees. The unsold portions of the SBA loans that remain owned by Hanmi Bank are included in its assets. As of December 31, 2004, Hanmi Bank had $166.3 million in SBA loans on its balance sheet, and was servicing $173.7 million of sold SBA loans.

Loans Secured by Real Estate

Real estate lending involves risks associated with the potential decline in the value of the underlying real estate collateral and the cash flow from income-producing properties. Declines in real estate values and cash flows can be caused by a number of factors, including adversity in general economic conditions, rising interest rates, changes in tax and other laws and regulations affecting the holding of real estate, environmental conditions, governmental and other use restrictions, development of competitive properties and increasing vacancy rates. Hanmi Bank's real estate dependence increases the risk of loss both in Hanmi Bank's loan portfolio and any holdings of other real estate owned when real estate values decline.

Commercial Mortgage Loans — Hanmi Bank offers commercial real estate loans. These loans are collateralized by first deeds of trust. For these commercial mortgage loans, the Bank obtains formal appraisals in accordance with applicable regulations to support the value of the real estate collateral. All appraisal reports on commercial mortgage loans are reviewed by an appraisal review officer. The review generally covers an examination of the appraiser's assumptions and methods that were used to derive a value for the property, as well as compliance with the Uniform Standards of Professional Appraisal Practice (the "USPAP"). Hanmi Bank also considers the cash flow from the business. The majority of the properties securing these loans are located in Los Angeles and Orange Counties.

Hanmi Bank's commercial real estate loans are principally secured by investor-owned commercial buildings and owner-occupied commercial and industrial buildings. Generally, these types of loans are made for a period of up to seven years, with monthly payments based upon a portion of the principal plus interest, and with a loan-to-value ratio of 65% or less, using an adjustable rate indexed to the prime rate appearing in the West Coast edition of *The Wall Street Journal* ("WSJ Prime") or Hanmi Bank's prime rate ("Bank Prime"), as adjusted from time to time. Hanmi Bank also offers fixed-rate loans, including hybrid-fixed rate loans that are fixed for one to five years and convert to adjustable rate loans for the remaining term. Amortization schedules for commercial loans generally do not exceed 25 years.

Payments on loans secured by such properties are often dependent upon successful operation or management of the properties. Repayment of such loans may be subject to a greater extent to adverse conditions in the real estate market or the economy. The Bank seeks to minimize these risks in a variety of ways, including limiting the size of such loans and strictly scrutinizing the property securing the loan. When possible, The Bank also obtains corporate or individual guarantees from financially capable parties. The Bank's lending personnel visit all of the properties securing The Bank's real estate loans before the loans are approved. The Bank requires title insurance insuring the status of its lien on all of the real estate secured loans when a first or second trust deed on the real estate is taken as collateral. The Bank also requires the borrower to maintain fire insurance, extended coverage casualty insurance and, if the property is in a flood zone, flood insurance, in an amount equal to the outstanding loan balance, subject to applicable laws that may limit the amount of hazard insurance a lender can require to replace such improvements. Hanmi Financial cannot assure that these procedures will protect against losses on loans secured by real property.

Real Estate Construction Loans — Hanmi Bank finances the construction of residential, multifamily, commercial and industrial properties within its market area. The future condition of the local economy could negatively affect the collateral values of such loans. The Bank's construction loans typically have the following characteristics:

- maturities of two years or less;
- a floating rate of interest based on Bank Prime or a nationally recognized index such as WSJ Prime;
- minimum cash equity of 35% of project cost;
- reserve of anticipated interest costs during construction or advance of fees;

- first lien position on the underlying real estate;
- loan-to-value ratios generally not exceeding 65%; and
- recourse against the borrower or a guarantor in the event of default.

Hanmi Bank does not typically commit to making permanent loans on the property unless the permanent loan is a government guaranteed loan. Construction loans involve additional risks compared to loans secured by existing improved real property. These include the following:

- the uncertain value of the project prior to completion;
- the inherent uncertainty in estimating construction costs, which are often beyond the borrower's control;
- construction delays and cost overruns;
- possible difficulties encountered in connection with municipal or other governmental regulations during construction; and
- the difficulty in accurately evaluating the market value of the completed project.

As a result of these uncertainties, construction lending often involves the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project rather than the ability of the borrower or guarantor to repay principal and interest. If Hanmi Bank is forced to foreclose on a project prior to or at completion due to a default, there can be no assurance that Hanmi Bank will be able to recover all of the unpaid balance of, or accrued interest on, the loans as well as the related foreclosure and holding costs. In addition, Hanmi Bank may be required to fund additional amounts to complete a project and may have to hold the property for an indeterminable period of time. Hanmi Bank has underwriting procedures designed to identify what it believes to be acceptable levels of risk in construction lending. Among other things, qualified and bonded third parties are engaged to provide progress reports and recommendations for construction disbursements. No assurance can be given that these procedures will prevent losses arising from the risks described above.

Residential Mortgage Loans — Hanmi Bank originates fixed rate and variable rate mortgage loans secured by one-family to four-family properties with amortization schedules of 15 to 30 years and maturities of up to 30 years. The loan fees charged, interest rates and other provisions of Hanmi Bank's residential loans are determined by an analysis of Hanmi Bank's cost of funds, cost of origination, cost of servicing, risk factors and portfolio needs. On a contractual term, Hanmi Bank sells fixed rate mortgage loans to secondary market participants. The typical turn-around time from origination to sale is between 30 to 90 days. The interest rate and the price of the loan are typically agreed to prior to the loan origination.

Consumer Loans

Consumer loans are extended for a variety of purposes. Most are for the purchase of automobiles. Other consumer loans include secured and unsecured personal loans, home improvement loans, equity lines, overdraft protection loans, and unsecured lines of credit. Management assesses the borrower's creditworthiness and ability to repay the debt through a review of credit history and ratings, verification of employment and other income, review of debt-to-income ratios and other measures of repayment ability. Although creditworthiness of the applicant is of primary importance, the underwriting process also includes a comparison of the value of the collateral, if any, to the proposed loan amount. Most of Hanmi Bank's loans to individuals are repayable on an installment basis.

Any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance, because the collateral is more likely to suffer damage, loss or depreciation. The remaining deficiency often does not warrant further collection efforts against the borrower beyond obtaining a deficiency judgment. In addition, the collection of loans to individuals is dependent on the borrower's continuing financial stability, and thus is more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, various Federal and state laws, including bankruptcy and insolvency laws, often limit the amount that the lender can recover on loans to individuals. Loans to individuals may also give rise to claims and defenses by a consumer borrower against the lender on these loans, and a borrower may be able to assert against any assignee of the note these claims and defenses that the borrower has against the seller of the underlying collateral.

Off-Balance Sheet Commitments

As part of its service to its small to medium-sized business customers, Hanmi Bank from time to time issues formal commitments and lines of credit. These commitments can be either secured or unsecured. They may be in the form of revolving lines of credit for seasonal working capital needs or may take the form of commercial letters of credit or standby letters of credit. Commercial letters of credit facilitate import trade. Standby letters of credit are conditional commitments issued by Hanmi Bank to guarantee the performance of a customer to a third party.

Lending Procedures and Loan Approval Process

Loan applications may be approved by the Board of Directors' Loan Committee, or by Hanmi Bank's management or lending officers to the extent of their lending authority. Individual lending authority is granted to the Chief Credit Officer and the Senior Credit Officer. Loans for which direct and indirect borrower liability exceeds an individual's lending authority are referred to Hanmi Bank's Management Credit Committee and, for those in excess of the Management Credit Committee's approval limits, to the Board of Directors' Loan Committee.

At December 31, 2004, Hanmi Bank's authorized legal lending limits were $41.6 million for unsecured loans plus an additional $27.7 million for specific secured loans. Legal lending limits are calculated in conformance with California law, which prohibits a bank from lending to any one individual or entity or its related interests an aggregate amount that exceeds 15% of primary capital plus the allowance for loan losses on an unsecured basis, plus an additional 10% on a secured basis. Hanmi Bank's primary capital plus allowance for loan losses at December 31, 2004 totaled $277.1 million.

The highest management lending authority at Hanmi Bank is the combined administrative lending authority for unsecured lending of $3.0 million and secured lending of $5.0 million, which requires the approval and signatures of the Management Credit Committee, composed of the Chief Executive Officer, the Chief Credit Officer, the Senior Credit Officer, the Manager of the Capital Markets Group and the Credit Administrator. The next highest lending authority is $1.0 million for the Chief Credit Officer. All other individual lending authority is substantially less.

Lending limits are authorized for the Management Credit Committee, the Chief Credit Officer and other officers by the Bank's Board of Directors' Loan Committee. The Chief Credit Officer is responsible for evaluating the authority limits for individual credit officers and recommending lending limits for all other officers to the Board of Directors for approval.

Hanmi Bank seeks to mitigate the risks inherent in its loan portfolio by adhering to certain underwriting practices. The review of each loan application includes analysis of the applicant's experience, prior credit history, income level, cash flow and financial condition, tax returns, cash flow projections, and the value of any collateral to secure the loan, based upon reports of independent appraisers and audits of accounts receivable or inventory pledged as security. In the case of real estate loans over a specified amount, the review of collateral value includes an appraisal report prepared by an independent Bank-approved appraiser. All appraisal reports on commercial real property secured loans are reviewed by an Appraisal Review Officer. The review generally covers an examination of the appraiser's assumptions and methods that were used to derive a value for the property, as well as compliance with the USPAP.

Asset Quality

Non-Performing Assets — Non-performing assets include non-performing loans and other real estate owned.

Non-Performing Loans — Non-performing loans are those that are not earning income, and (1) full payment of principal and interest is no longer anticipated, (2) principal or interest is 90 days or more delinquent, or (3) the loan payment or term has been restructured in accordance with troubled debt restructure procedures.

Non-Accrual Loans — Hanmi Bank generally places loans on non-accrual status when interest or principal payments become 90 days or more past due unless the outstanding principal and interest is adequately secured and, in the opinion of management, is deemed to be in the process of collection. When loans are placed on non-accrual status, accrued but unpaid interest is reversed against the current year's income, and interest income on non-accrual loans is recorded on a cash basis. The Bank may treat payments as interest income or return of principal depending upon management's opinion of the ultimate risk of loss on the individual loan. Cash payments are treated as interest income where management believes the remaining principal balance is fully collectible. Additionally, the Bank may place loans that are not 90 days past due on non-accrual status, if management reasonably believes the borrower will not be able to comply with the contractual loan repayment terms and collection of principal or interest is in question.

Loans 90 Days or More Past Due — Hanmi Bank classifies a loan in this category when the borrower is more than 90 days late in making a payment of principal or interest.

Restructured Loans — These are loans on which interest accrues at a below market rate or upon which a portion of the principal has been forgiven so as to aid the borrower in the final repayment of the loan, with any interest previously accrued, but not yet collected, being reversed against the current year's income. Generally, interest is reported on a cash basis until the borrower's ability to service the restructured loan in accordance with its terms is established.

Other Real Estate Owned ("OREO") — This category of non-performing assets consists of real estate to which Hanmi Bank has taken title by foreclosure or by taking a deed in lieu of foreclosure from the borrower. Before the Bank takes title to OREO, it generally obtains an environmental review.

Substandard and Doubtful Loans — Hanmi Bank monitors all loans in the loan portfolio to identify problem credits. Additionally, as an integral part of the credit review process, credit reviews are performed by inside loan review officers throughout the year to assure accuracy of documentation and the identification of problem credits. The State of California Department of Financial Institutions and the Federal Reserve Bank of San Francisco also review Hanmi Bank and its loans during annual safety and soundness examinations.

Hanmi Bank has three classifications for problem loans:

- *Substandard* — An asset is classified as "substandard" if it is inadequately protected by the current net worth and paying capacity of the borrower, or of the collateral pledged, if any. Credits in this category have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the possibility that Hanmi Bank will sustain some loss if the deficiencies are not corrected.
- *Doubtful* — An asset is classified as "doubtful" if it has all the weaknesses inherent in an asset classified "substandard," and has the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. The possibility of loss is extremely high, but because of important and reasonably specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined.
- *Loss* — An asset is classified as a "loss" if it is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be effected in the future. Any potential recovery is considered too small and/or the realization too distant in the future to justify retention as an asset on the Bank's books.

Another category, designated as “special mention,” is maintained for loans which do not currently expose Hanmi Bank to so significant a degree of risk as to warrant classification as “substandard,” “doubtful” or “loss,” but do possess credit deficiencies or potential weaknesses deserving management’s close attention.

Impaired Loans — Hanmi Bank defines impaired loans, regardless of past-due status, as those on which principal and interest are not expected to be collected under the original contractual repayment terms and/or loans that are troubled debt restructurings. Hanmi Bank charges off an impaired loan at the time management believes that the collection process has been exhausted. Hanmi Bank measures impaired loans based on the present value of future cash flows discounted at the loan’s effective rate, and the loan’s observable market price or the fair value of collateral if the loan is collateral-dependent. At December 31, 2004, $7.7 million of loans were impaired, $5.8 million of which were also on non-accrual status. The allowance for loan losses related to impaired loans was $3.0 million at December 31, 2004.

Except as disclosed above, as of December 31, 2004, management was not aware of any material credit problems of borrowers that would cause it to have serious doubts about the ability of a borrower to comply with the present loan repayment terms. However, no assurance can be given that there are no current credit problems that have not been brought to the attention of management. See “Allowance and Provision for Credit Losses.”

Allowance for Loan Losses, Reserve for Credit Losses and Provision for Credit Losses

Hanmi Bank maintains an allowance for loan losses at a level considered by management to be adequate to cover the inherent risks of loss associated with its loan portfolio under prevailing and anticipated economic conditions. In addition, the Bank maintains a reserve for credit losses associated with unfunded commitments. It is included within Other Liabilities on the Company’s consolidated statement of financial condition.

Hanmi Bank follows the *“Interagency Policy Statement on the Allowance for Loan and Lease Losses”* and analyzes the allowance for loan losses on a monthly basis. In addition, as an integral part of the quarterly credit review process of the Bank, the allowance for loan losses and reserve for credit losses are reviewed for adequacy. The California Department of Financial Institutions and/or the Federal Reserve Bank of San Francisco may require the Bank to recognize additions to the allowance for loan losses based upon their assessment of the information available to them at the time of their examinations.

Hanmi Bank’s Chief Credit Officer reports quarterly to the Bank’s Board of Directors and continuously reviews loan quality and loan classifications. These reports assist the Board in reviewing the levels of the allowance for loan losses and reserve for credit losses on a quarterly basis.

Deposits

The Company raises funds primarily through Hanmi Bank’s network of branches. Hanmi Bank attracts deposits by offering a wide variety of transaction and term accounts and personalized customer service. Accounts offered include business and personal checking accounts, savings accounts, negotiable order of withdrawal (“NOW”) accounts, money market accounts and certificates of deposit.

Website

The Company maintains an Internet website at *www.hanmi.com.* The Company makes available free of charge on the website its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments thereto, as soon as reasonably practicable after the Company files such reports with the Securities and Exchange Commission. None of the information on or hyperlinked from our website is incorporated into this Annual Report on Form 10-K.

Employees

As of December 31, 2004, the Company had 533 full-time equivalent employees. Hanmi Bank’s employees are not represented by a union or covered by a collective bargaining agreement.

Insurance

Hanmi Bank maintains financial institution bond and commercial insurance at levels deemed adequate by management to protect the Bank from certain damages.

Competition

The banking and financial services industry in California generally, and in Hanmi Bank's market areas specifically, are highly competitive. The increasingly competitive environment is a result primarily of changes in regulation, changes in technology and product delivery systems, and the pace of consolidation among financial service providers. Hanmi Bank competes for loans, deposits and customers with other commercial banks, savings and loan associations, securities and brokerage companies, mortgage companies, real estate investment trusts, insurance companies, finance companies, money market funds, credit unions and other non-bank financial service providers. Some of these competitors are larger in total assets and capitalization, have greater access to capital markets and offer a broader range of financial services than does the Bank. In addition, recent Federal legislation may have the effect of further increasing the pace of consolidation within the financial services industry. See "Item 1. Business — Supervision and Regulation."

Among the advantages that the major banks have over Hanmi Bank is their ability to finance extensive advertising campaigns and to allocate their investment assets to regions of highest yield and demand. Many of the major commercial banks operating in Hanmi Bank's service areas offer specific services (for instance, trust and international banking services) that are not offered directly by Hanmi Bank. By virtue of their greater total capitalization, these banks also have substantially higher lending limits than Hanmi Bank does.

Banks generally, and Hanmi Bank in particular, face increasing competition for loans and deposits from non-bank financial intermediaries including credit unions, savings and loan associations, brokerage firms, thrift and loan companies, mortgage companies, real estate investment trusts, insurance companies and other financial and non-financial institutions. In addition, there is increased competition among banks, savings and loan institutions, and credit unions for the deposit and loan business of individuals.

The recent trend has been for other institutions, including brokerage firms, credit card companies and retail establishments, to offer banking services to consumers, including money market funds with check access and cash advances on credit card accounts. In addition, other entities (both public and private) seeking to raise capital through the issuance and sale of debt or equity securities compete with banks in the acquisition of deposits. While the direction of recent legislation and economic developments seems to favor increased competition between different types of financial institutions for both deposits and loans, resulting in increased cost of funds to banks, it is not possible to predict the full impact these developments will have on commercial banking or Hanmi Bank.

Hanmi Bank's major competitors are relatively smaller community banks that focus their marketing efforts on Korean-American businesses in Hanmi Bank's service areas. Of the four such banks that are publicly traded, Hanmi Bank is the largest, with a loan portfolio that is 84% larger than its nearest competitor's, and a deposits portfolio that is 101% larger than its nearest competitor's. These banks compete for loans primarily through the interest rates and fees they charge and the convenience and quality of service they provide to borrowers. The principal bases of competition for deposits are the interest rate paid, convenience and service.

In order to compete with other financial institutions in its service area, Hanmi Bank relies principally upon local promotional activity including:

- advertising in the local media;
- personal contacts by its directors, officers, employees and stockholders;
- direct mail; and
- specialized services.

Hanmi Bank's promotional activities emphasize the advantages of dealing with a locally owned and headquartered institution attuned to the particular needs of the community. For customers whose loan balance requirements exceed Hanmi Bank's lending limits, the Bank attempts to arrange for a loan on a participation basis with other financial institutions.

Economic Conditions, Government Policies, Legislation and Regulation

Hanmi Financial's profitability, like most financial institutions', is primarily dependent on interest rate differentials. In general, the difference between the interest rates paid by the Bank on interest-bearing liabilities, such as deposits and other borrowings, and the interest rates received by the Bank on its interest-earning assets, such as loans extended to its customers and securities held in its investment portfolio, comprise the major portion of Hanmi Financial's earnings. These rates are highly sensitive to many factors that are beyond the control of Hanmi Financial and the Bank, such as inflation, recession and unemployment, and the impact that future changes in domestic and foreign economic conditions might have on Hanmi Financial and the Bank cannot be predicted.

The business of Hanmi Financial and the Bank is also influenced by the monetary and fiscal policies of the Federal government and the policies of regulatory agencies, particularly the Board of Governors of the Federal Reserve System (the "FRB"). The FRB implements national monetary policies (with objectives such as curbing inflation and combating recession) through its open-market operations in U.S. government securities, by adjusting the required level of reserves for depository institutions subject to its reserve requirements, and by varying the target Federal funds and discount rates applicable to borrowings by depository institutions. The actions of the FRB in these areas influence the growth of bank loans, investments and deposits and also affect interest rates earned on interest-earning assets and paid on interest-bearing liabilities. The nature and impact on Hanmi Financial and the Bank of any future changes in monetary and fiscal policies cannot be predicted.

From time to time, legislation, as well as regulations, are enacted that have the effect of increasing the cost of doing business, limiting or expanding permissible activities, or affecting the competitive balance between banks and other financial services providers. Proposals to change the laws and regulations governing the operations and taxation of banks, bank holding companies and other financial institutions and financial services providers are frequently made in the U.S. Congress, in the state legislatures and by various regulatory agencies. This legislation may change banking statutes or the operating environment of Hanmi Financial and its subsidiaries in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions and other financial institutions. Hanmi Financial cannot predict whether any of this potential legislation will be enacted, and if enacted, the effect that it, or any implementing regulations, would have on the financial condition or results of operations of Hanmi Financial or any of its subsidiaries. See "Item 1. Business — Supervision and Regulation."

Supervision and Regulation

General — Bank holding companies and banks are extensively regulated under both Federal and state law. This regulation is intended primarily for the protection of depositors and the deposit insurance fund and not for the benefit of stockholders of Hanmi Financial. Set forth below is a summary description of the material laws and regulations that relate to the operations of Hanmi Financial and the Bank. The description is qualified in its entirety by reference to the applicable laws and regulations.

Hanmi Financial — Hanmi Financial is a registered bank holding company, and subject to regulation under the Bank Holding Company Act of 1956, as amended (the "BHCA"). Hanmi Financial is required to file with the FRB periodic reports and such additional information as the FRB may require pursuant to the BHCA. The FRB may conduct examinations of Hanmi Financial and its subsidiaries.

The FRB may require that Hanmi Financial terminate an activity or terminate control of or liquidate or divest certain subsidiaries or affiliates when the FRB believes the activity or the control of the subsidiary or affiliate constitutes a significant risk to the financial safety, soundness or stability of any of its banking subsidiaries. The FRB also has the authority to regulate provisions of certain bank holding company debt, including the authority to impose interest ceilings and reserve requirements on such debt. Under certain circumstances, Hanmi Financial must file written notice and obtain approval from the FRB prior to purchasing or redeeming its equity securities. Further, Hanmi Financial is required by the FRB to maintain certain levels of capital. See “Item 1. Business — Supervision and Regulation — Capital Standards.”

Hanmi Financial is prohibited by the BHCA, except in certain statutorily prescribed instances, from acquiring direct or indirect ownership or control of more than 5% of the outstanding voting shares of any company that is not a bank or bank holding company and from engaging directly or indirectly in activities other than those of banking, managing or controlling banks, or furnishing services to its subsidiaries. However, Hanmi Financial, subject to the prior approval of the FRB, may engage in any, or acquire shares of companies engaged in, activities that are deemed by the FRB to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In addition, without the prior approval of the FRB, and as described below for bank holding companies which have elected to become “financial holding companies,” Hanmi Financial may acquire companies engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the FRB. Prior approval of the FRB is required for the merger or consolidation of Hanmi Financial and another bank holding company.

Under FRB regulations, a bank holding company is required to serve as a source of financial and managerial strength to its subsidiary banks and may not conduct its operations in an unsafe or unsound manner. In addition, it is the FRB’s policy that a bank holding company should stand ready to use available resources to provide adequate capital funds to its subsidiary banks during periods of financial stress or adversity and should maintain the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks. A bank holding company’s failure to meet its obligations to serve as a source of strength to its subsidiary banks will generally be considered by the FRB to be an unsafe and unsound banking practice or a violation of the FRB’s regulations or both.

Hanmi Financial also is a bank holding company within the meaning of Section 3700 of the California Financial Code. As such, Hanmi Financial and its subsidiaries are subject to examination by, and may be required to file reports with, the California Department of Financial Institutions.

Hanmi Financial’s securities are registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). As such, Hanmi Financial is subject to the information, proxy solicitation, corporate governance, insider trading and other requirements and restrictions of the Exchange Act.

Financial Holding Companies — Bank holding companies that elect to become a financial holding company, like Hanmi Financial, which became a financial holding company on March 14, 2000, may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature or are incidental or complementary to activities that are financial in nature. “Financial in nature” activities include:

- securities underwriting;
- dealing and market making;
- sponsoring mutual funds and investment companies;
- insurance underwriting and agency;
- merchant banking; and
- activities that the FRB, in consultation with the Secretary of the Treasury, determines from time to time to be so closely related to banking or managing or controlling banks as to be a proper incident thereto.

Prior to filing a declaration of its election to become a financial holding company, all of the bank holding company’s depository institution subsidiaries must be “well-capitalized,” “well managed” and, except in limited circumstances, in satisfactory compliance with the Community Reinvestment Act.

Failure to sustain compliance with the financial holding company election requirements or correct any non-compliance within a fixed time period could lead to divestiture of subsidiary banks or require all activities of such company to conform to those permissible for a bank holding company. No FRB approval is required for a financial holding company to acquire a company (other than a bank holding company, bank or savings association) engaged in those activities that are financial in nature or incidental to activities determined by the FRB that are financial in nature, including but not limited to:

- lending, exchanging, transferring, investing for others or safeguarding financial assets other than money or securities;
- providing any device or other instrumentality for transferring money or other financial assets; or
- arranging, effecting or facilitating financial transactions for the account of third parties.

A bank holding company that is not also a financial holding company can only engage in banking and such other activities determined by the FRB to be so closely related to banking or managing or controlling banks as to be a proper incident thereto.

The Bank — As a California chartered member bank, the Bank is subject to primary supervision, periodic examination and regulation by the California Commissioner of Financial Institutions (the “Commissioner”) and the Federal Reserve Board, and, as insurer of the Bank’s deposits, by the Federal Deposit Insurance Corporation (the “FDIC”). If, as a result of an examination of the Bank, the FRB should determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of the Bank’s operations are unsatisfactory or that the Bank or its management is violating or has violated any law or regulation, various remedies are available to the FRB. Such remedies include the power to enjoin “unsafe or unsound” practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in capital, to restrict the growth of the Bank, to assess civil monetary penalties, to remove officers or directors, and ultimately to terminate the Bank’s deposit insurance, which, for a California chartered bank, would result in a revocation of the Bank’s charter. The Commissioner separately has many of the same remedial powers.

The Sarbanes-Oxley Act of 2002 — On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002. This new legislation addresses accounting oversight and corporate governance matters, including:

- increased penalties for financial crimes;
- expanded disclosure of corporate operations and certification as to the effectiveness of disclosure controls;
- enhanced controls on and reporting of insider trading; and
- annual management assessment of internal controls over financial reporting and their effectiveness.

Hanmi Financial has addressed and continues to address all issues posed by past, current and proposed regulations relating to the Sarbanes-Oxley Act, including forming an Audit Committee and a Nominating and Corporate Governance Committee (and establishing their respective charters), updating our Corporate Governance Guidelines and Code of Business Conduct and Ethics, and meeting NASDAQ’s and the SEC’s procedural and disclosure requirements.

USA Patriot Act of 2001 — On October 26, 2001, President Bush signed the USA Patriot Act of 2001. The Patriot Act is intended to strengthen the U.S. law enforcement and the intelligence communities’ abilities to work cohesively to combat terrorism on a variety of fronts. The potential impact of the Patriot Act on financial institutions of all kinds is significant and wide ranging. The Patriot Act contains sweeping anti-money laundering and financial transparency laws and requires various regulations, including:

- due diligence requirements for financial institutions that administer, maintain or manage private bank accounts or correspondent accounts for non-U.S. persons;
- standards for verifying customer identification at account opening;

- rules to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering; and
- reports by non-financial trades and businesses filed with the Treasury Department's Financial Crimes Enforcement Network for transactions exceeding $10,000, and filing of suspicious activities reports by securities brokers and dealers if they believe a customer may be violating U.S. laws and regulations.

To implement the Patriot Act, the U.S. Treasury Department published the Customer Identification Program regulation, which became effective October 1, 2003. The regulation requires financial institutions to establish written policies and procedures for:

- verifying the identity of any person seeking to open an account, to the extent reasonable and practicable;
- maintaining records of the information used to verify the person's identity; and
- determining whether the person appears on a list, issued by the Federal government, of known or suspected terrorists or terrorist organizations. As of the date of this Report, the Federal government had yet to publish such a list.

"Account" is defined as a formal banking or business relationship established to provide ongoing services, dealings or other financial transactions. The regulation did not require any significant additional customer identification procedures beyond those already practiced by the Bank.

Financial Services Modernization Legislation

General — On November 12, 1999, President Clinton signed into law the Gramm-Leach-Bliley Act of 1999 (the "GLBA"). The general effect of the law is to establish a comprehensive framework to permit affiliations among commercial banks, insurance companies, securities firms, and other financial service providers by revising and expanding the BHCA framework to permit a holding company system to engage in a full range of financial activities through a new entity known as a Financial Holding Company. The law also:

- broadened the activities that may be conducted by national banks, banking subsidiaries of bank holding companies and their financial subsidiaries;
- provided an enhanced framework for protecting the privacy of consumer information;
- adopted a number of provisions related to the capitalization, membership, corporate governance and other measures designed to modernize the Federal Home Loan Bank system;
- modified the laws governing the implementation of the Community Reinvestment Act; and
- addressed a variety of other legal and regulatory issues affecting both day-to-day operations and long-term activities of financial institutions.

Hanmi Financial and the Bank do not believe that the GLBA will have a material adverse effect on operations in the near-term. However, to the extent that it permits banks, securities firms and insurance companies to affiliate, the financial services industry may experience further consolidation. The GLBA is intended to grant to community banks certain powers as a matter of right that larger institutions have accumulated on an ad hoc basis. Nevertheless, this Act may have the result of increasing the amount of competition that Hanmi Financial and the Bank face from larger institutions and other types of companies offering financial products, many of which may have substantially more financial resources than Hanmi Financial and the Bank.

Expanded Bank Activities — The GLBA also permits national banks to engage in expanded activities through the formation of financial subsidiaries. A national bank may have a subsidiary engaged in any activity authorized for national banks directly or any financial activity, except for insurance underwriting, insurance investments, real estate investment or development, or merchant banking, which may only be conducted through a subsidiary of a financial holding company. Financial activities include all activities permitted under new sections of the BHCA or permitted by regulation.

A national bank seeking to have a financial subsidiary, and each of its depository institution affiliates, must be "well-capitalized," "well-managed" and in satisfactory compliance with the Community Reinvestment Act. The total assets of all financial subsidiaries may not exceed the lesser of 45% of a bank's total assets, or $50 billion. A national bank must exclude from its assets and equity all equity investments, including retained earnings, in a financial subsidiary. The assets of the subsidiary may not be consolidated with the bank's assets. The bank must also have policies and procedures to assess financial subsidiary risk and protect the bank from such risks and potential liabilities.

The GLBA also includes a new section of the Federal Deposit Insurance Act governing subsidiaries of state banks that engage in "activities as principal that would only be permissible" for a national bank to conduct in a financial subsidiary. It expressly preserves the ability of a state bank to retain all existing subsidiaries. Because California permits commercial banks chartered by the state to engage in any activity permissible for national banks, the Bank will be permitted to form subsidiaries to engage in the activities authorized by the GLBA, to the same extent as a national bank. In order to form a financial subsidiary, the Bank must be well-capitalized, and the Bank would be subject to the same capital deduction, risk management and affiliate transaction rules as applicable to national banks.

Dividends and Other Transfers of Funds — Dividends from the Bank constitute the principal source of income to Hanmi Financial, which is a legal entity separate and distinct from the Bank. The Bank is subject to various statutory and regulatory restrictions on its ability to pay dividends to Hanmi Financial. Under such restrictions, the amount available for payment of dividends to Hanmi Financial by the Bank totaled $23.6 million at December 31, 2004. In addition, the Bank's regulators have the authority to prohibit the Bank from paying dividends, depending upon the Bank's financial condition, if such payment is deemed to constitute an unsafe or unsound practice.

Transactions With Affiliates — The Bank is subject to certain restrictions imposed by Federal law on any extensions of credit to, or the issuance of a guarantee or letter of credit on behalf of, Hanmi Financial or other affiliates, the purchase of, or investments in, stock or other securities thereof, the taking of such securities as collateral for loans, and the purchase of assets of Hanmi Financial or other affiliates. Such restrictions prevent Hanmi Financial and such other affiliates from borrowing from the Bank unless the loans are secured by marketable obligations of designated amounts. Further, such secured loans and investments by the Bank to or in Hanmi Financial or to or in any other affiliate are limited, individually, to 10% of the Bank's capital and surplus (as defined by Federal regulations), and such secured loans and investments are limited, in the aggregate, to 20% of the Bank's capital and surplus (as defined by Federal regulations). California law also imposes certain restrictions with respect to transactions involving Hanmi Financial and other controlling persons of the Bank. Additional restrictions on transactions with affiliates may be imposed on the Bank under the prompt corrective action provisions of Federal law. See "Item 1. Business — Supervision and Regulation — Prompt Corrective Action and Other Enforcement Mechanisms."

Capital Standards — The Federal banking agencies have adopted risk-based minimum capital guidelines intended to provide a measure of capital that reflects the degree of risk associated with a banking organization's operations for both transactions reported on the balance sheet as assets and transactions which are recorded as off-balance sheet items. Under these guidelines, nominal dollar amounts of assets and credit equivalent amounts of off-balance sheet items are multiplied by one of several risk adjustment percentages, which range from 0% for assets with low credit risk to 100% for assets with relatively high credit risk.

The guidelines require a minimum ratio of qualifying total capital to risk-adjusted assets of 8% and a minimum ratio of Tier 1 capital to risk-adjusted assets of 4%. In addition to the risk-based guidelines, Federal banking regulators require banking organizations to maintain a minimum amount of Tier 1 capital to total assets, referred to as the leverage ratio. For a banking organization rated in the highest of the five subgroup categories used by regulators to rate banking organizations, the minimum leverage ratio of Tier 1 capital to total assets must be 3%. In addition to these uniform risk-based capital guidelines and leverage ratios 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.

Prompt Corrective Action and Other Enforcement Mechanisms — Federal banking agencies possess broad powers to take corrective and other supervisory action to resolve the problems of insured depository institutions, including, but not limited to, those institutions that fall below one or more prescribed minimum capital ratios. Each Federal banking agency has promulgated regulations defining the following five categories in which an insured depository institution will be placed, based on its capital ratios: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. At December 31, 2004, the Bank and Hanmi Financial had capital ratios that exceeded the required ratios for classification as "well-capitalized."

An institution that, based upon its capital levels, is classified as well-capitalized, adequately capitalized or undercapitalized may be treated as though it were in the next lower capital category if the appropriate Federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition or an unsafe or unsound practice warrants such treatment. At each successive lower capital category, an insured depository institution is subject to more restrictions. The Federal banking agencies, however, may not treat a significantly undercapitalized institution as critically undercapitalized unless its capital ratio actually warrants such treatment.

In addition to measures taken under the prompt corrective action provisions, commercial banking organizations may be subject to potential enforcement actions by the Federal regulators for unsafe or unsound practices in conducting their businesses or for violations of any law, rule, regulation or condition imposed in writing by the agency or written agreement with the agency. Finally, pursuant to an interagency agreement, the FDIC can examine any institution that has a substandard regulatory examination score or is considered undercapitalized — without the express permission of the institution's primary regulator.

Safety and Soundness Standards — The Federal banking agencies have adopted guidelines designed to assist the Federal banking agencies in identifying and addressing potential safety and soundness concerns before capital becomes impaired. The guidelines set forth operational and managerial standards relating to (i) internal controls, information systems and internal audit systems, (ii) loan documentation, (iii) credit underwriting, (iv) asset growth, (v) earnings, and (vi) compensation, fees and benefits. In addition, the Federal banking agencies have also adopted safety and soundness guidelines with respect to asset quality and earnings standards. These guidelines provide six standards for establishing and maintaining a system to identify problem assets and prevent those assets from deteriorating. Under these standards, an insured depository institution should (i) conduct periodic asset quality reviews to identify problem assets, (ii) estimate the inherent losses in problem assets and establish reserves that are sufficient to absorb estimated losses, (iii) compare problem asset totals to capital, (iv) take appropriate corrective action to resolve problem assets, (v) consider the size and potential risks of material asset concentrations, and (vi) provide periodic asset quality reports with adequate information for management and the board of directors to assess the level of asset risk. These new guidelines also set forth standards for evaluating and monitoring earnings and for ensuring that earnings are sufficient for the maintenance of adequate capital and reserves.

Premiums for Deposit Insurance — Through the Bank Insurance Fund ("BIF"), the FDIC insures the deposits of the Bank up to prescribed limits for each depositor. The amount of FDIC assessments paid by each BIF member institution is based on its relative risk of default as measured by regulatory capital ratios and other factors. Specifically, the assessment rate is based on the institution's capitalization risk category and supervisory subgroup category. An institution's capitalization risk category is based on the FDIC's determination of whether the institution is well-capitalized, adequately capitalized or less than adequately capitalized. An institution's supervisory subgroup category is based on the FDIC's assessment of the financial condition of the institution and the probability that FDIC intervention or other corrective action will be required.

The assessment rate currently ranges from zero to 27 cents per $100 of domestic deposits. The FDIC may increase or decrease the assessment rate schedule on a semi-annual basis. Due to continued growth in deposits and some recent bank failures, the BIF is nearing its minimum ratio of 1.25% of insured deposits as mandated by law. If the ratio drops below 1.25%, it is likely the FDIC will be required to assess premiums on all banks for the first time since 1996. Any increase in assessments or the assessment rate could have a material adverse effect on Hanmi Financial's earnings, depending on the amount of the increase.

The FDIC is authorized to terminate a depository institution's deposit insurance upon a finding by the FDIC that the institution's financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices or has violated any applicable rule, regulation, order or condition enacted or imposed by the institution's regulatory agency. The termination of deposit insurance for Hanmi Financial's subsidiary depository institution could have a material adverse effect on Hanmi Financial's earnings, depending on the collective size of the particular institutions involved.

All FDIC-insured depository institutions must pay an annual assessment to provide funds for the payment of interest on bonds issued by the Financing Corporation, a Federal corporation chartered under the authority of the Federal Housing Finance Board. The bonds, commonly referred to as FICO bonds, were issued to capitalize the Federal Savings and Loan Insurance Corporation. The FDIC established the FICO assessment rates effective for the fourth quarter of 2004 at $0.0151 per $100 of assessable deposits. The FICO assessments are adjusted quarterly to reflect changes in the assessment bases of the FDIC's insurance funds and do not vary depending on a depository institution's capitalization or supervisory evaluations.

Interstate Banking and Branching — The BHCA permits bank holding companies from any state to acquire banks and bank holding companies located in any other state, subject to certain conditions, including certain nationwide and state-imposed concentration limits. The Bank has the ability, subject to certain restrictions, to acquire by acquisition or merger branches outside its home state. The establishment of new interstate branches is also possible in those states with laws that expressly permit it. Interstate branches are subject to certain laws of the states in which they are located. Competition may increase further as banks branch across state lines and enter new markets.

Community Reinvestment Act and Fair Lending Developments — The Bank is subject to certain fair lending requirements and reporting obligations involving residential mortgage lending operations and Community Reinvestment Act ("CRA") activities. The CRA generally requires the Federal banking agencies to evaluate the record of a financial institution in meeting the credit needs of its local communities, including low- and moderate-income neighborhoods. A bank may be subject to substantial penalties and corrective measures for a violation of certain fair lending laws. The Federal banking agencies may take compliance with such laws and CRA obligations into account when regulating and supervising other activities. Furthermore, financial institutions are subject to annual reporting and public disclosure requirements for certain written agreements that are entered into between insured depository institutions or their affiliates and non-governmental entities or persons that are made pursuant to, or in connection with, the fulfillment of the CRA.

A bank's compliance with its CRA obligations is a performance-based evaluation system that bases CRA ratings on an institution's lending, service and investment performance. When a bank holding company applies for approval to acquire a bank or other bank holding company, the FRB will review the assessment of each subsidiary bank of the applicant bank holding company, and such records may be the basis for denying the application. Based on an examination conducted by FRB, the Bank received a "Satisfactory" rating.

Federal Reserve System — The Federal Reserve Board requires all depository institutions to maintain non-interest bearing reserves at specified levels against their transaction accounts (primarily checking, NOW and Super NOW checking accounts) and non-personal time deposits. At December 31, 2004, the Bank was in compliance with these requirements.

Taxation

General — We report income and expenses using the accrual method on a calendar year basis and are subject to Federal income tax under the Internal Revenue Code of 1986, as amended, generally in the same manner as other corporations.

State — The Company's operations are concentrated in the state of California, which imposes an income tax on financial institutions.

ITEM 2. ***PROPERTIES***

Hanmi Financial's principal office is located at 3660 Wilshire Boulevard, Penthouse Suite A, Los Angeles, California. The office is leased pursuant to a five-year term lease, which expires on November 30, 2008.

The following table sets forth information about the Company's offices:

Office	Type of Office	Address	Owned/ Leased
Corporate Headquarters	Headquarters (1)	3660 Wilshire Boulevard, Penthouse Suite A, Los Angeles, CA	Leased
Administrative Office	Administration (1)	3530 Wilshire Boulevard, Suite 1800, Los Angeles, CA	Leased
Cerritos Branch	Branch	11754 East Artesia Boulevard, Artesia, CA	Leased
Downtown Branch	Branch	950 South Los Angeles Street, Los Angeles, CA	Leased
Fashion District Branch	Branch	726 East 12th Street, Suite 211, Los Angeles, CA	Leased
Garden Grove Branch	Branch	9820 Garden Grove Boulevard, Garden Grove, CA	Owned
Gardena Branch	Branch	2001 West Redondo Beach Boulevard, Gardena, CA	Leased
Irvine Branch	Branch	14474 Culver Drive, Suite D, Irvine, CA	Leased
Koreatown Galleria Branch	Branch	3250 West Olympic Boulevard, Suite 200, Los Angeles, CA	Leased
Koreatown Plaza Branch	Branch(2)	928 South Western Avenue, Suite 260, Los Angeles, CA	Leased
Mid-Olympic Branch	Branch(3)	3099 West Olympic Boulevard, Los Angeles, CA	Owned
Olympic Branch	Branch(4)	3737 West Olympic Boulevard, Los Angeles, CA	Owned
Rowland Heights Branch	Branch	18720 East Colima Road, Rowland Heights, CA	Leased
San Diego Branch	Branch	4637 Convoy Street, Suite 101, San Diego, CA	Leased
San Francisco Branch	Branch	1491 Webster Street, San Francisco, CA	Leased
SBA Loan Department	Loan Office (1)(5)	3327 Wilshire Boulevard, Los Angeles, CA	Leased
Seattle LPO	Loan Office(1)	33110 Pacific Highway South, Suite 4, Federal Way, WA	Leased
Silicon Valley Branch	Branch	2765 El Camino Real, Santa Clara, CA	Leased
South Cerritos Branch	Branch	11900 South Street, Suite 109, Cerritos, CA	Leased
Special Industries Department	Loan Office (1)(6)	3660 Wilshire Boulevard, Suite 1050, Los Angeles, CA	Leased
Torrance Branch	Branch	2370 Crenshaw Boulevard, Suite H, Torrance, CA	Leased
Van Nuys Branch	Branch	14427 Sherman Way, Van Nuys, CA	Leased
Vermont Branch	Branch(7)	933 South Vermont Avenue, Los Angeles, CA	Owned
West Garden Grove Branch	Branch	9122 Garden Grove Boulevard, Garden Grove, CA	Owned
West Torrance Branch	Branch	21838 Hawthorne Boulevard, Torrance, CA	Leased
Western Branch	Branch	120 South Western Avenue, Los Angeles, CA	Leased
Wilshire Branch	Main Branch(8)	3660 Wilshire Boulevard, Suite 103, Los Angeles, CA	Leased

(1) Deposits are not accepted at this facility.

(2) Residential Mortgage Center is also located at this facility.

(3) Auto Loan Center and Consumer Loan Center are also located at this facility.

(4) Training Facility is also located at this facility.

(5) SBA Loan Department lending offices

(6) Special Industries Department lending offices.

(7) Administrative offices are also located at this facility.

(8) International Trade Finance Department and Commercial Loan Department are also located at this facility.

Hanmi Financial and Hanmi Bank consider their present facilities to be sufficient for their current operations.

ITEM 3. *LEGAL PROCEEDINGS*

From time to time, Hanmi Financial and Hanmi Bank 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 Hanmi Bank. 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 Hanmi Bank.

ITEM 4. *SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS*

During the fourth quarter of 2004, no matters were submitted to stockholders for a vote.

PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Market Price for Common Stock

The following table sets forth, for the periods indicated, the high and low trading prices of Hanmi Financial's common stock for the last two years as reported by NASDAQ under the symbol "HAFC."

	High	Low	Cash Dividend
2004			
Fourth Quarter	$19.16	$14.70	$0.05 per share
Third Quarter	$16.70	$13.47	$0.05 per share
Second Quarter	$14.77	$11.64	$0.05 per share
First Quarter	$14.99	$ 9.75	$0.05 per share
2003			
Fourth Quarter	$11.37	$ 9.65	$0.05 per share
Third Quarter	$11.25	$ 8.00	$0.05 per share
Second Quarter	$ 9.13	$ 7.95	$0.05 per share
First Quarter	$ 9.00	$ 7.88	$0.05 per share

Hanmi Financial had 374 registered stockholders of record as of February 24, 2005. Share prices have been restated to reflect the 100% stock dividend declared in January 2005.

Dividends

The amount and timing of dividends will be determined by Hanmi Financial's Board of Directors and substantially depends upon the earnings and financial condition of Hanmi Financial. The ability of Hanmi Financial to obtain funds for the payment of dividends and for other cash requirements is largely dependent on the amount of dividends that may be declared by the Hanmi Bank.

The power of the board of directors of a state chartered bank, such as Hanmi Bank, to declare a cash dividend is limited by statutory and regulatory restrictions that restrict the amount available for cash dividends depending upon the earnings, financial condition and cash needs of the bank, as well as general business conditions. See "Item 1. Business — Dividends and Other Transfers of Funds."

On January 20, 2005, the Company's Board of Directors declared a two-for-one stock split, to be effected in the form of a 100 percent common stock dividend. The new shares were distributed on February 15, 2005 to shareholders of record on the close of business on January 31, 2005. Average shares outstanding and per share amounts have been restated to reflect the stock split for all periods presented.

Recent Sales of Unregistered Securities

On April 7, 2004, the Company held a special meeting of shareholders where the shareholders voted upon and approved the issuance of Hanmi Financial common stock to PUB shareholders pursuant to the Agreement and Plan of Merger, dated December 22, 2003, by and among Hanmi Financial, Hanmi Bank and PUB, and in a concurrent private placement of 7,894,738 shares at $9.50 per share pursuant to Securities Purchase Agreements, dated December 22, 2003, with specified purchasers, in order to finance a portion of the cash consideration paid in the acquisition of PUB. These purchasers included five members of the Company's Board of Directors, who collectively purchased 860,652 shares of the Company's common stock for $8,176,194. The sale of these unregistered securities was made in reliance upon an exemption from registration pursuant to Section 144 of the Securities Act of 1933.

ITEM 6. *SELECTED CONSOLIDATED FINANCIAL DATA*

The following table presents selected historical financial information, including per share information as adjusted for the stock dividends and stock splits declared by the Company. This selected historical financial data should be read in conjunction with the financial statements of the Company and the notes thereto appearing elsewhere in this statement and the information contained in “Item 7. Management’s Discussion and Analysis of Results of Operations and Financial Condition” and “Item 1. Business — Business Combination”. The selected historical financial data as of and for each of the years in the five years ended December 31, 2004 is derived from the Company’s audited financial statements. In the opinion of management of the Company, the information presented reflects all adjustments, including normal and recurring accruals, considered necessary for a fair presentation of the results of such periods.

	As of and for the Year Ended December 31,				
	2004	2003	2002	2001	2000
	(Dollars in thousands, except for per share data)				
Summary Statement of Income Data:					
Interest Income	$ 134,167	$ 77,123	$ 69,316	$ 76,678	$ 72,246
Interest Expense	32,617	20,796	21,345	32,990	30,891
Net Interest Income Before Provision for Credit Losses	101,550	56,327	47,971	43,688	41,355
Provision for Credit Losses	2,907	5,680	4,800	1,400	2,250
Non-Interest Income	27,598	20,316	21,204	17,253	15,002
Non-Interest Expenses	66,566	39,325	38,333	32,028	27,796
Income Before Provision for Income Taxes	59,675	31,638	26,042	27,513	26,311
Provision for Income Taxes	22,975	12,425	9,012	10,703	10,788
Net Income	**$ 36,700**	**$ 19,213**	**$ 17,030**	**$ 16,810**	**$ 15,523**
Summary Statement of Financial Condition Data:					
Cash and Cash Equivalents	$ 127,164	$ 62,595	$ 122,772	$ 81,205	$ 176,107
Total Securities	418,973	414,616	279,548	213,179	205,994
Net Loans	2,234,842	1,248,399	975,154	781,718	621,222
Total Assets	3,104,188	1,787,139	1,457,313	1,159,416	1,035,310
Total Deposits	2,528,807	1,445,835	1,283,979	1,042,353	934,581
Total Liabilities	2,704,278	1,647,672	1,332,845	1,054,543	948,914
Total Shareholders’ Equity	399,910	139,467	124,468	104,873	86,396
Average Net Loans	1,912,534	1,103,765	882,625	701,714	555,045
Average Securities	425,537	379,635	244,675	235,034	180,470
Average Interest-Earning Assets	2,366,185	1,525,633	1,211,553	1,017,422	791,105
Average Total Assets	2,670,701	1,623,214	1,308,885	1,100,182	925,608
Average Deposits	2,129,724	1,416,564	1,164,562	988,392	873,044
Average Interest-Bearing Liabilities	1,687,688	1,057,249	854,858	736,947	569,544
Average Shareholders’ Equity	293,313	132,369	112,927	95,740	78,363
Average Tangible Equity	143,262	130,252	110,762	93,427	75,802

	As of and for the Year Ended December 31,				
	2004	2003	2002	2001	2000
	(Dollars in thousands, except for per share data)				
Per Share Data:					
Earnings Per Share — Basic(1)	$ 0.87	$ 0.68	$ 0.62	$ 0.61	$ 0.57
Earnings Per Share — Diluted(1)	$ 0.84	$ 0.67	$ 0.60	$ 0.60	$ 0.57
Book Value Per Share — Basic(1)	$ 8.11	$ 4.92	$ 4.47	$ 3.83	$ 3.17
Cash Dividends Per Share	$ 0.20	$ 0.20	$ —	$ —	$ —
Common Shares Outstanding	49,330,704	28,326,820	27,830,866	27,385,660	27,228,248
Selected Performance Ratios:					
Return on Average Assets(2)	1.37%	1.18%	1.30%	1.53%	1.68%
Return on Average Equity(3)	12.51%	14.51%	15.08%	17.56%	19.81%
Return on Average Tangible Equity (4)	25.62%	14.75%	15.38%	17.99%	20.48%
Net Interest Spread(5)	3.74%	3.09%	3.22%	3.06%	3.71%
Net Interest Margin(6)	4.29%	3.69%	3.96%	4.29%	5.23%
Average Shareholders' Equity to Average Total Assets	10.98%	8.15%	8.63%	8.70%	8.47%
Selected Capital Ratios:					
Tier 1 Capital to Average Total Assets:					
Hanmi Financial	8.93%	7.80%	8.50%	8.86%	8.46%
Hanmi Bank	8.78%	7.75%	8.34%	8.76%	8.39%
Tier 1 Capital to Total Risk-Weighted Assets:					
Hanmi Financial	10.93%	10.05%	11.01%	11.71%	11.11%
Hanmi Bank	10.75%	10.00%	10.81%	11.59%	11.02%
Total Capital to Total Risk-Weighted Assets:					
Hanmi Financial	11.98%	11.13%	12.14%	12.87%	12.37%
Hanmi Bank	11.80%	11.09%	11.94%	12.75%	12.27%
Selected Asset Quality Ratios:					
Non-Performing Loans to Total Gross Loans(7)	0.27%	0.68%	0.65%	0.63%	0.40%
Non-Performing Assets to Total Assets(8)	0.19%	0.48%	0.44%	0.43%	0.25%
Net Charge-Offs to Average Total Gross Loans	0.19%	0.29%	0.28%	0.45%	0.16%
Allowance for Loan Losses to Total Gross Loans	1.00%	1.06%	1.14%	1.19%	1.78%
Allowance for Loan Losses to Non-Performing Loans	377.49%	154.13%	173.81%	188.12%	441.68%
Efficiency Ratio(9)	51.54%	51.31%	55.41%	52.40%	49.32%
Dividend Payout Ratio(10)	22.99%	29.41%	—	—	—

(1) Restated for a 100% stock dividend declared in January 2005, a 9% stock dividend declared in 2002, a 12% stock dividend declared in 2001 and a 3-for-2 stock split in 2001.

(2) Net income divided by average total assets.

(3) Net income divided by average shareholders' equity.

(4) Net income divided by average tangible equity.

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

(6) Represents net interest income before provision for credit losses as a percentage of average interest-earning assets.

(7) Non-performing loans consist of non-accrual loans, loans past due 90 days or more and restructured loans.

(8) Non-performing assets consist of non-performing loans (see footnote (6) above) and other real estate owned.

(9) The efficiency ratio is calculated as the ratio of total non-interest expenses to the sum of net interest income before provision for credit losses and total non-interest income including securities gains and losses.

(10) Dividends declared per share divided by basic earnings per share.

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION*

This discussion presents management's analysis of the results of operations and financial condition of the Company as of and for the years ended December 31, 2004, 2003 and 2002. The discussion should be read in conjunction with the financial statements of the Company and the notes related thereto presented elsewhere in this report.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors discussed elsewhere in this report.

CRITICAL ACCOUNTING POLICIES

We have established various accounting policies that govern the application of accounting principles generally accepted in the United States of America in the preparation of our financial statements. Our significant accounting policies are described in the "Notes to Consolidated Financial Statements." 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 to be critical accounting policies. The estimates and assumptions we use are based on historical experience and other factors, which 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.

During the year ended December 31, 2004, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141,*"Business Combinations"* ("SFAS No. 141"), the purchase of Pacific Union Bank ("PUB") required significant estimates and assumptions. We engaged outside experts, including appraisers, to assist in estimating the fair values of certain assets acquired, particularly the loan portfolio, core deposit intangible asset and fixed assets. The Bank used market data regarding securities market prices and interest rates to estimate the fair values of financial assets, including the securities portfolio, deposits and borrowings. We also evaluated long-lived assets for impairment and recorded any necessary adjustments. In accordance with Emerging Issues Task Force Issue No. 95-3, *"Recognition of Liabilities in Connection With a Purchase Business Combination,"* we recognized liabilities assumed for costs to involuntarily terminate employees of PUB and costs to exit activities of PUB under an exit plan approved by Hanmi Bank's Board of Directors.

We believe the allowance for loan losses and reserve for credit losses are critical accounting policies that require significant estimates and assumptions that are particularly susceptible to significant change in the preparation of our financial statements. See "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition — Financial Condition — Allowance for Loan Losses," "Results of Operations — Provision for Credit Losses" and "Notes to Consolidated Financial Statements, Note 1 — Summary of Significant Accounting Policies" for a description of the methodology used to determine the allowance for loan losses and reserve for credit losses.

OVERVIEW

Over the last three years, the Company has experienced significant growth in assets and deposits. Total assets increased to $3,104.2 million at December 31, 2004 from $1,787.1 million and $1,456.3 million at December 31, 2003 and 2002, respectively. Total net loans increased to $2,234.9 million at December 31, 2004 from $1,248.4 million and $975.1 million at December 31, 2003 and 2002, respectively. Total deposits increased to $2,528.8 million as of December 31, 2004 from $1,445.8 million and $1,284.0 million at December 31, 2003 and 2002, respectively.

The Company's asset growth was mainly due to the acquisition of PUB, which had assets of $1.2 billion, and also attributable to loan production during the period.

For the year ended December 31, 2004, net income was $36.7 million, representing an increase of $17.5 million, or 91.0%, from $19.2 million for the year ended December 31, 2003. This resulted in basic earnings per share of $0.87 and $0.68 for the years ended December 31, 2004 and 2003, respectively, and diluted earnings per share of $0.84 and $0.67 for the same years. The Company's primary source of revenue is net interest income, which is the difference between interest and fees derived from earning assets and interest paid on liabilities incurred to fund those assets. The Company's net interest income is affected by changes in the volume of interest-earning assets and interest-bearing liabilities. It also is affected by changes in yields earned on interest-earning assets and rates paid on interest-bearing liabilities. The increase in net income for 2004 was attributable to increases in net interest margin and average interest-earning assets. Net interest income increased due to a 78.8% increase in volume of net loans. The average interest rate paid decreased by four basis points while the average interest rate earned increased by 61 basis points. As a result, net interest spread increased by 65 basis points from 3.09% in 2003 to 3.74% in 2004.

For the year ended December 31, 2003, net income was $19.2 million, representing an increase of $2.2 million, or 12.8%, from $17.0 million for the year ended December 31, 2002. This resulted in basic earnings per share of $0.68 and $0.62 for the years ended December 31, 2003 and 2002, respectively, and diluted earnings per share of $0.67 and $0.60 for the same years. Despite a decrease in the net interest margin, net income increased in 2003, largely attributable to a 26% increase in average interest-earning assets. Net interest income increased due primarily to a higher volume of gross loans. The interest rate paid decreased by 53 basis points while the interest rate earned decreased by 65 basis points. As a result, net interest spread decreased by 12 basis points, from 3.25% in 2002 to 3.13% in 2003.

The Company's results of operations are significantly affected by its provision for credit losses. Results of operations may also be affected by other factors, including general economic and competitive conditions, mergers and acquisitions of other financial institutions within the Company's market area, changes in interest rates, government policies and actions of regulatory agencies. The Company's provision for credit losses was $2.9 million, $5.7 million and $4.8 million in 2004, 2003 and 2002, respectively, reflecting changes in the balance and credit quality of its loan portfolio.

The Company also generated substantial non-interest income from service charges on deposit accounts, charges and fees from international trade finance, and gains on sales of loans. The Company's non-interest expenses consist primarily of employee compensation and benefits, occupancy and equipment expenses and other operating expenses. For the year ended December 31, 2004, non-interest income was $27.6 million, an increase of $7.4 million, or 35.8%, over 2003 non-interest income of $20.3 million. The increase was primarily a result of the merger with PUB. For the year ended December 31, 2003, non-interest income was $20.3 million, a decrease of $888,000, or 4.2%, from 2002 non-interest income, The decrease reflected a decreased amount of gain on sales of securities, which decreased $2.2 million from $3.3 million in 2002 to $1.1 million in 2003. Non-interest income other than gain on sales of securities increased $1.8 million, or 10.5%, from $7.4 million in 2002 to $19.2 million in 2003, reflecting the expansion in the Bank's average loan and deposit portfolios.

The efficiency ratio increased slightly, to 51.54%, in 2004 compared to 51.31% in 2003 as a result of non-recurring expenses associated with the merger with PUB. In 2003, the efficiency ratio improved to 51.31% from 55.41% in 2002 as a result of greater efficiencies associated with the expansion of its average loan and deposit portfolios, which increased 25.1% and 19.3%, respectively, while non-interest expenses increased 2.6% year over year. Non-interest expenses in 2002 include a charge of $4.4 million for certain securities held by the Bank. Exclusive of this charge, non-interest expenses increased 15.9% from 2002 to 2003.

RESULTS OF OPERATIONS

Net Interest Income and Net Interest Margin

The Company’s earnings depend largely upon the difference between the interest income received from its loan portfolio and other interest-earning assets and the interest paid on deposits and borrowings. The difference is “net interest income.” Net interest income, when expressed as a percentage of average total interest-earning assets, is referred to as the net interest margin. The Company’s 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. The Company’s net interest income also is affected by changes in the yields earned on assets and rates paid on liabilities, referred to as rate changes. Interest rates charged on the Company’s loans are affected principally by the demand for such loans, the supply of money available for lending purposes and competitive factors. Those factors are, in turn, affected by general economic conditions and other factors beyond the Company’s 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 Federal Reserve Bank.

For the years ended December 31, 2004 and 2003, the Company’s net interest income was $101.6 million and $56.3 million, respectively. The net interest spread and net interest margin for the year ended December 31, 2004 were 3.74% and 4.29%, respectively, compared to 3.09% and 3.69%, respectively, for the year ended December 31, 2003.

For the years ended December 31, 2003 and 2002, the Company’s net interest income was $56.3 million and $48.0 million, respectively. The net interest spread and net interest margin for the year ended December 31, 2003 were 3.09% and 3.69%, respectively, compared to 3.22% and 3.96%, respectively, for the year ended December 31, 2002.

Average interest-earning assets increased 55.1% to $2,366.2 million in 2004 from $1,525.6 million in 2003. Average net loans increased 73.3% to $1,912.5 million in 2004 from $1,103.8 million in 2003 and average investment securities increased 12.1% to $425.5 million in 2004 from $379.6 million in 2003. Total loan interest income increased by 81.6% in 2004 on an annual basis due to the increase in average net loans outstanding and the increase in average yields on net loans from 5.82% in 2003 to 6.10% in 2004. The average interest rate charged on loans increased reflecting the average WSJ Prime rate increase of 22 basis points from 4.12% in 2003 to 4.34% in 2004. The yield on interest-earning assets increased from 5.06% in 2003 to 5.67% in 2004, an increase of 0.61%, reflecting a shift in the mix of interest-earning assets from 72.3% loans, 24.9% securities and 2.8% other interest-earning assets in 2003 to 80.8% loans, 18.0% securities and 1.2% other interest-earning assets.

The majority of interest-earning assets growth was funded by a $713.2 million or 50.3% increase in average total deposits. Total average interest-bearing liabilities grew by 59.6% to $1,687.7 million in 2004 compared to $1,057.2 million in 2003. The average interest rate the Company paid for interest-bearing liabilities decreased by four basis points from 1.97% in 2003 to 1.93% in 2004. As a result, the net interest spread increased to 3.74% in 2004 compared to 3.09% in 2003.

The following tables show the Company's average balances of assets, liabilities and shareholders' equity; the amount of interest income or 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.

	For the Year Ended December 31,								
	2004			2003			2002		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
	(Dollars in thousands)								
Assets									
Interest-Earning Assets:									
Net Loans(1)	$ 1,912,534	$ 116,612	6.10%	$ 1,103,765	$ 64,211	5.82%	$ 882,625	$ 56,398	6.39%
Municipal Securities(2)	70,372	3,015	6.59%	33,596	1,421	6.97%	29,699	1,300	6.44%
Obligations of Other U.S. Government Agencies	90,336	3,374	3.73%	70,465	2,395	3.40%	29,204	1,340	4.59%
Other Debt Securities	264,829	10,261	3.87%	275,574	8,321	3.02%	185,772	8,507	4.58%
Equity Securities	15,041	716	4.76%	6,003	273	4.55%	3,767	207	5.50%
Federal Funds Sold	12,772	183	1.43%	21,844	277	1.27%	51,456	925	1.80%
Term Federal Funds Sold	—	—	—	14,370	225	1.57%	28,693	630	2.20%
Commercial Paper	—	—	—	—	—	—	288	8	2.68%
Interest-Earning Deposits	301	6	1.99%	16	—	—	49	1	2.51%
Total Interest-Earning Assets	2,366,185	134,167	5.67%	1,525,633	77,123	5.06%	1,211,553	69,316	5.72%
Non-Interest-Earning Assets:									
Cash and Cash Equivalents	76,064			52,067			54,496		
Premises and Equipment, Net	15,733			8,496			7,638		
Accrued Interest Receivable	9,387			6,049			5,264		
Other Assets	203,332			30,969			29,934		
Total Non-Interest-Earning Assets	304,516			97,581			97,332		
Total Assets	**$ 2,670,701**			**$ 1,623,214**			**$ 1,308,885**		
Liabilities and Shareholders' Equity									
Interest-Bearing Liabilities:									
Deposits:									
Money Market Checking	$ 466,880	8,098	1.73%	$ 207,689	2,584	1.24%	$ 176,089	3,036	1.72%
Savings	131,589	1,790	1.36%	97,070	1,894	1.95%	92,835	2,632	2.84%
Time Deposits of $100,000 or More	611,555	10,966	1.79%	386,701	7,415	1.92%	312,618	7,838	2.51%
Other Time Deposits	253,884	5,414	2.13%	302,651	7,354	2.43%	251,469	7,034	2.80%
Other Borrowed Funds	223,780	6,349	2.84%	63,138	1,549	2.45%	21,847	805	3.68%
Total Interest-Bearing Liabilities	1,687,688	32,617	1.93%	1,057,249	20,796	1.97%	854,858	21,345	2.50%
Non-Interest-Bearing Liabilities:									
Demand Deposits	665,816			422,453			331,551		
Other Liabilities	23,884			11,143			9,549		
Total Non-Interest-Bearing Liabilities	689,700			433,596			341,100		
Total Liabilities	2,377,388			1,490,845			1,195,958		
Shareholders' Equity	293,313			132,369			112,927		
Total Liabilities and Shareholders' Equity	**$ 2,670,701**			**$ 1,623,214**			**$ 1,308,885**		
Net Interest Income		**$ 101,550**			**$ 56,327**			**$ 47,971**	
Net Interest Spread(3)			**3.74%**			**3.09%**			**3.22%**
Net Interest Margin(4)			**4.29%**			**3.69%**			**3.96%**

(1) Loans are net of the allowance for loan losses, deferred fees and related direct costs. Loan fees have been included in the calculation of interest income. Loan fees were $6.0 million, $3.2 million and $2.9 million for the years ended December 31, 2004, 2003 and 2002, respectively.

(2) Yields on tax-exempt income have been computed on a tax-equivalent basis, using an effective marginal rate of 35%.

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

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

The following table sets forth, for the periods indicated, the dollar amount of changes in interest earned and paid for interest-earning assets and interest-bearing liabilities and the amount of change attributable to changes in average daily balances (volume) or changes in average daily interest rates (rate). The variances attributable to both the volume and rate changes have been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amount of the changes in each:

	For the Year Ended December 31,					
	2004 vs. 2003			2003 vs. 2002		
	Increases (Decreases) Due to Change in			Increases (Decreases) Due to Change in		
	Volume	Rate	Total	Volume	Rate	Total
	(In thousands)					
Interest Income:						
Net Loans	$ 49,174	$ 3,227	$ 52,401	$ 13,199	$ (5,386)	$ 7,813
Municipal Securities	1,576	18	1,594	166	(45)	121
Obligations of Other U.S. Government Agencies	725	254	979	1,478	(423)	1,055
Other Debt Securities	(335)	2,275	1,940	3,292	(3,478)	(186)
Equity Securities	429	14	443	107	(41)	66
Federal Funds Sold	(126)	32	(94)	(429)	(219)	(648)
Term Federal Funds Sold	(112)	(113)	(225)	(257)	(148)	(405)
Commercial Paper	—	—	—	(4)	(4)	(8)
Interest-Earning Deposits	6	—	6	—	(1)	(1)
Total Interest Income	51,337	5,707	57,044	17,552	(9,745)	7,807
Interest Expense:						
Money Market Checking	4,191	1,323	5,514	485	(937)	(452)
Savings	564	(668)	(104)	115	(853)	(738)
Time Deposits of $100,000 or More	4,060	(509)	3,551	1,639	(2,062)	(423)
Other Time Deposits	(1,103)	(837)	(1,940)	1,318	(998)	320
Other Borrowed Funds	4,522	278	4,800	1,089	(345)	744
Total Interest Expense	12,234	(413)	11,821	4,646	(5,195)	(549)
Change in Net Interest Income	**$ 39,103**	**$ 6,120**	**$ 45,223**	**$ 12,906**	**$ (4,550)**	**$ 8,356**

Provision for Credit Losses

For the year ended December 31, 2004, the provision for credit losses was $2.9 million, compared to $5.7 million for the year ended December 31, 2003, a decrease of 48.8%. While the Company's loan volume increased, the allowance for loan losses decreased to 1.00% of total gross loans from 1.06% in 2003 (without the change in accounting that separated the reserve for credit losses from the allowance for loan losses, the ratio was 1.08% at December 31, 2004). This decrease in the ratio of the allowance for loan losses to total gross loans was primarily due to the overall decrease of historical loss factors on pass grade loans. Since the year 2001, the Company has refined its credit management process and instituted a more comprehensive risk rating system. For the year ended December 31, 2003, the provision for credit losses was $5.7 million, compared to $4.8 million for the year ended December 31, 2002, an increase of 18.3%.

Provisions to the allowance for loan losses are made quarterly, in anticipation of probable loan losses. The quarterly provision is based on the allowance need, which is calculated using a formula designed to provide adequate allowances for anticipated losses. The formula is composed of various components. The allowance is determined by assigning specific allowances for all classified loans. All loans that are not classified are then given certain allocations according to type with larger percentages applied to loans deemed to be of a higher risk. These percentages are determined based on the Company's prior loss history by type of loan, adjusted for current economic factors.

Allowance for Loan Losses Applicable to	2004 Allowance Amount	2004 Total Loans	2003 Allowance Amount	2003 Total Loans	2002 Allowance Amount	2002 Total Loans	2001 Allowance Amount	2001 Total Loans	2000 Allowance Amount	2000 Total Loans
	(In thousands)									
Real Estate Loans:										
Construction	$ 349	$ 92,521	$ 427	$ 43,047	$ 267	$ 39,237	$ 163	$ 33,618	$ 68	$ 8,543
Commercial Property	1,854	783,539	374	397,853	337	284,465	1,108	198,336	1,311	147,810
Residential Property	155	80,786	191	58,477	149	47,891	258	49,526	262	48,192
Total Real Estate Loans	2,358	956,846	992	499,377	753	371,593	1,529	281,480	1,641	204,545
Commercial and Industrial Loans(1)	19,051	1,214,419	11,376	685,557	9,773	560,370	7,072	457,973	5,473	378,247
Consumer Loans	1,293	87,526	846	54,878	652	44,416	738	38,645	571	38,486
Unallocated	—	—	135	—	76	—	69	—	3,591	—
Total Allowance for Loan Losses	**$ 22,702**	**$ 2,258,791**	**$ 13,349**	**$ 1,239,812**	**$ 11,254**	**$ 976,379**	**$ 9,408**	**$ 778,098**	**$ 11,276**	**$ 621,278**

(1) Loans held for sale excluded.

The allowance is based on estimates, and ultimate future losses may vary from current estimates. Underlying trends in the economic cycle, particularly in Southern California, which management cannot completely predict, will influence credit quality. It is always possible that future economic or other factors may adversely affect Hanmi Bank's borrowers. As a result, the Company may sustain loan losses in any particular period that are sizable in relation to the allowance, or exceed the allowance. In addition, the Company's asset quality may deteriorate through a number of possible factors, including:

- rapid growth;
- failure to maintain or enforce appropriate underwriting standards;
- failure to maintain an adequate number of qualified loan personnel; and
- failure to identify and monitor potential problem loans.

As a result of these and other factors, loan losses may be substantial in relation to the allowance or exceed the allowance.

Non-Interest Income

The following table sets forth the various components of the Company's non-interest income for the years indicated:

	For the Year Ended December 31,		
	2004	2003	2002
		(In thousands)	
Service Charges on Deposit Accounts	$ 14,441	$ 10,339	$ 9,195
Trade Finance Fees	4,044	2,887	2,410
Remittance Fees	1,653	952	786
Other Service Charges and Fees	1,685	1,513	1,094
Bank-Owned Life Insurance Income	731	499	552
Increase in Fair Value of Derivatives	232	35	1,368
Other Income	1,681	840	659
Gain on Sales of Loans	2,997	2,157	1,875
Gain on Sales of Securities Available for Sale	134	1,094	3,265
Total Non-Interest Income	**$ 27,598**	**$ 20,316**	**$ 21,204**

The Company earns non-interest income from four major sources: service charges on deposit accounts, fees generated from international trade finance, gain on sales of loans, and gain on sales of securities available for sale.

Non-interest income has become a significant part of the Company's revenue in the past several years. For the year ended December 31, 2004, non-interest income was $27.6 million, an increase of 35.8% from $20.3 million for the year ended December 31, 2003. This increase was mainly due to increases in service charges on deposit accounts and trade finance fees.

The service charges on deposit accounts increased by $4.1 million or 39.7% for the year 2004 compared to 2003. Service charge income on deposit accounts increased with the higher deposit volume and number of accounts as a result of the PUB merger. Average deposits increased by 50.3% from $1.4 million in 2003 to $2.1 million in 2004. The Company constantly reviews service charges to maximize service charge income while still maintaining its competitive position.

Fees generated from international trade finance increased by 40.1% from $2.9 million in 2003 to $4.0 million during 2004. The increase was primarily due to the PUB merger. Average trade finance loans increased by $29.8 million or 60.9% from $48.9 million in 2003 to $78.7 million in 2004.

Gain on sales of loans was $3.0 million in 2004, compared to $2.2 million and $1.9 million in 2003 and 2002, respectively, representing increases of 38.9% and 15.0% for the years ended December 31, 2004 and 2003, respectively. The increase in gain on sales of loans resulted from the Company's increased sales activity in SBA loans, which was primarily due to the acquisition of PUB. The Company sells the guaranteed portion of SBA loans in the secondary markets, while retaining servicing rights. During the year 2004, the Company sold $35.4 million of SBA loans.

Gain on sales of securities available for sale decreased by 87.8% from $1.1 million in 2003 to $0.1 million during 2004. The Company sold $54.2 million of securities, recognizing premiums of 1.91% over the carrying value of such securities. The ability to generate such gains in the future is not assured since any gains are dependent on market interest rates.

The increase in other income in 2004 compared to 2003 is mainly due to an increase in credit card fee income and sales commission from mutual funds and insurance products.

For the year ended December 31, 2003, non-interest income was $20.3 million, a decrease of $0.9 million or 4.2% from $21.2 million for the year ended December 31, 2002. This decrease was largely attributable to the $2.2 million decrease in gain on sales of securities available for sale and a $1.3 million decrease in the change in fair value of interest rate swaps. The large increase in service charges on deposit accounts and trade finance fees offsets this decrease and resulted in a comparatively small overall decrease in non-interest income of $0.9 million.

As a part of its continuing effort to expand non-interest income, the Company introduced non-depository products, such as life insurance, mutual funds and annuities, to customers in December 2001. During the year 2004, the Company generated income of $427,000 from this activity, which represented an 87.3% increase from $228,000 earned in 2003.

Non-Interest Expenses

The following table sets forth the breakdown of non-interest expenses for the years indicated:

	For the Year Ended December 31,		
	2004	2003	2002
		(In thousands)	
Salaries and Employee Benefits	$ 33,540	$ 21,214	$ 17,931
Occupancy and Equipment	8,098	5,198	4,330
Data Processing	4,540	3,080	2,784
Advertising and Promotional Expense	3,001	1,635	1,523
Supplies and Communications	2,433	1,496	1,466
Professional Fees	2,068	1,167	1,003
Amortization of Core Deposit Intangible	1,872	121	8
Impairment of Investment Securities	—	—	4,416
Other Operating Expense	8,961	5,414	4,872
Merger-Related Expenses	2,053	—	—
Total Non-Interest Expenses	**$ 66,566**	**$ 39,325**	**$ 38,333**

For the year ended December 31, 2004, non-interest expenses were $66.6 million, an increase of $27.2 million or 69.3% from $39.3 million for the year ended December 31, 2003. This increase was primarily due to the PUB merger, which closed on April 30, 2004.

Salaries and employee benefits expenses for 2004 increased $12.3 million, or 58.1%, to $33.5 million from $21.2 million for 2003, due primarily to a 45% increase in the number of employees following the acquisition of PUB.

Occupancy and equipment expenses for 2004 increased $2.9 million, or 55.8%, to $8.1 million compared to $5.2 million for 2003. This increase was mainly due to the acquisition of 12 former PUB branches.

Data processing expense for 2004 increased $1.5 million, or 47.4%, to $4.5 million from $3.1 million for 2003. Additional expense was incurred mainly due to an increase in loans and deposits volume related to the acquisition and conversion of the Bank's core data processing systems. Supplies and communication expenses also increased $0.9 million, or 62.6%, to $2.4 million from $1.5 million for 2003.

Professional fees were $2.1 million for 2004, representing an increase of $0.9 million, or 77.2%, compared to $1.2 million for 2003. The increase was caused primarily by consulting fees related to the integration with PUB and data processing system conversions. Professional fees for the year ended December 31, 2004 include $537,000 of integration costs paid to outside consultants.

Advertising and promotional expense increased from $1.6 million for 2003 to $3.0 million for 2004, an increase of $1.4 million, or 83.5%. In 2004, Hanmi Bank conducted print, radio and television campaigns and distributed various promotional items to publicize its merger with PUB and attract and retain customers.

During the year ended December 31, 2004, the Company recorded restructuring charges totaling $2.1 million in connection with the acquisition of PUB, consisting of employee severance and retention bonuses, leasehold termination costs, and fixed asset impairment charges associated with planned branch closures. In 2004, the Company recognized $975,000 of restructuring costs related to retention bonuses paid to former PUB employees. Such costs are treated as period costs and are recognized in the period services are rendered.

Core deposit premium amortization increased to $1.9 million for 2004, compared to $121,000 for 2003, an increase of $1.8 million. The increase is attributable to the acquisition of PUB.

Other operating expenses were $7.4 million for 2004, compared to $4.5 million for 2003, representing an increase of $2.9 million, or 64.9%. The increases are primarily attributable to additional operating expenses associated with the acquisition of PUB.

For the year ended December 31, 2003, total non-interest expenses increased by $1.0 million or 2.6%. This increase in 2003 was relatively minor due to the charges made for impairment of investment securities during 2002, when the Company recorded an impairment charge of $4.4 million on corporate bonds issued by WorldCom, Inc. (“WorldCom”). The $5.0 million bond was purchased in January 2001 and WorldCom defaulted on it in January 2002. As of December 31, 2003, the remaining $1.0 million par value was carried at $119,000 and had a market value of $335,000. During 2003, the Company sold $4.0 million par value of that bond and recognized a gain of $782,000. In 2004, the Company sold its remaining WorldCom securities, recognizing a gain of $100,000.

Excluding the impairment charges during 2002, total non-interest expenses would have increased by $5.4 million or 15.9% to $39.3 million in 2003 from $33.9 million in 2002. The increase was primarily due to the expansion of the Company’s branch network, which caused increases in salaries, occupancy and data processing expenses. Two full branches were added to the Company’s network in 2003, which required an increase in staff (salaries and employee benefits), as well as additional rent for the new locations. The business generated by the new branches also created the need for additional data processing expenses to support the larger customer base and volume.

Provision for Income Taxes

For the year ended December 31, 2004, the Company recognized a provision for income taxes of $23.0 million on pre-tax income of $59.7 million, representing an effective tax rate of 38.5%, compared to a provision of $12.4 million on pre-tax income of $31.6 million, representing an effective tax rate of 39.3%, for 2003.

The Company made investments in various tax credit funds totaling $5.3 million and recognized $723,000 million of income tax credits earned from qualified low-income housing investments in 2004. The Company recognized an income tax credit of $382,000 for the tax year 2003 from $4.1 million in such investments. The Company intends to continue to make such investments as part of an effort to lower its effective tax rate and to receive credit under the Community Reinvestment Act.

For the year ended December 31, 2003, the Company recognized a provision for income taxes of $12.4 million on pre-tax income $31.6 million, representing an effective tax rate of 39.3%, compared to a provision of $9.0 million on pre-tax income of $26.0 million, representing an effective tax rate of 34.6%, for 2002.

As indicated in “Notes to Consolidated Financial Statements, Note 10 — Income Taxes,” income tax expense is the sum of two components: current tax expense and deferred tax expense (benefit). Current tax expense is the result of applying the current tax rate to taxable income. The deferred portion is intended to account for the fact that income on which taxes are paid differs from financial statement pretax income because certain items of income and expense are recognized in different years for income tax purposes than in the financial statements. These differences in the years that income and expenses are recognized cause “temporary differences.”

Most of the Company’s temporary differences involve recognizing more expenses in its financial statements than it has been allowed to deduct for taxes, and therefore the Company normally has a net deferred tax asset. At December 31, 2004, the Company had net deferred tax assets of $5.0 million.

FINANCIAL CONDITION

Loan Portfolio

Total gross loans increased by $997.4 million or 78.8% in 2004. Total gross loans represented 72.9% of total assets at December 31, 2004 compared with 70.8% and 69.9% at December 31, 2003 and 2002, respectively.

The table below sets forth the composition of the Company's loan portfolio by major category. Commercial and industrial loans made up the largest portion of the total loan portfolio, representing 53.8% of total loans at December 31, 2004, as compared with 56.2% and 57.9% of total loans at December 31, 2003 and 2002, respectively.

Commercial loans include term loans and revolving lines of credit. Term loans typically have a maturity of three to five years and are extended to finance the purchase of business entities, owner-occupied commercial property, business equipment, leasehold improvements or for permanent working capital. SBA guaranteed loans usually have a longer maturity (5 to 20 years). Lines of credit, in general, are extended on an annual basis to businesses that need temporary working capital and/or import/export financing. These borrowers are well diversified as to industry, location and their current and target markets. The Company manages its portfolio to avoid concentration in any of the areas mentioned. The commercial loan portfolio also includes SBA loans held for sale, which totaled $3.9 million and $25.5 million at December 31, 2004 and 2003, respectively.

Real estate loans were $956.8 million and $499.4 million at December 31, 2004 and 2003, respectively, representing 42.3% and 39.5%, respectively, of the total loan portfolio. Real estate loans are extended to finance the purchase and/or improvement of commercial real estate and residential property. The properties generally are investor-owned, but may be for user-owned purposes. Underwriting guidelines include, among other things, review of appraised value, limitations on loan-to-value ratios, and minimum cash flow requirements to service debt. The majority of the properties taken as collateral are located in Southern California.

The following table sets forth the amount of total loans outstanding in each category as of the dates indicated:

	Amount Outstanding as of December 31,				
	2004	2003	2002	2001	2000
			(In thousands)		
Real Estate Loans:					
Commercial Property	$ 783,539	$ 397,853	$ 284,465	$ 198,336	$ 147,810
Construction	92,521	43,047	39,237	33,618	8,543
Residential Property	80,786	58,477	47,891	49,526	48,192
Total Real Estate Loans	956,846	499,377	371,593	281,480	204,545
Commercial and Industrial Loans (1)	1,218,269	711,011	572,910	472,920	391,093
Consumer Loans	87,526	54,878	44,416	38,645	38,486
Total Gross Loans	**$ 2,262,641**	**$ 1,265,266**	**$ 988,919**	**$ 793,045**	**$ 634,124**

(1) Loans held for sale were included at the lower of cost or market.

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The following table sets forth the percentage distribution of loans in each category as of the dates indicated:

	Percentage Distribution of Loans as of December 31,				
	2004	2003	2002	2001	2000
Real Estate Loans:					
Commercial Property	34.63%	31.44%	28.77%	25.01%	23.31%
Construction	4.09%	3.40%	3.97%	4.24%	1.35%
Residential Property	3.57%	4.62%	4.84%	6.25%	7.60%
Total Real Estate Loans	42.29%	39.46%	37.58%	35.50%	32.26%
Commercial and Industrial Loans	53.84%	56.20%	57.93%	59.63%	61.67%
Consumer Loans	3.87%	4.34%	4.49%	4.87%	6.07%
Total Gross Loans	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

The following table shows the distribution of the Company’s undisbursed loan commitments as of the dates indicated:

	December 31,	
	2004	2003
	(In thousands)	
Commitments to Extend Credit	$ 367,708	$ 253,722
Standby Letters of Credit	47,901	34,434
Commercial Letters of Credit	49,699	34,261
Unused Credit Card Lines	14,324	3,801
Total Undisbursed Loan Commitments	**$ 479,632**	**$ 326,218**

The table below shows the maturity distribution and repricing intervals of the Company’s outstanding loans as of December 31, 2004. In addition, the table shows the distribution of such loans between those with variable or floating interest rates and those with fixed or predetermined interest rates. The table includes non-accrual loans of $5.8 million.

	Within One Year	After One But Within Five Years	After Five Years	Total
		(In thousands)		
Real Estate Loans:				
Commercial Property	$ 745,229	$ 25,549	$ 12,761	$ 783,539
Construction	92,521	—	—	92,521
Residential Property	26,729	32,990	21,067	80,786
Total Real Estate Loans	864,479	58,539	33,828	956,846
Commercial and Industrial Loans	1,172,277	33,079	12,913	1,218,269
Consumer Loans	51,112	36,414	—	87,526
Total Gross Loans	**$ 2,087,868**	**$ 128,032**	**$ 46,741**	**$ 2,262,641**
Loans With Predetermined Interest Rates	$ 69,950	$ 110,678	$ 46,741	$ 227,369
Loans With Variable Interest Rates	$ 2,017,918	$ 17,354	$ —	$ 2,035,272

Non-Performing Assets

Non-performing assets consist of loans on non-accrual status, loans 90 days or more past due and still accruing interest, loans restructured where the terms of repayment have been renegotiated resulting in a reduction or deferral of interest or principal, and other real estate owned (“OREO”). Loans are generally placed on non-accrual status when they become 90 days past due unless management believes the loan is adequately collateralized and in the process of collection. Loans may be restructured by management when a borrower has experienced some change in financial status, causing an inability to meet the original repayment terms, and where the Company believes the borrower eventually will overcome those circumstances and repay the loan in full. 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, the Company stops recognizing income from the interest on the loan and reverses any uncollected interest that had been accrued but unpaid. These loans may or may not be collateralized, but collection efforts are continuously pursued.

The Company's non-performing loans were $6.0 million at December 31, 2004, compared to $8.7 million and $6.5 million at December 31, 2003 and 2002, respectively, representing a 31% decrease in 2004 and a 34% increase in 2003. As of December 31, 2004, 2003 and 2002, total non-performing assets were the same as non-performing loans. During these same periods, total loans increased by 78.8% in 2004 from 2003, and 27.9% in 2003 from 2002. As a result, the ratio of non-performing assets to total loans and OREO decreased to 0.27% at December 31, 2004, from 0.68% at December 31, 2003 and 0.65% at December 31, 2002. As of December 31, 2004 and 2003, the Company had no OREO.

Except for non-performing loans set forth below and loans disclosed as impaired, the Company's management is not aware of any loans as of December 31, 2004 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. The Company's 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 the Company's non-performing assets as of December 31 of the years indicated:

	2004	2003	2002	2001	2000
			(Dollars in thousands)		
Non-Accrual Loans:					
Real Estate Loans:					
Commercial Property	$ —	$ 527	$ —	$ 1,183	$ 516
Residential Property	112	1,126	287	730	649
Commercial and Industrial Loans	5,510	6,398	5,522	2,275	923
Consumer Loans	184	53	49	94	71
Total Non-Accrual Loans	5,806	8,104	5,858	4,282	2,159
Loans 90 Days or More Past Due and Still Accruing (as to Principal or Interest):					
Real Estate Loans:					
Commercial Property	—	557	356	602	391
Residential Property	—	—	261	117	3
Commercial and Industrial Loans	169	—	—	—	—
Consumer Loans	39	—	—	—	—
Total Loans 90 Days or More Past Due and Still Accruing (as to Principal or Interest)	208	557	617	719	394
Total Non-Performing Loans	6,014	8,661	6,475	5,001	2,553
Other Real Estate Owned	—	—	—	—	—
Total Non-Performing Assets	**$ 6,014**	**$ 8,661**	**$ 6,475**	**$ 5,001**	**$ 2,553**
Non-Performing Loans as a Percentage of Total Gross Loans	0.27%	0.68%	0.65%	0.63%	0.40%
Non-Performing Assets as a Percentage of Total Assets	0.19%	0.48%	0.44%	0.43%	0.25%

Allowance for Loan Losses and Reserve for Credit Losses

The allowance for loan losses and reserve for credit losses are maintained at levels that are believed to be adequate by management to absorb estimated probable loan losses inherent in the loan portfolio. The adequacy of the allowance and the reserve is determined through periodic evaluations of the Company's portfolio and other pertinent factors, which are inherently subjective as the process calls for various significant estimates and assumptions. Among others, the estimates involve the amounts and timing of expected future cash flows and fair value of collateral on impaired loans, estimated losses on loans based on historical loss experience, various qualitative factors, and uncertainties in estimating losses and inherent risks in the various credit portfolios, which may be subject to substantial change.

On a quarterly basis, the Company utilizes a classification migration model and individual loan review analysis tools, as a starting point for determining the allowance for loan loss and reserve for credit loss adequacy. The Company's loss migration analysis tracks twelve quarters of loan losses to determine historical loss experience in every classification category (i.e., pass, special mention, substandard and doubtful) for each loan type, except consumer loans (auto, mortgage and credit cards), which are analyzed as homogeneous loan pools. These calculated loss factors are then applied to outstanding loan balances, unused commitments and off-balance sheet exposures, such as letters of credit. The individual loan review analysis is the other part of the allowance allocation process, applying specific monitoring policies and procedures in analyzing the existing loan portfolios. Further assignments are made based on general and specific economic conditions, as well as performance trends within specific portfolio segments and individual concentrations of credit.

The allowance for loan losses was $22.7 million at December 31, 2004, compared to $13.3 million at December 31, 2003. The increase in the allowance for loan losses in 2004 was due primarily to the PUB merger. The ratio of the allowance for loan losses to total gross loans decreased from 1.06% to 1.00%, primarily due to the overall decrease of historical loss factors on pass grade loans. The loan loss estimation, based on historical losses, and specific allocations of the allowance are performed on a quarterly basis. The reserve for credit losses was $1.8 million at December 31, 2004, compared to $1.4 million at December 31, 2003.

Adjustments to allowance allocations for specific segments of the loan portfolio may be made as a result thereof, based on the accuracy of forecasted loss amounts and other loan- or policy-related issues.

The Company determines the appropriate overall allowance for loan losses and reserve for credit losses based on the foregoing analysis, taking into account management's judgment. Allowance methodology is reviewed on a periodic basis and modified as appropriate. Based on this analysis, including the aforementioned factors, the Company believes that the allowance for loan losses and reserve for credit losses are adequate as of December 31, 2004.

	As of and for the Year Ended December 31,				
	2004	2003	2002	2001	2000
			(Dollars in thousands)		
Allowance for Loan Losses:					
Balance at Beginning of Year	$ 13,349	$ 11,254	$ 9,408	$ 11,276	$ 10,624
Allowance for Loan Losses — PUB Acquisition	10,566	—	—	—	—
Actual Charge-Offs:					
Real Estate Loans:					
Commercial Property	—	198	—	—	—
Commercial and Industrial Loans	5,004	3,687	3,213	3,782	1,383
Consumer Loans	481	538	358	324	399
Total Charge-Offs	5,485	4,423	3,571	4,106	1,782
Recoveries on Loans Previously Charged Off:					
Real Estate Loans:					
Construction	—	—	—	—	30
Commercial Property	—	21	—	273	—
Residential Property	—	6	—	—	—
Commercial and Industrial Loans	1,702	859	871	307	691
Consumer Loans	78	322	105	214	163
Total Recoveries	1,780	1,208	976	794	884
Net Loan Charge-Offs	3,705	3,215	2,595	3,312	898
Provision Charged to Operating Expenses	2,492	5,310	4,441	1,444	1,550
Balance at End of Year	**$ 22,702**	**$ 13,349**	**$ 11,254**	**$ 9,408**	**$ 11,276**
Reserve for Credit Losses:					
Balance at Beginning of Year	$ 1,385	$ 1,015	$ 656	$ 700	$ —
Provision Charged to Operating Expenses	415	370	359	(44)	700
Balance at End of Year	**$ 1,800**	**$ 1,385**	**$ 1,015**	**$ 656**	**$ 700**

	As of and for the Year Ended December 31,				
	2004	2003	2002	2001	2000
	(Dollars in thousands)				
Ratios:					
Net Loan Charge-Offs to Average Total Gross Loans	0.19%	0.29%	0.29%	0.46%	0.16%
Net Loan Charge-Offs to Total Gross Loans at End of Period	0.16%	0.25%	0.26%	0.42%	0.14%
Allowance for Loan Losses to Average Total Gross Loans	1.17%	1.19%	1.26%	1.32%	1.99%
Allowance for Loan Losses to Total Gross Loans at End of Period	1.00%	1.06%	1.14%	1.19%	1.78%
Net Loan Charge-Offs to Allowance for Loan Losses	16.32%	24.08%	23.06%	35.20%	7.96%
Net Loan Charge-Offs to Provision Charged to Operating Expenses	148.68%	60.55%	58.43%	229.36%	57.94%
Allowance for Loan Losses to Non-Performing Loans	377.55%	154.13%	173.81%	188.12%	441.68%
Balances:					
Average Total Gross Loans Outstanding During Period	$ 1,938,422	$ 1,119,860	$ 895,394	$ 715,050	$ 567,195
Total Gross Loans Outstanding at End of Period	$ 2,262,641	$ 1,265,266	$ 988,919	$ 793,045	$ 634,124
Non-Performing Loans at End of Period	$ 6,014	$ 8,661	$ 6,475	$ 5,001	$ 2,553

The Company concentrates the majority of its earning assets in loans. In all forms of lending, there are inherent risks. The Company concentrates the preponderance of its loan portfolio in either commercial loans or real estate loans. A small part of the portfolio is represented by installment loans primarily for the purchase of automobiles.

While the Company believes that its underwriting criteria are prudent, outside factors can adversely impact credit quality.

A portion of the portfolio is represented by loans guaranteed by the SBA, which further reduces the Company’s potential for loss. The Company also utilizes credit review in an effort to maintain loan quality. Loans are reviewed throughout the year with new loans and those that are classified special mention and worse. In addition to the Company’s internal grading system, loans criticized by this credit review are downgraded with appropriate allowance added if required.

As indicated above, the Company formally assesses the adequacy of the allowance on a quarterly basis by:

- reviewing the adversely graded, delinquent or otherwise questionable loans;
- generating an estimate of the loss potential in each such loan;
- adding a risk factor for industry, economic or other external factors; and
- evaluating the present status of each loan.

Although management believes the allowance is adequate to absorb losses as they arise, no assurance can be given that the Company will not sustain losses in any given period, which could be substantial in relation to the size of the allowance.

Investment Portfolio

The investment portfolio maintained by the Company as of December 31, 2004 was composed of collateralized mortgage obligations, mortgage-backed securities, U.S. Government agency securities (“Agencies”), municipal bonds and corporate bonds.

Investment securities available for sale were 99.7% of the total investment portfolio as of December 31, 2004 and 2003. Most of the securities held by the Company carried fixed interest rates. Other than holdings of Agencies, there were no investments in securities of any one issuer exceeding 10% of the Company’s shareholders’ equity as of December 31, 2004, 2003 or 2002.

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The following table summarizes the amortized cost, fair value and distribution of the Company's investment securities as of the dates indicated:

	Investment Portfolio as of December 31,					
	2004		2003		2002	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)					
Held to Maturity:						
Municipal Bonds	$ 691	$ 691	$ 690	$ 689	$ 1,088	$ 1,126
Mortgage-Backed Securities	399	402	638	645	1,457	1,487
Corporate Bonds	—	—	—	—	4,997	4,983
Total Held to Maturity	**$ 1,090**	**$ 1,093**	**$ 1,328**	**$ 1,334**	**$ 7,542**	**$ 7,596**
Available for Sale:						
Mortgage-Backed Securities	$ 148,706	$ 149,174	$ 117,139	$ 117,484	$ 78,112	$ 79,173
Collateralized Mortgage Obligations	93,172	92,539	125,491	124,096	102,212	102,877
U.S. Government Agency Securities	89,345	89,677	80,845	81,426	53,408	53,901
Municipal Bonds	71,771	73,616	60,741	61,403	17,810	18,237
Corporate Bonds	8,380	8,444	13,641	13,903	594	1,188
Other	4,437	4,433	15,055	14,976	16,630	16,630
Total Available for Sale	**$ 415,811**	**$ 417,883**	**$ 412,912**	**$ 413,288**	**$ 268,766**	**$ 272,006**

The following table summarizes the maturity and/or repricing schedule for the Company's investment securities and their weighted-average yield as of December 31, 2004:

	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Dollars in thousands)							
Collateralized Mortgage Obligations [(1)]	$ 16,255	2.67%	$ 64,923	4.25%	$ 11,361	4.46%	$ —	—
Mortgage-Backed Securities[(1)]	71,525	3.22%	44,086	4.20%	27,664	4.30%	6,298	5.14%
Obligations of Other U.S. Government Agencies	40,074	3.95%	34,633	3.24%	14,970	4.20%	—	—
Obligations of State and Local Political Subdivisions[(2)]	267	7.07%	692	6.76%	5,275	5.40%	68,073	6.56%
Corporate Bonds	—	—	5,946	4.21%	2,498	4.76%	—	—
Other Securities	4,433	6.69%	—	—	—	—	—	—
	$ 132,554	**3.50%**	**$ 150,280**	**4.01%**	**$ 61,768**	**4.42%**	**$ 74,371**	**6.44%**

(1) Collateralized mortgage obligations and mortgage-backed securities have contractual maturities through 2034. The above table is based on the expected prepayment schedule.

(2) The yield on obligations of state and local political subdivisions has been computed on a tax-equivalent basis, using an effective marginal rate of 35%.

Deposits

Total deposits at December 31, 2004, 2003 and 2002 were $2,528.8 million, $1,445.8 million and $1,284.0 million, respectively, representing an increase of $1,083.0 million or 74.9% in 2004 and $161.8 million or 12.6% in 2003. The growth of deposit volume in 2004 is primarily attributable to the acquisition of PUB on April 30, 2004. At December 31, 2004, 2003 and 2002, the total time deposits outstanding were $1,031.7 million, $667.8 million and $583.5 million, respectively, representing 40.8%, 46.2% and 45.4%, respectively, of total deposits. Demand deposits and money market accounts increased by $662.1 million or 97.2% in 2004 and $78.8 million or 13.1% in 2003. At December 31, 2004, non-interest-bearing demand deposits represented 28.9% of total deposits compared to 32.9% at December 31, 2003.

Average deposits for the years ended December 31, 2004, 2003 and 2002 were $2,129.7 million, $1,416.6 million and $1,164.6 million, respectively. Average deposits, therefore, grew by 50.3% in 2004 and 21.6% in 2003.

Core deposits (defined as demand, money market, and savings deposits) grew $719.1 million, or 92.4%, to $1.50 billion as of December 31, 2004 compared to $778 million as December 31, 2003. The overall deposit increase and the change in deposit composition was mainly due to an expansion of the branch network through the merger with PUB.

The Company accepts brokered deposits on a selective basis at prudent interest rates to augment deposit growth. There were $40.0 million of brokered deposits as of December 31, 2004. The Company also had $200.0 million of state time deposits over $100,000 with an average interest rate of 2.08% as of December 31, 2004.

The table below summarizes the distribution of average daily deposits and the average daily rates paid for the periods indicated:

	For the Year Ended December 31,					
	2004		2003		2002	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
	(Dollars in thousands)					
Demand, Non-Interest-Bearing	$ 665,816		$ 422,453		$ 331,551	
Money Market Checking	466,880	1.73%	207,689	1.24%	176,089	1.72%
Savings	131,589	1.36%	97,070	1.95%	92,835	2.84%
Time Deposits of $100,000 or More	611,555	1.79%	386,701	1.92%	312,618	2.51%
Other Time Deposits	253,884	2.13%	302,651	2.43%	251,469	2.80%
Total Deposits	**$2,129,724**		**$1,416,564**		**$1,164,562**	

The table below summarizes the maturity of the Company's time deposits in denominations of $100,000 or greater at December 31 of the years indicated:

	December 31,		
	2004	2003	2002
	(Dollars in thousands)		
Three Months or Less	$ 378,205	$ 261,274	$ 231,410
Over Three Months Through Six Months	232,231	57,034	46,470
Over Six Months Through Twelve Months	131,775	52,815	40,520
Over Twelve Months	14,369	17,821	5,144
	$ 756,580	**$ 388,944**	**$ 323,544**

Borrowings

The Company's borrowings mostly take the form of advances from the Federal Home Loan Bank of San Francisco ("FHLB"), overnight Federal funds, and junior subordinated debt associated with trust preferred securities.

At December 31, 2004, advances from the FHLB were $66.4 million, a decrease of $82.0 million, or 55.3%, from the December 31, 2003 balance of $148.4 million. As of December 31, 2004, there were no overnight Federal funds purchased compared to $31.5 million as of December 31, 2004.

During the first half of 2004, the Company issued two junior subordinated notes bearing interest at three-month London InterBank Offered Rate ("LIBOR") plus 2.90% totaling $61.8 million and one junior subordinated note bearing interest at three-month LIBOR plus 2.63% totaling $20.6 million. The Company's outstanding subordinated debentures related to these offerings, the proceeds of which were used to finance the purchase of PUB, totaled $82.4 million at December 31, 2003.

Interest Rate Risk Management

Interest rate risk indicates the Company's 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 the Company's exposure to market interest rate. The level of interest rate risk can be managed through the changing of gap positions and the volume of fixed-income assets and so forth. For successful management of interest rate risk, the Company uses various methods with which to measure existing and future interest rate risk exposures. 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 most recent status of the Company's gap position.

	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 (Non-Interest-Earning)	$ —	$ —	$ —	$ —	$ 54,505	$ 54,505
Cash (Interest-Earning)	62,659	—	—	—	—	62,659
Securities Purchased Under Agreements to Resell	10,000	—	—	—	—	10,000
FRB and FHLB Stock	—	—	—	21,961	—	21,961
Securities:						
Fixed Rate	27,606	38,703	150,280	136,139	—	352,728
Floating Rate	9,845	716	47,827	7,857	—	66,245
Loans:						
Fixed Rate	35,880	34,070	110,678	46,741	—	227,369
Floating Rate	2,001,282	10,800	17,384	—	—	2,029,466
Non-Accrual	—	—	—	—	5,806	5,806
Unearned Income, Allowance for Loan Losses and Discount	—	—	—	—	(27,799)	(27,799)
Derivatives	(79,800)	—	79,800	—	—	—
Other Assets	—	21,868	—	—	279,380	301,248
Total Assets	**$ 2,067,472**	**$ 106,157**	**$ 405,969**	**$ 212,698**	**$ 311,892**	**$ 3,104,188**

	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)			
Liabilities						
Deposits:						
Demand Deposits	$ 73,529	$ 191,176	$ 398,702	$ 66,176	$ —	$ 729,583
Savings	17,923	46,680	78,391	10,868	—	153,862
Money Market Checking	81,782	202,950	260,304	68,626	—	613,662
Time Deposits of $100,000 or More	378,205	364,006	14,269	100	—	756,580
Other Time Deposits	156,190	99,676	19,181	73	—	275,120
Other Borrowed Funds	2,930	25,000	36,000	5,363	—	69,293
Junior Subordinated Debentures	82,406	—	—	—	—	82,406
Other Liabilities	—	—	—	—	23,772	23,772
Shareholders' Equity	—	—	—	—	399,910	399,910
Total Liabilities and Shareholders' Equity	**$ 792,965**	**$ 929,488**	**$ 806,847**	**$ 151,206**	**$ 423,682**	**$ 3,104,188**
Repricing Gap	$ 1,274,507	$ (823,331)	$ (400,878)	$ 61,492	$ (111,790)	
Cumulative Repricing Gap	$ 1,274,507	$ 451,176	$ 50,298	$ 111,790	$ —	
Cumulative Repricing Gap as a Percentage of Total Assets	41.06%	14.53%	1.62%	3.60%	—	
Cumulative Repricing Gap as a Percentage of Interest-Earning Assets	46.00%	16.29%	1.82%	4.04%	—	

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 time 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 and money market checking) are assigned to categories based on expected decay rates. On December 31, 2004, the cumulative repricing gap as a percentage of interest-earning assets in the less-than-three month period was 46.00%. This was a large increase from the previous year's figure of 24.33%. The increase was caused by an increase in floating rate loans. Derivatives of $79.8 million lessened the gap impact in the period. The cumulative repricing percentage in the three to twelve-month period also moved higher, reaching 16.29%. In terms of fixed and floating gap positions, which are used internally to control repricing risk, the accumulated fixed gap position between assets and liabilities as a percentage of interest-earning assets was (20.01)%. The floating gap position in the less-than-one year period was 19.30%.

The following table summarizes the status of the Company's gap position as of the dates indicated.

	Less than Three Months December 31,		Three to Twelve Months December 31,	
	2004	2003	2004	2003
		(Dollars in thousands)		
Cumulative Repricing Gap	$ 1,274,507	$ 412,826	$ 451,176	$ 116,705
Percentage of Total Assets	41.06%	23.12%	14.53%	6.54%
Percentage of Interest-Earning Assets	46.00%	24.33%	16.29%	6.88%

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 the Company's financial performance. The Company emphasizes capital protection through stable earnings rather than maximizing yield. In order to achieve stable earnings, the Company prudently manages its assets and liabilities and closely monitors the percentage changes in net interest income and equity value in relation to limits established within the Company's guidelines.

To supplement traditional gap analysis, the Company performs simulation modeling to estimate the potential effects of interest rate changes. The following table summarizes one of the stress simulations performed by the Company 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 the Company's balance sheet. 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.

Hypothetical Changes in Interest Rates
December 31, 2004

	Projected Changes (%)		Change in Amount	
Change in Interest Rate (bps)	Projected Net Interest Income	Projected Economic Value of Equity	Net Interest Income	Economic Value of Equity
		(Dollars in thousands)		
200	10.98%	(5.13)%	$ 12,097	$(21,582)
100	5.49%	(2.75)%	$ 6,046	$(11,598)
0	0.00%	0.00%	$ —	$ —
(100)	(5.62)%	3.22%	$ (6,198)	$ 13,557
(200)	(11.36)%	6.94%	$(12,521)	$ 29,204

In the above stress simulation, for a 100 basis point decline in interest rates, the Company may be exposed to a 5.62% decline in net interest income and a 3.22% increase in the economic value of equity. For a 100 basis point increase in interest rates, net interest income may increase by 5.49%, but the economic value of equity may decrease by 2.75%. For a 200 basis point increase in interest rates, net interest income may increase by 10.98%, but economic value of equity may decrease by 5.13%. For a 200 basis point decrease in interest rates, net interest income may decrease by 11.36%, but economic value of equity may increase by 6.94%. All projected changes remained well within internal policy guidelines.

The estimated sensitivity does not necessarily represent a Company forecast and the results may not be indicative of actual change to the Company's 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.

Liquidity and Capital Resources

Liquidity of the Bank is defined as the ability to supply cash as quickly as needed without causing a severe deterioration in its profitability. The Bank's major liquidity on the asset side stems from available cash positions, Federal funds sold and short-term investments categorized as trading and/or available for sale securities, which can be disposed of without significant capital losses in the ordinary business cycle. Liquidity sources on the liability side come from borrowing capacities, which include Federal funds lines, repurchase agreements, FRB discount window, and Federal Home Loan Bank advances. Thus, maintenance of high quality loans and securities that can be used for collateral in repurchase agreements or other secured borrowings is another important feature of liquidity management. Liquidity risk may occur when the Bank has few short-duration securities available for sale and/or is not capable of raising funds as quickly as necessary at acceptable rates in the capital or money markets. Also, a heavy and sudden increase in cash demands for loans and/or deposits can tighten the liquidity position. Several ratios are reviewed on a daily, monthly and quarterly basis to manage the liquidity position and to preempt any liquidity crisis. Six specific statistics, which include the loans-to-assets ratio, off-balance sheet items and dependence on non-core deposits, foreign deposits, lines of credit and liquid assets, are reviewed quarterly for liquidity management purposes. Heavy loan demand and limited liquid assets increased pressure for liquidity in 2004, but the Company still had sufficient liquid assets to meet loan demand.

Liquidity Ratios and Trends

	December 31,		
	2004	2003	2002
Short-Term Investments Total Assets	5%	6%	12%
Core Deposits Total Assets	41%	40%	45%
Short-Term Non-Core Funding Total Assets	33%	45%	40%
Short-Term Investments Short-Term Non-Core Funding Dependence	23%	20%	30%

Liquidity Measures

	December 31,		
	2004	2003	2002
Net Loans Total Assets	72%	70%	67%
Investments Deposits	20%	30%	29%
Loans and Investments Deposits	109%	116%	105%
Off-Balance Sheet Items Total Assets	15%	18%	17%

The net loans to total assets ratio increased to 72% in 2004. Despite fluctuations during the year, net loans grew faster than assets during the year. During the year, the ratio of net loans to total assets ranged primarily from 70% to 72%.

The investments to deposits ratio decreased to 20% in 2004. The loans and investments to deposits ratio decreased to 109%. Off-balance sheet items as a percentage of total assets decreased in 2004 to 15% from 18% in 2003. The total amount increased to $479.6 million at December 31, 2004 from $326.2 million at December 31, 2003. The increase was primarily due to a $114.0 million increase in unused commitments. During the year, the percentage of off-balance sheet items to total assets ranged primarily from 13% to 16%. The ratios of short-term non-core funding to total assets and short-term investments to short-term non-core funding dependence were 33% and 23%, respectively, at December 31, 2004, compared to 45% and 20%, respectively, at December 31, 2003.

Foreign deposit risk deals with dependency on foreign deposits that could adversely affect the Bank's liquidity. These liabilities are assumed to be volatile in accordance with the variability of social, political and environmental conditions in foreign countries. On a quarterly basis, the Bank monitors foreign deposits and Brazilian deposits separately, and exposures to both categories remained well within the Bank's internal guidelines.

There were increases to the lines of credit secured by the Company to meet its liquidity needs. The Company maintained a total of $85.0 million in credit lines. In addition, the Company maintained eight master repurchase agreements, all of which can furnish liquidity to the Company in consideration of bond collateral.

The Company also can meet its liquidity needs through borrowings from the FHLB. The Company is eligible to borrow up of 25% of its total assets from the FHLB.

As of December 31, 2004, the Company had no material commitments for capital expenditures.

The Company raises capital in the form of deposits, borrowings (primarily FHLB advances and junior subordinated debentures) and equity, and expects to continue to rely upon deposits as the primary source of capital.

Factors That May Affect Future Results of Operations

In addition to other factors set forth herein, below is a discussion of certain factors that may affect the Company's financial operations and should be considered in evaluating the Company.

*Our Southern California business focus and economic conditions in Southern California could adversely affect our operations.*Hanmi Bank's operations are primarily located in Los Angeles and Orange counties. As a result of this geographic concentration, the Company's results depend largely upon economic conditions in these areas. A deterioration in economic condition in Hanmi Bank's market area, or a significant natural or manmade disaster in these market areas, could have a material adverse effect on the quality of Hanmi Bank's loan portfolio, the demand for its products and services and on its overall financial condition and results of operations.

*Our concentrations in commercial real estate loans located primarily in Southern California could have adverse effects on credit quality*Approximately 34.6% of the Bank's loan portfolio consists of commercial real estate loans, primarily in Southern California. As a result of this concentration, a deterioration of the Southern California commercial real estate market could have adverse consequences for the Bank. Among the factors that could contribute to such a decline are general economic conditions in Southern California, interest rates and local market construction and sales activity.

*The Company's earnings are affected by changing interest rates.*Changes in interest rates affect the level of loans, deposits and investments, the credit profile of existing loans, the rates received on loans and securities and the rates paid on deposits and borrowings. Significant fluctuations in interest rates may have a material adverse effect on the Company's financial condition and results of operations.

*Hanmi may fail to realize the anticipated benefits of the merger with PUB.*The success of the merger will depend on, among other things, Hanmi's ability to realize anticipated cost savings and revenue enhancements and to combine the businesses of its subsidiary Hanmi Bank and PUB in a manner that permits growth opportunities to occur and that does not materially disrupt the existing customer relationships of PUB or result in decreased revenues resulting from any loss of customers. If Hanmi is not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully, or at all, or may take longer to realize than expected.

*We are subject to government regulations that could limit or restrict our activities, which in turn could adversely affect our operations.*The financial services industry is subject to extensive Federal and state supervision and regulation. Significant new laws, changes in existing laws, or repeals of existing laws may cause the Company's results to differ materially. Further, Federal monetary policy, particularly as implemented through the Federal Reserve System, significantly affects credit conditions for the Company, and a material change in these conditions could have a material adverse affect on the Company's financial condition and results of operations.

Competition may adversely affect our performance. The banking and financial services businesses in the Company's market areas are highly competitive. The Company faces competition in attracting deposits and in making loans. The increasingly competitive environment is a result of changes in regulation, changes in technology and product delivery systems, and the pace of consolidation among financial services providers. The results of the Company in the future may differ depending upon the nature and level of competition.

*If a significant number of borrowers, guarantors or related parties fail to perform as required by the terms of their loans, we could sustain losses.*A significant source of risk arises from the possibility that losses will be sustained because borrowers, guarantors or related parties may fail to perform in accordance with the terms of their loans. The Company has adopted underwriting and credit monitoring procedures and credit policies, including the establishment and review of the allowance for credit losses, that management believes are appropriate to minimize this risk by assessing the likelihood of nonperformance, tracking loan performance and diversifying the Company's credit portfolio. These policies and procedures, however, may not prevent unexpected losses that could have a material adverse effect on the Company's financial condition and results of operations.

Off-Balance Sheet Arrangements

For a discussion of off-balance sheet arrangements, see “Item 1. Business — Small Business Administration Guaranteed Loans” and “Item 1. Business — Off-Balance Sheet Commitments.”

Contractual Obligations

The Company’s contractual obligations as of December 31, 2004 are as follows:

Contractual Obligations	Less Than One Year	More Than One Year and Less Than Three Years	More Than Three Years and Less Than Five Years	More Than Five Years	Total
			(In thousands)		
Time Deposits	$ 998,077	$ 24,770	$ 8,680	$ 173	$ 1,031,700
Long-Term Debt Obligations	—	30,000	6,000	87,967	123,967
Operating Lease Obligations	2,614	6,600	7,657	6,545	23,416
Total Contractual Obligations	**$ 1,000,691**	**$ 61,370**	**$ 22,337**	**$ 94,685**	**$ 1,179,083**

Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 123R (revised 2004),*“Share-Based Payment.”* SFAS No. 123R addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for either equity instruments of the company or liabilities that are based on the fair value of the company’s equity instruments or that may be settled by the issuance of such equity instruments. SFAS No. 123R eliminates the ability to account for share-based compensation transactions using the intrinsic method that is currently used and requires that such transactions be accounted for using a fair value-based method and recognized as expense in the Consolidated Statement of Income. The effective date of SFAS No. 123R is for interim and annual periods beginning after June 15, 2005. The Company has been providing pro forma disclosures under SFAS No. 133. See “Notes to Consolidated Financial Statements, Note 1 — Summary of Significant Accounting Policies.”

In December 2003, the American Institute of Certified Public Accountants (“AICPA”) released Statement of Position 03-3,*“Accounting for Certain Loans or Debt Securities Acquired in a Transfer”* (“SOP 03-3”). SOP 03-3 addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor’s initial investment in loans or debt securities acquired in a transfer if those differences are attributable to credit quality. SOP 03-3 is effective for loans acquired in fiscal years beginning after December 15, 2004. Adoption is not expected to have a material impact on our financial position or results of operations.

In March 2004, the FASB issued Emerging Issues Task Force (“EITF”) Issue No. 03-1,*“The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments”* (“EITF No. 03-1”). This EITF describes a model involving three steps: (1) determine whether an investment is impaired; (2) determine whether the impairment is other-than-temporary; and (3) recognize any impairment loss in earnings. The EITF also requires several additional disclosures for cost-method investments. In September 2004, the FASB approved the deferral of the effective date for EITF No. 03-1 pending reconsideration of implementation guidance relating to debt securities that are impaired solely due to market interest rate fluctuation. Adoption is not expected to have a material impact on our financial position or results of operations.

In December 2004, the FASB issued SFAS No. 153,*“Exchange of Non-Monetary Assets, an Amendment of APB Opinion No. 29, “Accounting for Non-Monetary Transactions.”’* SFAS No. 153 is based on the principle that exchange of non-monetary assets should be measured based on the fair market value of the assets exchanged. SFAS No. 153 eliminates the exception of non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. SFAS No. 153 is effective for non-monetary asset exchanges in fiscal periods beginning after June 15, 2005. The Company is currently assessing the provisions of SFAS No. 153 and its impact on its consolidated financial statements.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

For quantitative and qualitative disclosures regarding market risks in Hanmi Bank's portfolio, see "Item 7. Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations — Interest Rate Risk Management" and "— Liquidity and Capital Resources."

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

The financial statements required to be filed as a part of this Report are set forth on pages 45 through 73.

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

None.

ITEM 9A. *CONTROLS AND PROCEDURES*

Disclosure Controls and Procedures

As of December 31, 2004, 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 the design and operation of our disclosure controls and procedures and internal controls over financial reporting pursuant to Securities and Exchange Commission ("SEC") rules. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that:

- our disclosure controls and procedures are effective in timely alerting them to material information relating to Hanmi Financial that is required to be included in our periodic SEC filings; and
- our internal controls over financial reporting 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.

There have been no significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the evaluation date.

Disclosure controls and procedures are defined in SEC rules as controls and other procedures designed to ensure that information required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures were designed to ensure that material information related to Hanmi Financial, including subsidiaries, is made known to management, including the Chief Executive Officer and Chief Financial Officer, in a timely manner.

Management's Report on Internal Control Over Financial Reporting

The information under the heading "Management's Report on Internal Control Over Financial Reporting" in Part II — "Item 8. Financial Statements and Supplementary Data" of this 2004 Annual Report on Form 10-K is incorporated herein by reference.

Report of Independent Registered Public Accounting Firm

The information under the heading "Reports of Independent Registered Public Accounting Firm" in Part II — "Item 8. Financial Statements and Supplementary Data" of this 2004 Annual Report on Form 10-K is incorporated herein by reference.

ITEM 9B. *OTHER INFORMATION*

None.

PART III

ITEM 10. *DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT*

Except as hereinafter noted, the information concerning directors and officers of Hanmi Financial is incorporated by reference from the sections entitled “The Board of Directors and Executive Officers” and “Section 16(a) Beneficial Ownership Reporting Compliance” of Hanmi Financial’s Definitive Proxy Statement for the Annual Meeting of Stockholders, which will be filed with the Commission within 120 days after the close of Hanmi Financial’s fiscal year.

On January 3, 2005, Dr. Sung Won Sohn joined the Company as President and Chief Executive Officer of Hanmi Financial Corporation and Hanmi Bank. Dr. Sohn is also a Director of Hanmi Financial Corporation and Hanmi Bank. Born and raised in Korea, Dr. Sohn received a Doctorate in Economics from the University of Pittsburgh and attended the Harvard Business School. During the Nixon administration, Dr. Sohn was a senior economist on the President’s Council of Economic Advisors, during which time he was responsible for economic and legislative matters pertaining to the Federal Reserve and financial markets. In 2001, Dr. Sohn was selected by Bloomberg News as one of the five most accurate economic forecasters in the United States, and in 2002 he was named to TIME magazine’s Board of Economists. In addition to Dr. Sohn’s notable reputation as an economist, he has more than 30 years of banking experience, most recently with Wells Fargo.

M. Christian Mitchell was appointed to the Audit Committee of the Board of Directors as of April 11, 2004. The Board has determined that Mr. Mitchell meets the independence standards required by NASDAQ and is a “financial expert” within the meaning of the current rules of the Securities and Exchange Commission.

The Company has adopted a Code of Business Conduct and Ethics, which will be provided to any stockholder without charge, upon the written request of that stockholder. Such requests should be addressed to Justine Roe, General Counsel, Hanmi Financial Corporation, 3660 Wilshire Boulevard, Penthouse Suite A, Los Angeles, CA 90010. It is also available on the Company’s website at *www.hanmi.com*.

ITEM 11. *EXECUTIVE COMPENSATION*

Information concerning executive compensation is incorporated by reference from the section entitled “Executive Compensation” of Hanmi Financial’s definitive Proxy Statement for the Annual Meeting of Stockholders, which will be filed with the Commission within 120 days after the close of Hanmi Financial’s fiscal year.

ITEM 12. ***SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT***

The following table summarizes information as of December 31, 2004 relating to equity compensation plans of Hanmi Financial pursuant to which grants of options, restricted stock or other rights to acquire shares may be granted from time to time.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved By Security Holders	1,618,836	$ 9.33	2,109,304
Equity Compensation Plans Not Approved By Security Holders	838,558 *(1)*	$ 12.70	—
Total Equity Compensation Plans	2,457,394	$ 10.43	2,109,304

(1) Comprised of: a) stock options granted to Chief Executive Officer to purchase 350,000 shares of common stock at an exercise price of $17.17 per share with vesting in equal annual installments of 16.66%; and b) stock warrants issued to affiliates of Castle Creek Financial LLC (for services rendered in connection with the placement of the Company's equity securities) to purchase a total of 488,558 shares of common stock at an exercise price of $9.50 per share.

Information regarding security ownership of certain beneficial owners and management and related stockholder matters will appear under the caption "Beneficial Ownership of Principal Stockholders and Management" in Hanmi Financial's Definitive Proxy Statement for the Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS***

Information concerning certain relationships and related transactions is incorporated by reference from the section entitled "Certain Relationships and Related Transactions" of Hanmi Financial's Definitive Proxy Statement for the Annual Meeting of Stockholders which will be filed with the Commission within 120 days after the close of Hanmi Financial's fiscal year.

ITEM 14. ***PRINCIPAL ACCOUNTING FEES AND SERVICES***

Information concerning Hanmi Financial's principal accountants' fees and services is incorporated by reference from the section entitled "Independent Accountants of Hanmi Financial's Definitive Proxy Statement for the Annual Meeting of Stockholders which will be filed with the Commission within 120 days after the close of Hanmi Financial's fiscal year.

PART IV

ITEM 15. ***EXHIBITS, FINANCIAL STATEMENT SCHEDULES***

(a) *Financial Statements and Schedules*

(1) The Financial Statements required to be filed hereunder are listed in the Index to Consolidated Financial Statements on page 43 of this Report.

(2) All Financial Statement Schedules have been omitted as the required information is inapplicable or has been included in the Notes to Consolidated Financial Statements.

(3) The Exhibits required to be filed with this Report are listed in the Exhibit Index included herein at page 75.

HANMI FINANCIAL CORPORATION AND SUBSIDIARY

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Hanmi Financial Corporation ("Hanmi") is responsible for establishing and maintaining adequate internal control over financial reporting pursuant to the rules and regulations of the Securities and Exchange Commission. Hanmi's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes those written policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles;
- provide reasonable assurance that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of Hanmi's internal control over financial reporting as of December 31, 2004. Management based this assessment on criteria for effective internal control over financial reporting described in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of Hanmi's internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors.

Based on this assessment, management determined that, as of December 31, 2004, Hanmi maintained effective internal control over financial reporting.

KPMG LLP, the independent registered public accounting firm who audited and reported on the consolidated financial statements of Hanmi, have issued a report on management's assessment of Hanmi's internal control over financial reporting as of December 31, 2004. The report expresses unqualified opinions on management's assessment and on the effectiveness of Hanmi's internal control over financial reporting as of December 31, 2004.

March 16, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Hanmi Financial Corporation:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Hanmi Financial Corporation and subsidiary maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Hanmi Financial Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of Hanmi Financial Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Hanmi Financial Corporation maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, the Hanmi Financial Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition of Hanmi Financial Corporation and subsidiary as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2004, and our report dated March 16, 2005 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Los Angeles, California
March 16, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Hanmi Financial Corporation:

We have audited the accompanying consolidated statements of financial condition of Hanmi Financial Corporation and subsidiary as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Hanmi Financial Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hanmi Financial Corporation and subsidiary as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Hanmi Financial Corporation's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 16, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG LLP

Los Angeles, California
March 16, 2005

HANMI FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2004 AND 2003

	2004	2003
	(Dollars in thousands)	
ASSETS		
Cash and Due From Banks	$ 55,164	$ 62,595
Federal Funds Sold and Securities Purchased Under Agreements to Resell	72,000	—
Cash and Cash Equivalents	127,164	62,595
Federal Reserve Bank Stock	12,099	2,935
Federal Home Loan Bank Stock	9,862	7,420
Securities Held to Maturity, at Amortized Cost (Fair Value: 2004 — $1,093; 2003 — $1,334)	1,090	1,328
Securities Available for Sale, at Fair Value	417,883	413,288
Loans Receivable, Net of Allowance for Loan Losses of $22,702 and $13,349 at December 31, 2004 and 2003, Respectively	2,230,992	1,222,945
Loans Held for Sale, at the Lower of Cost or Fair Value	3,850	25,454
Customers’ Liability on Acceptances	4,579	3,930
Premises and Equipment, Net	19,691	8,435
Accrued Interest Receivable	10,029	6,686
Deferred Income Taxes	5,009	7,207
Servicing Asset	3,846	2,364
Goodwill	209,643	1,831
Core Deposit Intangible	11,476	212
Bank-Owned Life Insurance — Cash Surrender Value	21,868	11,137
Other Assets	15,107	9,372
TOTAL ASSETS	**$ 3,104,188**	**$ 1,787,139**
LIABILITIES AND SHAREHOLDERS’ EQUITY		
LIABILITIES:		
Deposits:		
Non-Interest-Bearing	$ 729,583	$ 475,100
Interest-Bearing:		
Savings	153,862	96,869
Money Market Checking	613,662	206,086
Time Deposits of $100,000 or More	756,580	388,944
Other Time Deposits	275,120	278,836
Total Deposits	2,528,807	1,445,835
Accrued Interest Payable	7,100	4,403
Acceptances Outstanding	4,579	3,930
Other Borrowed Funds	69,293	182,999
Junior Subordinated Debentures	82,406	—
Other Liabilities	12,093	10,505
Total Liabilities	2,704,278	1,647,672
COMMITMENTS AND CONTINGENCIES (Notes 16 and 17)		
SHAREHOLDERS’ EQUITY		
Common Stock, $.001 Par Value; Authorized 200,000,000 Shares; Issued and Outstanding, 49,330,704 Shares and 28,326,820 Shares at December 31, 2004 and 2003, Respectively	49	14
Additional Paid-In Capital	334,932	103,082
Accumulated Other Comprehensive Income — Unrealized Gain on Securities Available for Sale and Interest Rate Swaps, Net of Income Taxes of $744 and $220 at December 31, 2004 and 2003, Respectively	1,035	386
Retained Earnings	63,894	35,985
Total Shareholders’ Equity	399,910	139,467
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	**$ 3,104,188**	**$ 1,787,139**

See Accompanying Notes to Consolidated Financial Statements.

HANMI FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

	2004	2003	2002
	(Dollars in thousands, except per share data)		
INTEREST INCOME:			
Interest and Fees on Loans	$ 116,612	$ 64,211	$ 56,398
Interest on Investments	17,372	12,410	11,363
Interest on Term Federal Funds Sold	—	225	630
Interest on Federal Funds Sold	183	277	925
Total Interest Income	134,167	77,123	69,316
INTEREST EXPENSE	32,617	20,796	21,345
NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES	101,550	56,327	47,971
PROVISION FOR CREDIT LOSSES	2,907	5,680	4,800
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	98,643	50,647	43,171
NON-INTEREST INCOME:			
Service Charges on Deposit Accounts	14,441	10,339	9,195
Trade Finance Fees	4,044	2,887	2,410
Remittance Fees	1,653	952	786
Other Service Charges and Fees	1,685	1,513	1,094
Bank-Owned Life Insurance Income	731	499	552
Increase in Fair Value of Derivatives	232	35	1,368
Other Income	1,681	840	659
Gain on Sales of Loans	2,997	2,157	1,875
Gain on Sales of Securities Available for Sale	134	1,094	3,265
Total Non-Interest Income	27,598	20,316	21,204
NON-INTEREST EXPENSES:			
Salaries and Employee Benefits	33,540	21,214	17,931
Occupancy and Equipment	8,098	5,198	4,330
Data Processing	4,540	3,080	2,784
Advertising and Promotional Expense	3,001	1,635	1,523
Supplies and Communication	2,433	1,496	1,466
Professional Fees	2,068	1,167	1,003
Amortization of Core Deposit Intangible	1,872	121	8
Impairment of Securities	—	—	4,416
Other Operating Expense	8,961	5,414	4,872
Merger-Related Expenses	2,053	—	—
Total Non-Interest Expenses	66,566	39,325	38,333
INCOME BEFORE PROVISION FOR INCOME TAXES	59,675	31,638	26,042
PROVISION FOR INCOME TAXES	22,975	12,425	9,012
NET INCOME	**$ 36,700**	**$ 19,213**	**$ 17,030**
EARNINGS PER SHARE:			
Basic	$ 0.87	$ 0.68	$ 0.62
Diluted	$ 0.84	$ 0.67	$ 0.60
WEIGHTED-AVERAGE SHARES OUTSTANDING:			
Basic	42,268,964	28,092,708	27,647,570
Diluted	43,517,257	28,662,026	28,306,492

See Accompanying Notes to Consolidated Financial Statements.

HANMI FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

	Number of Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity
			(Dollars in thousands)			
BALANCE, DECEMBER 31, 2001	**25,124,458**	**$ 25**	**$ 81,078**	**$ 1,003**	**$ 22,767**	**$ 104,873**
Stock Options Exercised	444,044	1	1,468	—	—	1,469
Stock Dividends	2,262,364	2	17,381	—	(17,382)	1
Cash Paid for Fractional Shares	—	—	—	—	(7)	(7)
Comprehensive Income:						
Net Income	—	—	—	—	17,030	17,030
Change in Unrealized Gain on Securities Available for Sale, Net of Tax	—	—	—	1,102	—	1,102
Total Comprehensive Income						18,132
BALANCE, DECEMBER 31, 2002	**27,830,866**	**28**	**99,927**	**2,105**	**22,408**	**124,468**
Stock Options Exercised	495,954	—	3,141	—	—	3,141
Cash Dividends	—	—	—	—	(5,636)	(5,636)
Comprehensive Income:						
Net Income	—	—	—	—	19,213	19,213
Change in Unrealized Gain on Securities Available for Sale and Interest Rate Swaps, Net of Tax	—	—	—	(1,719)	—	(1,719)
Total Comprehensive Income						17,494
BALANCE, DECEMBER 31, 2003	**28,326,820**	**28**	**103,068**	**386**	**35,985**	**139,467**
Stock Options Exercised	670,576	1	3,234	—	—	3,235
Warrants Exercised	20,000	—	190	—	—	190
Stock Issued Through Private Placement	7,894,654	8	71,702	—	—	71,710
Stock Issued in PUB Acquisition	12,418,654	12	156,738	—	—	156,750
Cash Dividends	—	—	—	—	(8,791)	(8,791)
Comprehensive Income:						
Net Income	—	—	—	—	36,700	36,700
Change in Unrealized Gain on Securities Available for Sale and Interest Rate Swaps, Net of Tax	—	—	—	649	—	649
Total Comprehensive Income						37,349
BALANCE, DECEMBER 31, 2004	**49,330,704**	**$ 49**	**$ 334,932**	**$ 1,035**	**$ 63,894**	**$ 399,910**

See Accompanying Notes to Consolidated Financial Statements.

HANMI FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

	2004	2003	2002
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 36,700	$ 19,213	$ 17,030
Adjustments to Reconcile Net Income to Net Cash and Cash Equivalents Provided By Operating Activities:			
Depreciation and Amortization of Premises and Equipment	2,447	1,559	1,397
Amortization of Premiums and Discounts on Investments	3,246	121	22
Amortization of Core Deposit Intangible	1,872	212	8
Provision for Credit Losses	2,907	5,680	4,800
Federal Reserve Bank Stock and Federal Home Loan Bank Stock Dividend	(497)	(107)	(895)
Gain on Sales of Securities Available for Sale	(134)	(1,094)	(3,265)
Change in Fair Value of Derivatives	(232)	(35)	(1,368)
Impairment Loss on Investment Security Held to Maturity	—	—	4,416
Gain on Sales of Loans	(2,997)	(2,157)	(1,875)
Gain on Sales of Other Real Estate Owned	—	(82)	—
Loss on Sales of Premises and Equipment	15	67	—
Deferred Tax Provision (Benefit)	6,573	(2,069)	(469)
Origination of Loans Held for Sale	(53,855)	(45,858)	(33,226)
Proceeds from Sales of Loans Held for Sale	54,311	35,100	37,508
Change In:			
Decrease (Increase) in Accrued Interest Receivable	155	(1,153)	(125)
Increase in Cash Surrender Value of Bank-Owned Life Insurance	(731)	(500)	(634)
Decrease (Increase) in Other Assets	1,149	(1,832)	(2,045)
(Decrease) Increase in Accrued Interest Payable	(444)	1,018	(1,341)
(Decrease) Increase in Other Liabilities	(12,751)	5,506	1,011
Net Cash and Cash Equivalents Provided By Operating Activities	**37,733**	**13,588**	**20,949**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from Matured Term Federal Funds Sold	—	30,000	—
Proceeds from Sale of Federal Home Loan Bank Stock	5,031	—	—
Proceeds from Matured or Called Securities Available for Sale	120,389	170,346	105,245
Proceeds from Matured or Called Securities Held to Maturity	239	6,214	10,012
Proceeds from Sale of Securities Available for Sale	53,063	45,051	102,343
Proceeds from Termination of Interest Rate Swap	—	—	1,368
Proceeds from Sale of Other Real Estate Owned	—	204	—
Net Increase in Loans Receivable	(120,651)	(265,641)	(190,284)
Purchase of Federal Reserve Bank Stock and Federal Home Loan Bank Stock	(9,884)	(5,669)	(522)
Purchases of Securities Available for Sale	(22,384)	(358,218)	(283,726)
Purchases of Bank-Owned Life Insurance	(10,000)	—	—
Purchases of Premises and Equipment, Net	(2,049)	(2,031)	(1,832)
Acquisition of PUB, Net of Cash Acquired	(63,498)	—	—
Net Cash and Cash Equivalents Used In Investing Activities	**(49,743)**	**(379,744)**	**(257,396)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in Deposits	146,273	161,856	241,626
Issuance of Junior Subordinated Debentures	82,406	—	—
Proceeds from Exercise of Stock Options	3,235	3,141	1,469
Proceeds from Exercise of Stock Warrants	190	—	—
Stock Issued through Private Placement	71,710	—	—
Cash Dividends Paid	(7,740)	(4,220)	—
(Decrease) Increase in Proceeds from Other Borrowed Funds	(219,495)	145,202	34,925
Cash Paid for Fractional Shares on Dividends	—	—	(7)
Net Cash and Cash Equivalents Provided By Financing Activities	**76,579**	**305,979**	**278,013**
Net Increase (Decrease) in Cash and Cash Equivalents	64,569	(60,177)	41,566
Cash and Cash Equivalents, Beginning of Year	62,595	122,772	81,206
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 127,164**	**$ 62,595**	**$ 122,772**
Supplemental Disclosures of Cash Flow Information:			
Interest Paid	$ 29,920	$ 19,778	$ 22,686
Income Taxes Paid	$ 25,400	$ 9,469	$ 9,125
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Transfer of Loans to Other Real Estate Owned	$ —	$ 122	$ —
Transfer of Retained Earnings to Common Stock and Additional Paid-In Capital for Stock Dividend	$ —	$ —	$ 17,382
Accrued Dividend	$ 2,467	$ 1,416	$ —
Reconciliation of Acquisition of PUB, Net of Cash Acquired:			
Fair Value of Assets Acquired	$ 1,383,782	$ —	$ —
Cash and Cash Equivalents Acquired	(104,383)	—	—
Non-Cash Financing of Purchase Price and Liabilities Assumed:			
Issuance of Common Stock	(156,750)	—	—
Liabilities Assumed	(1,059,151)	—	—
Acquisition of PUB, Net of Cash Acquired	**$ 63,498**	**$ —**	**$ —**

See Accompanying Notes to Consolidated Financial Statements.

HANMI FINANCIAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004, 2003 AND 2002

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Hanmi Financial Corporation and subsidiary conform to accounting principles generally accepted in the United States of America and to prevailing practices within the banking industry. A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Principles of Consolidation

The consolidated financial statements include the accounts of Hanmi Financial Corporation (the "Company") and its wholly owned subsidiary, Hanmi Bank (the "Bank"), after elimination of all material intercompany transactions and balances.

The Company was formed as a holding company of the Bank and registered with the Securities and Exchange Commission under the Securities Act of 1933 on March 17, 2001. Subsequent to the formation of the Company, each of the Bank's shares was exchanged for one share of the Company with an equal value.

The Company's primary operations are related to traditional banking activities, including the acceptance of deposits and the lending and investing of money through operation of the Bank. Hanmi Bank is a community bank conducting general business banking with its primary market encompassing the multi-ethnic population of Los Angeles, Orange, San Diego, San Francisco and Santa Clara counties. Hanmi Bank's full-service offices are located in business areas where many of the businesses are run by immigrants and other minority groups. Hanmi Bank's client base reflects the multi-ethnic composition of these communities. The Bank is a California state-chartered, FDIC-insured financial institution.

On April 30, 2004, the Company completed its acquisition of Pacific Union Bank ("PUB"), a $1.2 billion (assets) commercial bank headquartered in Los Angeles that, like Hanmi, served primarily the Korean-American community. As of December 31, 2004, the Bank maintained a branch network of 23 locations, serving individuals and small- to medium-sized businesses in Los Angeles and surrounding areas.

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks, Federal funds sold and securities purchased under resale agreements, all of which have maturities of less than 90 days.

Securities

Securities are classified into three categories and accounted for as follows:

1. Securities that the Company has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and reported at amortized cost;
2. Securities that are bought and held principally for the purpose of selling them in the near future are classified as "trading securities" and reported at fair value. Unrealized gains and losses are recognized in earnings; and
3. Securities not classified as held-to-maturity or trading securities are classified as "available for sale" and reported at fair value. Unrealized gains and losses are reported as a separate component of shareholders' equity as accumulated other comprehensive income, net of deferred income taxes.

Accreted discounts and amortized premiums on investment securities are included in interest income using the effective interest method, and unrealized and realized gains or losses related to holding or selling of securities are calculated using the specific-identification method. To the extent there is an impairment of value deemed other than temporary for a security held to maturity or available for sale, a loss is recognized in earnings and a new cost basis established for the security.

The Company also has a minority investment of 4.99% in a non-publicly traded company, Pacific International Bank. The investment is included in Other Assets on the Company's consolidated balance sheet and is carried at cost. The Company monitors the investment for impairment and makes appropriate reductions in carrying value when necessary.

Derivative Instruments

The Company accounts for derivatives in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 133,*"Accounting for Derivative Instruments and Hedging Activities."* This standard requires the Company to record all derivatives at fair value and permits the Company to designate derivative instruments as being used to hedge changes in fair value or changes in cash flows. Changes in the fair value of derivatives that offset changes in cash flows of the hedged item are recorded initially in Other Comprehensive Income. Amounts recorded in Other Comprehensive Income are subsequently reclassified into earnings during the same period in which the hedged item affects earnings. If a derivative qualifies as a fair value hedge, then changes in the fair value of the hedging derivative are recorded in earnings and are offset by changes in fair value attributable to the hedged risk of the hedged item. Any portion of the changes in the fair value of derivatives designated as a hedge that is deemed ineffective is recorded in earnings along with changes in the fair value of derivatives with no hedge designation.

Loans

The Company originates loans for investment, with such designation made at the time of origination. Loans are recorded at the contractual amounts due from borrowers, adjusted for unamortized discounts and premiums, undisbursed funds, net deferred loan fees and origination costs, and the allowance for loan losses.

Certain Small Business Administration ("SBA") loans that may be sold prior to maturity have been designated as held for sale at origination and are recorded at the lower of cost or fair value, determined on an aggregate basis. A valuation allowance is established if the market value of such loans is lower than their cost, and operations are charged or credited for valuation adjustments. Upon sales of such loans, the Company receives a fee for servicing the loans. The servicing asset is recorded based on the present value of the contractually specified servicing fee, net of adequate compensation, for the estimated life of the loan, discounted by a rate in the range of 11% to 12% and a constant prepayment rate ranging from 6% to 16%. The servicing asset is amortized in proportion to and over the period of estimated servicing income. The Company capitalized $2,172,000 and $652,000 of servicing assets during 2004 and 2003, respectively, and amortized $690,000 and $352,000 during the years ended December 31, 2004 and 2003, respectively. Management periodically evaluates the servicing asset for impairment. Impairment, if it occurs, is recognized in a valuation allowance in the period of impairment.

Interest-only strips are recorded based on the present value of the excess of total servicing fee over the contractually specified servicing fee for the estimated life of the loan, calculated using the same assumptions as noted above. Such interest-only strips are accounted for at their estimated fair value, with unrealized gains or losses recorded as adjustments to earnings.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

HANMI FINANCIAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
DECEMBER 31, 2004, 2003 AND 2002

Loan Interest Income and Fees

Interest on loans is credited to income as earned and is accrued only if deemed collectible. Direct loan origination costs are offset by loan origination fees with the net amount deferred and recognized over the contractual lives of the loans in interest income as a yield adjustment using the effective interest method. Discounts or premiums associated with purchased loans are accreted or amortized to interest income using the interest method over the contractual lives of the loans, adjusted for prepayments. Accretion of discounts and deferred loan fees is discontinued when loans are placed on non-accrual status.

Loans are placed on non-accrual status when, in the opinion of management, the full timely collection of principal or interest is in doubt. As a general rule, the accrual of interest is discontinued when principal or interest payments become more than 90 days past due. However, in certain instances, the Company 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.

Allowance for Loan Losses

Management believes that, as of December 31, 2004, the allowance for loan losses is adequate to provide for probable losses inherent in the loan portfolio. However, the allowance is an estimate that is inherently uncertain and depends on the outcome of future events. Management’s estimates are based on previous loan loss experience; volume, growth and composition of the loan portfolio; the value of collateral; and current economic conditions. The Company’s lending is concentrated in consumer, commercial, construction and real estate loans in the greater Los Angeles/ Orange County area. Although management believes the level of the allowance as of December 31, 2004 is adequate to absorb probable losses inherent in the loan portfolio, a decline in the local economy may result in increasing losses that cannot reasonably be predicted at this date.

Loan losses are charged, and recoveries are credited, to the allowance account. Additions to the allowance account are charged to the provision for credit losses. The allowance for loan losses is maintained at a level considered adequate by management to absorb probable losses in the loan portfolio. The adequacy of the allowance is determined by management based upon an evaluation and review of the loan portfolio, consideration of historical loan loss experience, current economic conditions, changes in the composition of the loan portfolio, analysis of collateral values and other pertinent factors.

Loans are measured for impairment when it is probable that all amounts, including principal and interest, will not be collected in accordance with the contractual terms of the loan agreement. The amount of impairment and any subsequent changes are recorded through the provision for credit losses as an adjustment to the allowance for loan losses. Accounting standards require that an impaired loan be measured based on:

1. the present value of the expected future cash flows, discounted at the loan’s effective interest rate; or

2. the loan’s observable fair value; or

3. the fair value of the collateral, if the loan is collateral-dependent.

The Company evaluates installment loans for impairment on a pooled basis. These loans are considered to be smaller balance, homogeneous loans and are evaluated on a portfolio basis considering the projected net realizable value of the portfolio compared to the net carrying value of the portfolio.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation on furniture, fixtures and equipment is computed on the straight-line method over the estimated useful lives of the related assets, which range from three to 30 years. Leasehold improvements are capitalized and amortized using the straight-line method over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.

Goodwill and Intangible Assets

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, amounted to $209.6 million and $1.8 million as of December 31, 2004 and 2003, respectively. The Company adopted SFAS No. 142, *"Goodwill and Other Intangible Assets"* ("SFAS No. 142"), effective January 1, 2002. SFAS No. 142 required that goodwill be recorded at the reporting unit level. Reporting units are defined as an operating segment. We have identified one reporting unit — our banking operations. SFAS No. 142 prohibits the amortization of goodwill but requires that it be tested for impairment at least annually, or earlier if events have occurred that might indicate impairment. The Company ceased amortization of goodwill as of January 1, 2002. The Company's impairment test is performed in two phases. The first step involves comparing the fair value of the reporting unit with its carrying amount, including goodwill. Fair value of the reporting unit is estimated using two different valuation techniques: (a) discounted earnings cash flow and (b) average market price to earnings multiple using a management selected peer group. If the fair value of the reporting unit exceeds its fair value an additional procedure must be performed. That additional procedure involves comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. An impairment loss is recorded through earnings to the extent the carrying amount of goodwill exceeds its implied fair value. As of December 31, 2004, management is unaware of any circumstances that would indicate a potential impairment of goodwill.

The Company amortizes core deposit intangible ("CDI") balances using the straight-line method over five years. As required upon adoption of SFAS No. 142, the Bank evaluated the useful lives assigned to the CDI assets and determined that no change was necessary and amortization expense was not adjusted for the year ended December 31, 2004. As required by SFAS No. 142, the CDI balance is assessed for impairment or recoverability whenever events or changes in circumstances indicate the carrying amount may not be recoverable. The CDI recoverability analysis is consistent with the Company's policy for assessing impairment or disposal of long-lived assets. As of and for the year ended December 31, 2004, management is not aware of any circumstances that would indicate impairment of the CDI assets, and no impairment charges were recorded through earnings in 2004.

Income Taxes

The Company provides for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Stock-Based Compensation

Compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Pro forma disclosure of net income and earnings per share is provided as if the fair value-based method had been applied.

Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant dates for awards under the Plan consistent with the fair value method of SFAS No. 123, *"Accounting for Stock-Based Compensation,"* the Company's net income and earnings per share for the years ended December 31, 2004, 2003 and 2002 would have been reduced to the pro forma amounts indicated below:

	2004	2003	2002
		(Dollars in thousands, except per share data)	
Net Income:			
As Reported	$ 36,700	$ 19,213	$ 17,030
Compensation Expense	408	521	791
Pro Forma	**$ 36,292**	**$ 18,692**	**$ 16,239**
Earnings Per Share:			
As Reported:			
Basic	$ 0.87	$ 0.68	$ 0.62
Diluted	$ 0.84	$ 0.67	$ 0.60
Pro Forma:			
Basic	$ 0.86	$ 0.67	$ 0.59
Diluted	$ 0.83	$ 0.65	$ 0.57

The estimated weighted-average fair value of options granted was $3.94 per share in 2004, $3.30 per share in 2003 and $2.52 per share in 2002. The weighted-average fair value of options granted under the Company's fixed stock option plan was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions: dividend yield of 1.40%, 0.00% and 0.00% in 2004, 2003 and 2002, respectively; expected volatility of 32.4%, 31.0% and 37.0% in 2004, 2003 and 2002; respectively; expected lives of 4.2 years, 4.5 years and 4.5 years in 2004, 2003 and 2002, respectively; and risk-free interest rates of 2.90%, 1.87% and 2.39% in 2004, 2003 and 2002, respectively.

Stock Split

On January 20, 2005, the Company's Board of Directors declared a two-for-one stock split, to be effected in the form of a 100 percent common stock dividend. The new shares were distributed on February 15, 2005 to shareholders of record on the close of business on January 31, 2005. All share and per share amounts have been restated to reflect the stock split for all periods presented.

Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing earnings available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of securities that could share in the earnings.

Impairment of Long-Lived Assets

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 144,*"Accounting for the Impairment or Disposal of Long-Lived Assets."* This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123R (revised 2004), *"Share-Based Payment."* SFAS No. 123R addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for either equity instruments of the company or liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments. SFAS No. 123R eliminates the ability to account for share-based compensation transactions using the intrinsic method that is currently used and requires that such transactions be accounted for using a fair value-based method and recognized as expense in the Consolidated Statement of Income. The effective date of SFAS No. 123R is for interim and annual periods beginning after June 15, 2005. The Company has been providing pro forma disclosures under SFAS No. 123, which are included in "Note 1 — Stock-Based Compensation."

In March 2004, the FASB issued Emerging Issues Task Force ("EITF") Issue No. 03-1, *"The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"* ("EITF No. 03-1"). This EITF describes a model involving three steps: (1) determine whether an investment is impaired; (2) determine whether the impairment is other-than-temporary; and (3) recognize any impairment loss in earnings. The EITF also requires several additional disclosures for cost-method investments. In September 2004, the FASB approved the deferral of the effective date for EITF No. 03-1 pending reconsideration of implementation guidance relating to debt securities that are impaired solely due to market interest rate fluctuation. Adoption is not expected to have a material impact on our financial position or results of operations.

In December 2003, the American Institute of Certified Public Accountants ("AICPA") released Statement of Position 03-3, *"Accounting for Certain Loans or Debt Securities Acquired in a Transfer"* ("SOP 03-3"). SOP 03-3 addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor's initial investment in loans or debt securities acquired in a transfer if those differences are attributable to credit quality. SOP 03-3 is effective for loans acquired in fiscal years beginning after December 15, 2004. Adoption is not expected to have a material impact on our financial position or results of operations.

In December 2004, the FASB issued SFAS No. 153, *"Exchange of Non-Monetary Assets, an Amendment of APB Opinion No. 29, "Accounting for Non-Monetary Transactions."'* SFAS No. 153 is based on the principle that exchange of non-monetary assets should be measured based on the fair market value of the assets exchanged. SFAS No. 153 eliminates the exception of non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. SFAS No. 153 is effective for non-monetary asset exchanges in fiscal periods beginning after June 15, 2005. The Company is currently assessing the provisions of SFAS No. 153 and its impact on its consolidated financial statements.

Reclassifications — Certain reclassifications were made to the prior year's presentation to conform to the current year's presentation.

NOTE 2 — BUSINESS COMBINATION

On April 30, 2004, the Company completed its acquisition of PUB and merged PUB with Hanmi Bank. The Company paid $164.5 million in cash to acquire 5,537,431 of the PUB shares owned by Korea Exchange Bank. All of the remaining PUB shares were converted in the acquisition into shares of the Company's common stock based on an exchange ratio of 2.312 Hanmi shares for each PUB share.

In addition, all outstanding PUB employee stock options were converted into 137,414 options to purchase Hanmi stock valued at $1.1 million in total. Based on Hanmi's average price of $12.53 for the five-day trading period from April 28 through May 4, 2004, the total consideration paid for PUB was $324.6 million and resulted in the recognition of goodwill aggregating $207.8 million.

Purchase Price and Acquisition Costs

For purposes of the accompanying pro forma combined financial data, the purchase price has been estimated as follows (dollars in thousands, except share prices):

		(Dollars in Thousands; Except Share Prices)
Common Stock:		
Number of Shares of PUB Stock Outstanding as of April 30, 2004		10,908,821
Less Shares Acquired for Cash		(5,537,431)
Number of Shares of PUB Stock to be Exchange for Hanmi Stock		5,371,390
Exchange Ratio		2.312
Stock Issued in PUB Acquisition		12,418,654
Multiplied by Hanmi's Average Stock Price for the Period Two Days Before and Two Days After the April 29, 2004 Pricing of the Merger Agreement	$	12.53
		155,606
Stock Options:		
Estimated Fair Value of 137,414 Hanmi Stock Options to be Issued in Exchange for 59,443 PUB Outstanding Stock Options, Calculated Using the Black-Scholes Option Pricing Model, Modified for Dividends, With Model Assumptions Estimated as of April 30, 2004 and a Hanmi Stock Price of $12.53, the Average Stock Price for the Period Two Days Before Through Two Days After the April 29, 2004 Pricing of the Merger Agreement		1,063
Cash		164,562
Transaction Costs:		
Cash		3,320
Stock Warrants		145
Total Estimated Purchase Price	**$**	**324,696**

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For the purposes of these pro forma condensed combined financial statements, the purchase price estimated above has been allocated based on estimates of the fair values of the assets acquired and liabilities assumed. The final valuation of net assets acquired will be completed as soon as possible but no later than one year from the acquisition date. To the extent estimates need to be adjusted, they will be adjusted.

		(Dollars in Thousands)
Book Value of Net Assets Acquired	$	110,683
Adjustments:		
Adjustment to Record Acquired Securities at Estimated Fair Value		(1,489)
Adjustment to Record Acquired Loans at Estimated Fair Value		376
Adjustment to Record Acquired Fixed Assets at Estimated Fair Value		5,459
Adjustment to Record Core Deposit Intangible Asset		13,137
Adjustment to Record Various Other Assets at Estimated Fair Value		15
Adjustment to Record Interest-Bearing Deposits at Fair Value		(264)
Adjustment to Record Other Borrowings at Fair Value		(789)
Adjustment to Record Severance Benefits Associated with the Elimination of Positions, Termination of Certain Contractual Obligations of PUB and Other Miscellaneous Adjustments		(4,512)
Adjustment to Record Deferred Tax Liability		(7,948)
Adjustment to Record Goodwill Associated with the Acquisition of PUB		210,028
Total Estimated Purchase Price	**$**	**324,696**

The fair value of PUB net assets acquired was as follows:

		(In Thousands)
Assets:		
Cash and Due From Banks	$	27,483
Federal Fund Sold		76,900
Federal Home Loan Bank Stock		6,256
Securities Available for Sale		157,905
Loans Receivable, Net of Allowance for Loan Losses		865,743
Premises and Equipment		11,668
Accrued Interest Receivable		3,498
Goodwill		207,812
Core Deposit Intangible		13,136
Other Assets		13,381
Total Assets	$	1,383,782
Liabilities:		
Deposits	$	936,699
Borrowings		105,789
Other Liabilities		16,663
Total Liabilities	$	1,059,151
Net Assets Acquired	**$**	**324,633**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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The core deposit intangible is being amortized over its estimated useful life of five years. None of the goodwill balance is expected to be deductible for income tax purposes.

Merger-related costs recognized as expenses during 2004 consist of employee retention bonuses, the costs of vacating duplicative branches within Hanmi's existing network and the impairment of fixed assets (primarily leasehold improvements) associated with such branches. Of the $2,053,000 provided, $777,000 was utilized and charged against the related liability in the 2004. The remaining balance of $1,276,000 is anticipated to be utilized by the end of 2005, excluding certain lease commitments that may continue into 2006.

Certain costs (primarily PUB employee severance, data processing contract termination costs, and the costs of vacating duplicative branches within PUB's network) were recognized as liabilities assumed in the business combination or impairments of fixed assets associated with such branches. Accordingly, they have been considered part of the purchase price of PUB and recorded as an increase in the balance of goodwill. Of the $4,515,000 provided, $2,444,000 was utilized and charged against the related liability in 2004. The remaining balance of $2,071,000 is anticipated to be utilized by the end of 2005, excluding certain lease commitments that may continue into 2009.

The Company incurred the following merger-related costs through December 31, 2004.

	Expensed	Included in Cost of Acquisition
	(In thousands)	
Merger-Related Costs:		
Employee Termination Costs	$ 1,364	$ 1,425
Contract Termination Costs	—	1,828
Leasehold Termination Costs	348	1,262
Asset Impairments	341	—
Total Merger-Related Costs	**$ 2,053**	**$ 4,515**

Pro Forma Combined Financial Data Reflecting the PUB Acquisition

The Pro Forma Combined Income Statements presented below give effect to the acquisition of PUB as if it had been consummated as of January 1, 2003. The pro forma information is not necessarily indicative of the

HANMI FINANCIAL CORPORATION AND SUBSIDIARY

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results of operations that would have resulted had the acquisition been completed as of January 1, 2003, nor is it necessarily indicative of future results of operations.

	2004	2003
	(Dollars in thousands; Except Per Share Data)	
Net Interest Income	$ 121,259	$ 90,819
Provision for Credit Losses	3,307	7,580
Non-Interest Income	33,366	33,399
Non-Interest Expenses	86,029	70,726
Provision for Income Taxes	25,110	18,190
Net Income	**$ 40,179**	**$ 27,722**
Weighted-Average Shares Outstanding:		
Basic	48,928,260	48,406,100
Diluted	49,760,374	49,557,118
Earnings Per Share:		
Basic	$ 0.82	$ 0.57
Diluted	$ 0.81	$ 0.56

NOTE 3 — SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

The Company purchases government agency securities and/or whole loans under agreements to resell the same securities (reverse repurchase agreements) with primary dealers. Amounts advanced under these agreements represent short-term invested cash. Securities subject to the reverse repurchase agreements are held in the name of the Company by dealers who arrange the transactions.

In the event that the fair value of the securities decreases below the carrying amount of the related reverse repurchase agreement, the counterparties are required to designate an equivalent value of additional securities in the name of the Company.

The following is a summary of the securities purchased under agreements to resell at December 31, 2004:

	(Dollars in thousands)
Balance at Year-End	$ 10,000
Average Balance Outstanding During the Year	$ 55
Maximum Amount Outstanding at Any Month-End During the Year	$ 10,000
Weighted-Average Interest Rate During the Year	2.33%

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NOTE 4 — SECURITIES

The following is a summary of the securities held to maturity at December 31:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
		(In thousands)		
2004				
Municipal Bonds	$ 691	$ —	$ —	$ 691
Mortgage-Backed Securities	399	3	—	402
	$ 1,090	**$ 3**	**$ —**	**$ 1,093**
2003				
Municipal Bonds	$ 690	$ —	$ 1	$ 689
Mortgage-Backed Securities	638	7	—	645
	$ 1,328	**$ 7**	**$ 1**	**$ 1,334**

The following is a summary of securities available for sale at December 31:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
		(In thousands)		
2004				
Mortgage-Backed Securities	$ 148,706	$ 1,014	$ 546	$ 149,174
Collateralized Mortgage Obligations	93,172	236	869	92,539
U.S. Government Agencies	89,345	381	49	89,677
Municipal Bonds	71,771	1,938	93	73,616
Corporate Bonds	8,380	76	12	8,444
Other	4,437	34	38	4,433
	$ 415,811	**$ 3,679**	**$ 1,607**	**$ 417,883**
2003				
Mortgage-Backed Securities	$ 117,139	$ 830	$ 485	$ 117,484
Collateralized Mortgage Obligations	125,491	274	1,669	124,096
U.S. Government Agencies	80,845	606	25	81,426
Municipal Bonds	60,741	910	248	61,403
Corporate Bonds	13,641	309	47	13,903
Other	15,055	—	79	14,976
	$ 412,912	**$ 2,929**	**$ 2,553**	**$ 413,288**

The amortized cost and estimated fair value of investment securities at December 31, 2004, by contractual maturity, are shown below. Although mortgage-backed securities and collateralized mortgage obligations have contractual maturities through 2034, 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	$ 4,261	$ 4,261	$ —	$ —
Over One Year Through Five Years	71,120	71,340	—	—
Over Five Years Through Ten Years	32,450	32,749	—	—
Over Ten Years	65,664	67,382	691	691
	173,495	175,732	691	691
Mortgage-Backed Securities	148,706	149,174	399	402
Collateralized Mortgage Obligations	93,172	92,539	—	—
Asset-Backed Securities	438	438	—	—
	242,316	242,151	399	402
	$ 415,811	**$ 417,883**	**$ 1,090**	**$ 1,093**

Gross unrealized losses on investment securities and the fair value of the related 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 December 31, 2004:

	Less than 12 Months		12 Months or More		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
			(In thousands)			
Available for Sale:						
Mortgage-Backed Securities	$ 135	$ 22,747	$ 411	$ 37,428	$ 546	$ 60,175
Collateralized Mortgage Obligations	264	13,780	605	39,824	869	53,604
U.S. Government Agency Securities	49	14,883	—	—	49	14,883
Municipal Bonds	—	—	93	3,775	93	3,775
Corporate Bonds	12	3,103	—	—	12	3,103
Other	—	—	38	1,962	38	1,962
	$ 460	**$ 54,513**	**$ 1,147**	**$ 82,989**	**$ 1,607**	**$ 137,502**

All individual securities that have been in a continuous unrealized loss position for 12 months or longer at December 31, 2004 had investment grade ratings upon purchase. The issuers of these securities have not, to our knowledge, established any cause for default on these securities and the various rating agencies have reaffirmed these securities' long-term investment grade status at December 31, 2004. These securities have fluctuated in value since their purchase dates as market interest rates have fluctuated. However, the Company has the ability, and management intends to hold these securities until their fair values recover to cost. 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 December 31, 2004 are not other-than-temporarily impaired, and therefore, no impairment charges as of December 31, 2004 are warranted.

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Securities with carrying values of $307.5 million and $278.5 million as of December 31, 2004 and 2003, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

At December 31, 2003, the Company held a WorldCom, Inc. ("WorldCom") corporate bond in its available for sale portfolio with an amortized carrying value of $119,000. On January 15, 2003, such investment matured and WorldCom defaulted on the repayment. The Company wrote down its cost basis in the investment to fair value, recognizing a loss of $4.4 million during the year ended December 31, 2002, as the Company's management considered such decline in market value an other than temporary condition. In 2003, the Company sold $4.0 million par value of this bond and recognized gains of $782,000. In 2004, the Company sold its remaining WorldCom securities, recognizing a gain of $100,000.

There were $0.1 million, $1.1 million and $3.3 million in net realized gains on sales of securities available for sale during the years ended December 31, 2004, 2003 and 2002, respectively. During 2004, $983,000 ($713,000 net of tax) of unrealized losses arose during the year and were included in comprehensive income and $167,000 ($122,000 net of tax) of previously unrealized losses were realized in earnings. In 2003, $1.8 million ($1.3 million net of tax) of unrealized losses arose during the year and were included in comprehensive income and $1.1 million ($692,000 net of tax) of previously unrealized gains were realized in earnings. In 2002, $2.5 million ($1.7 million net of tax) of unrealized gains arose during the year and were included in comprehensive income and $882,000 ($574,000 net of tax) of previously unrealized gains were realized in earnings.

NOTE 5 — LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans receivable consisted of the following at December 31:

	2004	2003
	(In thousands)	
Real Estate Loans:		
Commercial Property	$ 783,539	$ 397,853
Construction	92,521	43,047
Residential Property	80,786	58,477
Total Real Estate Loans	956,846	499,377
Commercial and Industrial Loans	1,214,419	685,557
Consumer Loans	87,526	54,878
Total Gross Loans	2,258,791	1,239,812
Allowance for Loans Losses	(22,702)	(13,349)
Deferred Loan Fees	(5,097)	(3,518)
Loans Receivable, Net	**$ 2,230,992**	**$ 1,222,945**

At December 31, 2004 and 2003, the Company serviced loans sold to unaffiliated parties in the amounts of $173.7 million and $97.9 million, respectively.

Changes in loan servicing rights, net of amortization, were as follows:

	December 31, 2004	December 31, 2003
	(In Thousands)	
Balance, Beginning of Year	$ 2,364	$ 2,064
Additions	2,172	652
Amortization	(690)	(352)
Balance, End of Year	**$ 3,864**	**$ 2,364**

Activity in the allowance for loan losses and reserve for credit losses was as follows:

	2004 Allowance for Loan Losses	2004 Reserve for Credit Losses	2004 Total	2003 Allowance for Loan Losses	2003 Reserve for Credit Losses	2003 Total	2002 Allowance for Loan Losses	2002 Reserve for Credit Losses	2002 Total
	As of and For the Years Ended December 31, (In thousands)								
Balance, Beginning of Year	$ 13,349	$ 1,385	$ 14,734	$ 11,254	$ 1,015	$ 12,269	$ 9,408	$ 656	$ 10,064
Allowance for Loan Losses Acquired in PUB Acquisition	10,566	—	10,566	—	—	—	—	—	—
Provision Charged to Operating Expense	2,492	415	2,907	5,310	370	5,680	4,441	359	4,800
Loans Charged Off	(5,485)	—	(5,485)	(4,423)	—	(4,423)	(3,571)	—	(3,571)
Recoveries, Net of Charge-Offs	1,780	—	1,780	1,208	—	1,208	976	—	976
Balance, End of Year	**$ 22,702**	**$ 1,800**	**$ 24,502**	**$ 13,349**	**$ 1,385**	**$ 14,734**	**$ 11,254**	**$ 1,015**	**$ 12,269**

The following is a summary of the investment in impaired loans and the related allowance for loan losses:

	December 31, 2004	December 31, 2003
	(In thousands)	
Recorded Investment in Impaired Loans	$ 7,653	$ 6,285
Related Allowance for Loan Losses	$ 7,039	$ 2,972
Impaired Loans Without Specific Allowances	$ 3,262	$ 392

The average recorded investment in impaired loans during the years ended December 31, 2004, 2003 and 2002 was $9.9 million, $6.4 million and $4.8 million, respectively. Interest income of $350,000, $204,000 and $273,000 was recognized on impaired loans during the years ended December 31, 2004, 2003 and 2002, respectively.

Loans on non-accrual status totaled $5.8 million and $8.1 million at December 31, 2004 and 2003, respectively. If interest on non-accrual loans had been recognized at the original interest rates, interest income would have increased $678,000, $362,000 and $203,000 during the years ended December 31, 2004, 2003 and 2002, respectively. The Company is not committed to lend additional funds to debtors whose loans are impaired.

Loans past due 90 days or more and still accruing interest totaled $208,000 and $557,000 at December 31, 2004 and 2003, respectively. Restructured loans totaled $2.6 million and $640,000 at December 31, 2004 and 2003, respectively.

The following is an analysis of all loans to officers and directors of the Company and their affiliates. In the opinion of management, all such loans were made under terms that are consistent with the Company's normal lending policies.

	December 31, 2004	December 31, 2003
	(In thousands)	
Outstanding Balance, Beginning of Year	$ 885	$ 2,645
Credit Granted, Including Renewals	951	127
Repayments	(284)	(1,887)
Outstanding Balance, End of Year	**$ 1,552**	**$ 885**

Income from these loans totaled $70,000 and $153,000 for the years ended December 31, 2004 and 2003, respectively, and is reflected in the accompanying Consolidated Statements of Income.

NOTE 6 — PREMISES AND EQUIPMENT

The following is a summary of the major components of premises and equipment:

	December 31, 2004	December 31, 2003
	(In thousands)	
Land	$ 6,120	$ 1,820
Buildings and Improvements	7,354	3,034
Furniture and Equipment	11,116	8,052
Leasehold Improvements	7,845	5,826
	32,435	18,732
Accumulated Depreciation and Amortization	(12,744)	(10,297)
Total Premises and Equipment, Net	**$ 19,691**	**$ 8,435**

NOTE 7 — DEPOSITS

Time deposits by maturity were as follows:

	December 31, 2004	December 31, 2003
	(In thousands)	
Less Than Three Months	$ 534,394	$ 429,129
After Three Months to Six Months	289,134	116,983
After Six Months to Twelve Months	174,548	99,094
After Twelve Months	33,624	22,574
Total Time Deposits	**$ 1,031,700**	**$ 667,780**

HANMI FINANCIAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
DECEMBER 31, 2004, 2003 AND 2002

A summary of interest expense on deposits was as follows for the years ended December 31, 2004, 2003 and 2002:

	2004	2003	2002
		(In thousands)	
Money Market Checking	$ 8,098	$ 2,584	$ 3,036
Savings	1,790	1,894	2,632
Time Deposits of $100,000 or More	10,966	7,415	7,838
Other Time Deposits	5,414	7,354	7,034
Total Interest Expense on Deposits	**$ 26,268**	**$ 19,247**	**$ 20,540**

NOTE 8 — OTHER BORROWED FUNDS

Other borrowed funds consisted of the following:

	December 31, 2004	December 31, 2003
	(In thousands)	
FHLB Advances	$ 66,363	$ 148,400
Note Issued to U.S. Treasury	2,930	3,104
Federal Funds Purchased and Securities Sold Under Agreements to Resell	—	31,495
Total Other Borrowed Funds	**$ 69,293**	**$ 182,999**

FHLB advances represent collateralized obligations with the FHLB of San Francisco, and are summarized by contractual maturity as follows:

Year	Amount
	(In thousands)
2005	$ 25,000
2006	10,000
2007	20,000
2008	—
2009	6,000
Thereafter	5,363
	$ 66,363

The Company has pledged investment securities available for sale with a carrying value of $68.8 million as collateral with the FHLB for this borrowing facility. The total borrowing capacity available from the collateral that has been pledged is $757.1 million, of which $690.7 million remained available as of December 31, 2004.

For the years ended December 31, 2004, 2003 and 2002, interest expense on other borrowed funds totaled $3,305,000, $1,549,000 and $805,000, respectively, and the weighted-average interest rates were 2.14%, 2.45% and 3.68%, respectively.

In 2004, the Company obtained additional lines of credit of $18.0 million. Total credit lines for borrowing amounted to $85.0 million at December 31, 2004.

NOTE 9 — JUNIOR SUBORDINATED DEBENTURES

During the first half of 2004, the Company issued two junior subordinated notes bearing interest at three-month London InterBank Offered Rate ("LIBOR") plus 2.90% totaling $61.8 million and one junior subordinated note bearing interest at three-month LIBOR plus 2.63% totaling $20.6 million. The Company's outstanding subordinated debentures related to these offerings, the proceeds of which were used to finance the purchase of PUB, totaled $82.4 million at December 31, 2004. For the year ended December 31, 2004, interest expense on the junior subordinated debentures totaled $3,044,000 with a weighted-average interest rate of 4.41%.

NOTE 10 — INCOME TAXES

A summary of income tax provision for the years ended December 31, 2004, 2003 and 2002 follows:

	2004	2003	2002
		(In thousands)	
Current:			
Federal	$ 16,010	$ 10,852	$ 8,410
State	6,271	3,642	1,071
	22,281	14,494	9,481
Deferred:			
Federal	1,032	(1,732)	(390)
State	(338)	(337)	(79)
	694	(2,069)	(469)
Provision for Income Taxes	**$ 22,975**	**$ 12,425**	**$ 9,012**

As of December 31, 2004 and 2003, the Federal and state deferred tax assets are as follows:

	2004	2003
	(In thousands)	
Deferred Tax Assets:		
Credit Loss Provision	$ 11,232	$ 6,754
Depreciation	816	667
State Taxes	1,475	895
Other	42	31
Total Deferred Tax Assets	13,565	8,347
Deferred Tax Liabilities:		
Purchase Accounting	(7,022)	(142)
Unrealized Gain on Securities Available for Sale and Interest Rate Swaps	(744)	(220)
Other	(790)	(98)
Total Deferred Tax Liabilities	(8,556)	(460)
Valuation Allowance	—	(680)
Net Deferred Tax Assets	**$ 5,009**	**$ 7,207**

HANMI FINANCIAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
DECEMBER 31, 2004, 2003 AND 2002

Management believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets, net of the valuation allowance.

A reconciliation of the difference between the Federal statutory income tax rate and the effective tax rate as of December 31 is shown in the following table:

	2004	2003	2002
Statutory Tax Rate	35.0%	35.0%	35.0%
State Taxes, Net of Federal Tax Benefits	6.5%	6.6%	2.4%
Tax-Exempt Municipal Securities	(1.8)%	(1.5)%	(1.1)%
Reversal of Valuation Allowance	(0.7)%	—	—
Other	(0.5)%	(0.8)%	(1.7)%
Effective Tax Rate	**38.5%**	**39.3%**	**34.6%**

At December 31, 2004, net current taxes receivable of $2.4 million were included in Other Assets in the Consolidated Statements of Financial Condition. At December 31, 2003, net current taxes payable of $5.0 million were included in Other Liabilities in the Consolidated Statements of Financial Condition.

NOTE 11 — SHAREHOLDERS' EQUITY

Stock Options

The Bank adopted a Stock Option Plan in 1992, which was replaced by the Hanmi Financial Corporation Year 2000 Stock Option Plan (the "Plan"), under which options to purchase shares of the Company's common stock may be granted to key employees and directors. The Plan provides that the option price shall not be less than the fair value of the Company's stock on the effective date of the grant. Generally, options will vest over five years. No option may be granted with a term of more than ten years.

The following is a summary of the transactions under the stock option plan described above:

	2004		2003		2002	
	Number of Shares	Weighted-Average Exercise Price Per Share	Number of Shares	Weighted-Average Exercise Price Per Share	Number of Shares	Weighted-Average Exercise Price Per Share
Options Outstanding, Beginning of Year	1,500,064	$ 5.52	2,137,012	$ 5.32	2,612,846	$ 6.41
Options Granted	1,141,000	$ 14.63	80,000	$ 8.75	80,000	$ 7.75
Options Assumed in PUB Acquisition	137,414	$ 5.11	—	$ —	—	$ —
Options Exercised	(670,576)	$ 4.82	(495,954)	$ 4.53	(444,044)	$ 3.31
Options Cancelled/ Expired	(139,066)	$ 9.61	(220,994)	$ 6.99	(111,790)	$ 7.01
Options Outstanding, End of Year	**1,968,836**	**$ 10.72**	**1,500,064**	**$ 5.52**	**2,137,012**	**$ 5.32**
Options Exercisable at Year-End	487,242	$ 6.10	655,154	$ 5.26	771,368	$ 4.66

	Options Outstanding		Options Exercisable
Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Number Outstanding
$ 2.76	35,462	0.8 years	35,462
$ 3.27	28,482	5.8 years	28,482
$ 3.89	292,992	5.7 years	109,872
$ 4.10	4,272	1.4 years	4,272
$ 4.36	4,102	1.6 years	4,102
$ 7.04	407,542	6.6 years	191,068
$ 7.52	11,328	2.7 years	11,328
$ 7.92	18,032	4.0 years	18,032
$ 8.75	80,000	8.5 years	80,000
$10.44	4,624	4.2 years	4,624
$12.85	14,000	9.4 years	—
$13.35	20,000	9.5 years	—
$13.52	694,000	9.2 years	—
$15.56	4,000	9.8 years	—
$17.17	350,000	9.8 years	—
	1,968,836		**487,242**

The number and price per share of outstanding options have been adjusted to reflect the stock dividends in January 2005 and 2002.

Stock Warrants

In 2004, the Company issued stock warrants to affiliates of Castle Creek Financial LLC ("Castle Creek") for services rendered in connection with the placement of the Company's equity securities. Under the terms of the warrants, the warrant holders can purchase a total of 508,558 shares of common stock at an exercise price of $9.50 per share. The warrants were immediately exercisable and expire after five years. During 2004, 20,000 shares of common stock were issued for the exercise of stock warrants.

NOTE 12 — REGULATORY MATTERS

The Company and the Bank are subject to various regulatory capital requirements administered by the Federal banking regulatory agencies. Failure to meet minimum capital requirements can initiate certain mandatory — and possibly additional discretionary — actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes that, as of December 31, 2004 and 2003, the Company and the Bank met all capital adequacy requirements to which they were subject.

As of December 31, 2004, the most recent notification from the Federal Reserve Board categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized" the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since that notification which management believes have changed the institution's category.

The capital ratios of the Company and the Bank at December 31 were as follows:

	Actual		Minimum Regulatory Requirement		Minimum to Be Categorized as "Well Capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
December 31, 2004						
Total Capital (to Risk-Weighted Assets):						
Company	$ 281,684	11.98%	$ 188,173	8.00%	N/A	N/A
Bank	$ 277,075	11.80%	$ 187,921	8.00%	$ 234,901	10.00%
Tier 1 Capital (to Risk-Weighted Assets):						
Company	$ 257,182	10.93%	$ 94,087	4.00%	N/A	N/A
Bank	$ 252,573	10.75%	$ 93,960	4.00%	$ 140,940	6.00%
Tier 1 Capital (to Average Assets):						
Company	$ 257,182	8.93%	$ 115,235	4.00%	N/A	N/A
Bank	$ 252,573	8.78%	$ 115,055	4.00%	$ 143,818	5.00%
December 31, 2003						
Total Capital (to Risk-Weighted Assets):						
Company	$ 151,336	11.13%	$ 108,757	8.00%	N/A	N/A
Bank	$ 150,547	11.09%	$ 108,630	8.00%	$ 135,788	10.00%
Tier 1 Capital (to Risk-Weighted Assets):						
Company	$ 136,602	10.05%	$ 54,379	4.00%	N/A	N/A
Bank	$ 135,813	10.00%	$ 54,315	4.00%	$ 81,473	6.00%
Tier 1 Capital (to Average Assets):						
Company	$ 136,602	7.80%	$ 70,088	4.00%	N/A	N/A
Bank	$ 135,813	7.75%	$ 70,067	4.00%	$ 87,584	5.00%

The average reserve balance required to be maintained with the Federal Reserve Bank was $1.5 million as of December 31, 2004 and 2003.

NOTE 13 — EARNINGS PER SHARE

The Company declared a 100% stock dividend on January 20, 2005 and a 9% stock dividend on February 20, 2002.

The following is a reconciliation of the numerators and denominators (adjusted for the 100% stock dividend in January 2005 and the 9% stock dividend in 2002) of the basic and diluted per share computations for the years ended December 31, 2004, 2003 and 2002:

	Income (Numerator)	Weighted-Average Shares (Denominator)	Per Share Amount
2004:			
Basic EPS — Income Available to Common Shareholders	$ 36,700	42,268,964	$ 0.87
Effect of Dilutive Securities — Options and Warrants	—	1,248,293	(0.03)
Diluted EPS — Income Available to Common Shareholders	$ 36,700	43,517,257	$ 0.84
2003:			
Basic EPS — Income Available to Common Shareholders	$ 19,213	28,092,708	$ 0.68
Effect of Dilutive Securities — Options	—	569,318	(0.01)
Diluted EPS — Income Available to Common Shareholders	$ 19,213	28,662,026	$ 0.67
2002:			
Basic EPS — Income Available to Common Shareholders	$ 17,030	27,647,570	$ 0.62
Effect of Dilutive Securities — Options	—	658,922	(0.02)
Diluted EPS — Income Available to Common Shareholders	$ 17,030	28,306,492	$ 0.60

NOTE 14 — EMPLOYEE BENEFITS

The Company has profit sharing and section 401(k) plans for the benefit of substantially all of its employees. Contributions to the profit sharing plan are determined by the board of directors. No contributions were made to the profit sharing plan in 2004, 2003 or 2002.

The Company matches 75% of participant contributions to the 401(k) plan up to 8% of each 401(k) plan participant's annual compensation. The Company made contributions to the 401(k) plan for the years ended December 31, 2004, 2003 and 2002 of $858,000, $553,000 and $524,000, respectively.

In 2001 and 2004, the Company purchased single premium life insurance policies covering certain officers of the Company. The Company is the beneficiary under the policy. In the event of the death of a covered officer, the Company will receive the specified insurance benefit.

NOTE 15 — DERIVATIVE FINANCIAL INSTRUMENTS

During 2004, the Company entered into one interest rate swap agreement, wherein the Company received a fixed rate of 7.29%, at quarterly intervals, and paid Prime-based floating rates, at quarterly intervals, on a total notional amount of $10.0 million. This swap agreement matures in 2009 and was designated as a cash flow hedge for accounting purposes. The total notional amount of interest rate swaps was $70.0 million as of December 31, 2004. During 2003, the Company entered into four interest rate swap agreements, wherein the Company received fixed rates of 5.77%, 6.37%, 6.51% and 6.76%, at quarterly intervals, and paid Prime-based floating rates, at quarterly intervals, on a total notional amount of $60.0 million. All four of the swap agreements mature in 2008. These swaps were designated as hedges for accounting purposes.

HANMI FINANCIAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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As of December 31, 2004, the fair value of the interest rate swaps was in an unfavorable position of $293,000. A total of ($170,000), net of tax, was included in Other Comprehensive Income. As of December 31, 2003, the fair value of the interest rate swaps was in a favorable position of $253,000. A total of $165,000, net of tax, was included in Other Comprehensive Income. Income of $19,000 and $35,000 related to hedge ineffectiveness was recognized in 2004 and 2003, respectively.

In 2004, the Bank offered a certificate of deposit ("CD") product that pays interest tied to the movement in the Standard & Poors 500 Index. The economic characteristics and risks of the embedded option are not clearly and closely related to the CD. Therefore, the embedded option is separated from the CD and accounted for separately in liabilities. As of December 31, 2004, the fair value of the embedded option was $1,396,000 and the change in the liability during 2004 was $242,000. The change was recognized in earnings.

To economically hedge the interest risk, the Bank entered into an agreement to purchase an equity swap. As of December 31, 2004, the fair value of the equity swap was $212,000, which was also equal to the change during the year. The change was recognized in earnings.

NOTE 16 — COMMITMENTS AND CONTINGENCIES

The Company leases its premises under non-cancelable operating leases. At December 31, 2004, future minimum annual rental commitments under these non-cancelable operating leases, with initial or remaining terms of one year or more, are as follows for the years ended December 31:

Year	Amount (In thousands)
2005	$ 2,614
2006	2,567
2007	2,286
2008	1,747
2009	1,112
Thereafter	6,545
	$ 16,871

Rental expenses recorded under such leases in 2004, 2003 and 2002 amounted to $3.2 million, $2.0 million and $1.8 million, respectively.

In the normal course of business, the Company is involved in various legal claims. Management has reviewed all legal claims against the Company with in-house or outside legal counsel and has taken into consideration the views of such counsel as to the outcome of the claims. In management's opinion, the final disposition of all such claims will not have a material adverse effect on the financial position and results of operations of the Company.

NOTE 17 — OFF-BALANCE SHEET COMMITMENTS

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its 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 statements of financial condition. 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. 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 the Company's undisbursed loan commitments as of the dates indicated:

	December 31, 2004	December 31, 2003
	(In thousands)	
Commitments to Extend Credit	$ 367,708	$ 253,722
Standby Letters of Credit	47,901	34,434
Commercial Letters of Credit	49,699	34,261
Unused Credit Card Lines	14,324	3,801
Total Undisbursed Loan Commitments	**$ 479,632**	**$ 326,218**

NOTE 18 — FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of financial instruments has been determined by the Company 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 the Company 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:

	December 31, 2004		December 31, 2003	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In thousands)			
Assets:				
Cash and Cash Equivalents	$ 127,164	$ 127,164	$ 62,595	$ 62,595
Federal Reserve Bank Stock	12,099	12,099	2,935	2,935
Federal Home Loan Bank Stock	9,862	9,862	7,420	7,420
Securities Held to Maturity	1,090	1,093	1,328	1,334
Securities Available for Sale	417,883	417,883	413,288	413,288
Loans Receivable, Net	2,230,992	2,229,096	1,222,945	1,226,300
Loans Held for Sale	3,850	4,026	25,454	25,501
Accrued Interest Receivable	10,029	10,029	6,686	6,686
Interest Rate Swaps	(293)	(293)	253	253
Equity Swap	212	212	—	—
Liabilities:				
Non-Interest-Bearing Deposits	729,853	729,853	475,100	475,100
Interest-Bearing Deposits	1,799,224	1,799,224	970,735	977,670
Other Borrowed Funds and Junior Subordinated Debentures	151,699	153,541	182,999	184,497
Accrued Interest Payable	7,100	7,100	4,403	4,403
Embedded Derivative	1,396	1,396	—	—

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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The methods and assumptions used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value are explained below:

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

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

(c) *Securities* — The fair value of securities is generally obtained from market bids for similar or identical securities or obtained from independent securities brokers or dealers.

(d) *Loans* — Fair values are estimated for portfolios of loans with similar financial characteristics, primarily fixed and adjustable rate interest terms. The fair values of fixed rate mortgage loans are based on discounted cash flows utilizing applicable risk-adjusted spreads relative to the current pricing of similar fixed rate loans, as well as anticipated repayment schedules. The fair value of adjustable rate commercial loans is based on the estimated discounted cash flows utilizing the discount rates that approximate the pricing of loans collateralized by similar commercial properties. The fair value of non-performing loans at December 31, 2004 and 2003 was not estimated because it is not practicable to reasonably assess the credit adjustment that would be applied in the marketplace for such loans. The estimated fair value is net of allowance for loan losses.

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

(f) *Deposits* — The fair value of non-maturity deposits is the amount payable on demand at the reporting date. Non-maturity deposits include non-interest-bearing demand deposits, savings accounts and money market checking. Discounted cash flows have been used to value term deposits such as certificates of deposit. The discount rate used is based on interest rates currently being offered by the Bank on comparable deposits as to amount and term. The carrying amount of accrued interest payable approximates its fair value.

(g) *Other Borrowed Funds* — Discounted cash flows have been used to value other borrowed funds.

(h) *Loan Commitments and Standby Letters of Credit* — The fair value of loan commitments and standby letters of credit is 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 fair value of loan commitments and standby letters of credit is immaterial at December 31, 2004 and 2003.

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NOTE 19 — CONDENSED FINANCIAL INFORMATION OF PARENT COMPANY

Statements of Financial Condition	December 31, 2004	December 31, 2003
	(In thousands)	
Assets:		
Cash	$ 5,376	$ 1,454
Receivable from Hanmi Bank	455	231
Investment in Hanmi Bank	475,302	138,678
Investment in Unconsolidated Subsidiaries	2,986	511
Other Assets	1,799	1,081
Total Assets	**$ 485,918**	**$ 141,955**
Liabilities and Shareholders' Equity:		
Liabilities:		
Junior Subordinated Debentures	$ 82,406	$ —
Other Liabilities	3,602	2,488
Shareholders' Equity	399,910	139,467
Total Liabilities and Shareholders' Equity	**$ 485,918**	**$ 141,955**

Statements of Income	Years Ended December 31, 2004	2003	2002
		(In thousands)	
Equity in Earnings of Hanmi Bank	$ 39,574	$ 19,578	$ 17,371
Other Expenses, Net	(4,673)	(602)	(521)
Income Tax Benefit	1,799	237	180
Net Income	**$ 36,700**	**$ 19,213**	**$ 17,030**

Statements of Cash Flows	Years Ended December 31, 2004	2003	2002
		(In thousands)	
Cash Flows From Operating Activities:			
Net Income	$ 36,700	$ 19,213	$ 17,030
Adjustments to Reconcile Net Income to Net Cash (Used In) Provided By Operating Activities:			
Earnings of Hanmi Bank	(39,574)	(19,578)	(17,371)
(Increase) Decrease in Receivable from Hanmi Bank	(224)	(231)	368
Increase in Other Assets	(718)	(1,968)	(11)
Increase in Other Liabilities	132	1,065	6
Net Cash (Used In) Provided By Operating Activities	(3,684)	(1,499)	22

HANMI FINANCIAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
DECEMBER 31, 2004, 2003 AND 2002

Statements of Cash Flows	2004	2003	2002
	Years Ended December 31, (In thousands)		
Cash Flows From Investing Activities:			
Dividends Received from Hanmi Bank	11,990	2,300	—
Capital Contribution to Hanmi Bank	(80,000)	—	—
Acquisition of Pacific Union Bank	(71,710)	—	—
Purchase of Investment in Unconsolidated Subsidiaries	(2,475)	(161)	—
Net Cash (Used In) Provided By Investing Activities	(142,195)	2,139	—
Cash Flows From Financing Activities:			
Issuance of Junior Subordinated Debentures	82,406	—	—
Proceeds from Exercise of Stock Options	3,425	3,141	1,469
Stock Issued Through Private Placement	71,710	—	—
Cash Dividends Paid	(7,740)	(4,220)	(7)
Net Cash Provided By (Used In) Financing Activities	149,801	(1,079)	1,462
Net Increase (Decrease) in Cash	3,922	(439)	1,484
Cash, Beginning of Year	1,454	1,893	409
CASH, END OF YEAR	**$ 5,376**	**$ 1,454**	**$ 1,893**

NOTE 20 — QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data follows:

	March 31	June 30	September 30	December 31
2004				
Net Interest Income	$ 16,828	$ 23,974	$ 29,815	$ 30,933
Provision for Credit Losses	$ 900	$ 850	$ —	$ 1,157
Net Income	$ 6,386	$ 7,545	$ 11,069	$ 11,700
Basic Earnings Per Share	$ 0.23	$ 0.18	$ 0.23	$ 0.24
Diluted Earnings Per Share	$ 0.22	$ 0.18	$ 0.22	$ 0.23
2003				
Net Interest Income	$ 12,058	$ 13,680	$ 14,290	$ 16,298
Provision for Credit Losses	$ 1,180	$ 1,500	$ 1,700	$ 1,300
Net Income	$ 4,240	$ 4,953	$ 4,945	$ 5,075
Basic Earnings Per Share	$ 0.15	$ 0.18	$ 0.18	$ 0.18
Diluted Earnings Per Share	$ 0.15	$ 0.18	$ 0.17	$ 0.18

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: /s/ Sung Won Sohn, Ph.D.

Sung Won Sohn, PH.D.
President and Chief Executive Officer

Date: March 16, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated as of March 16, 2005.

/s/ Sung Won Sohn, PH.D.
Sung Won Sohn, PH.D.
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Michael J. Winiarski
Michael J. Winiarski
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

/s/ Joon Hyung Lee
Joon Hyung Lee
Chairman of the Board

/s/ Richard B. C. Lee
Richard B. C. Lee
Vice Chairman of the Board

/s/ I Joon Ahn
I Joon Ahn
Director

/s/ Stuart S. Ahn
Stuart S. Ahn
Director

/s/ Ung Kyun Ahn
Ung Kyun Ahn
Director

/s/ Kraig Kupiec
Kraig Kupiec
Director

/s/ M. Christian Mitchell
M. Christian Mitchell
Director

/s/ Chang Kyu Park
Chang Kyu Park
Director

/s/ Joseph K. Rho
Joseph K. Rho
Director

/s/ William J. Ruh
William J. Ruh
Director

/s/ Won R. Yoon
Won R. Yoon
Director

HANMI FINANCIAL CORPORATION AND SUBSIDIARY

EXHIBIT INDEX

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* *Previously filed and incorporated by reference herein from Hanmi's Registration Statement on Form S-4 (No. 333-32770) filed with the SEC on March 20, 2000.*

** *Previously filed and incorporated by reference herein from Hanmi's Registration Statement on Form S-8 (No. 333-44320 and 44090) filed with the SEC on August 18, 2000.*

*** *Previously filed and incorporated by reference herein from Hanmi's Joint Proxy Statement/Prospectus on Form S-4 on February 9, 2004.*

EXHIBIT 10.1

EXECUTIVE EMPLOYMENT AGREEMENT

HANMI FINANCIAL CORPORATION

This Employment Agreement (the "Agreement") between Hanmi Financial Corporation ("Hanmi" or the "Company"), a Delaware corporation, and Dr. Sung Sohn ("Executive") is hereby entered into effective as of the 3rd day of January, 2005, contingent upon Executive commencing employment on that date ("Effective Date"). In consideration of the mutual promises, terms, covenants and conditions set forth herein and the performance of each, it is hereby agreed as follows:

1. Employment and Duties; Place of Performance.

(a) Hanmi hereby employs Executive as the President and Chief Executive Officer of Hanmi and as the President and Chief Executive Officer of Hanmi Bank. As such, Executive shall have responsibilities, duties and authority reasonably accorded to and expected of a president and chief executive officer and will report solely and directly to the Board of Directors of Hanmi (the "Board"). Executive hereby accepts this employment upon the terms and conditions herein contained and, subject to Section 1(c), agrees to devote his full time, attention and efforts to promote and further the business of Hanmi.

(b) Executive shall faithfully adhere to, execute and fulfill all lawful policies established by Hanmi.

(c) Executive shall not, during the term of his employment hereunder, be engaged in any other business activity pursued for gain, profit or other pecuniary advantage except to the extent permitted by this Agreement. The foregoing limitations shall not be construed as prohibiting Executive from making personal investments in such form or manner as will neither require his services in the operation or affairs of the companies or enterprises in which such investments are made nor violate the terms of Section 3 hereof. Hanmi and Executive hereby acknowledge and agree that Executive may spend a limited amount of time each year delivering speeches, which may not exceed 12 speaking engagements outside of the Los Angeles metropolitan area in a 12 month period and may not cause Executive to take more than 20 days of leave time in a 12 month period in order to deliver speeches, except in either case with the advance approval of the Chairman of the Compensation Committee of the Board ("Compensation Committee"). Executive may retain up to $50,000 per calendar year received from making such speeches and any amount payable in excess of $50,000 per calendar year shall be paid directly or paid over by the Executive to Hanmi. Hanmi and Executive also acknowledge and agree that Executive may serve on the board of directors of no more than two (2) non-profit, tax-exempt organizations and may not serve on the board of directors of any other organization, except in either case with the approval of the Compensation Committee. In no event shall any such speaking engagement or service as a member of a board of directors violate the provisions of Section 3 hereof.

(d) Executive understands that he shall perform his duties and responsibilities under this Agreement primarily at the Company's principal place of business in Los Angeles, California.

2. Compensation. For all services rendered by Executive, Hanmi shall compensate Executive as follows:

(a) *Base Salary*. Beginning on the Effective Date, the base salary payable to Executive shall be $550,000 per year, payable on a regular basis in accordance with Hanmi's standard payroll procedures. On each anniversary of the Effective Date, Executive's base salary shall be automatically adjusted in order to reflect any change in the Consumer Price Index for All Urban Consumers (CPI-U) for the Greater Los Angeles Area (Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area) in the preceding year. In addition, on at least an annual basis, the Compensation Committee will review Executive's performance and may increase such base salary if, in its reasonable discretion, any such increase is warranted. Any salary increase approved by the Compensation Committee shall be submitted to the Board for ratification to the extent required by the Company's By-Laws, the Compensation Committee's charter, and other relevant corporate governance documents of the Company. Once Executive's base salary has been increased it shall thereafter not be reduced without the consent of Executive.

(b) *Incentive Bonus*. For calendar year 2005 and subsequent calendar years during the Executive's employment with the Company hereunder, Executive shall be eligible to receive an annual incentive bonus expressed as a percentage of Executive's base salary in effect at the beginning of such period and calculated according to the table set forth as Exhibit A labeled "Bonus Schedule II". In the event that Executive's annual cash incentive bonus calculated according to such table produces a bonus of more than 100% of base salary for two consecutive calendar years or less than 35% of base salary for two consecutive calendar years, then the Compensation Committee shall review the table and make appropriate adjustments to such table for future calendar years with the consent of Executive. Notwithstanding the foregoing, for calendar year 2005 Executive's annual cash incentive bonus shall not be less than 50% of base salary and with respect to his bonus for any given calendar year, shall not exceed 125% of base salary.

(c) *Stock Compensation*. Executive shall be granted as an entitlement for Executive's execution of this Agreement a grant of an option to acquire 75,000 shares of Hanmi's common stock (the "First Option"). The shares subject to the First Option shall become vested and exercisable over a period of six (6) years from the Effective Date, in equal annual installments of 16.666666% per year (rounded to the nearest whole share) and upon termination of employment for any reason shall continue to vest and become exercisable as if Executive had continued to deliver services to Hanmi under this Agreement for the remainder of the Term, except to the extent that more favorable terms are set forth elsewhere in this Agreement. At the same time Executive shall be granted an option to acquire 100,000 shares of Hanmi's common stock (the "Second Option"). The shares subject to the Second Option shall become vested and exercisable over a period of six (6) years from the Effective Date, in equal annual installments of 16.666666% per year (rounded to the nearest whole share). The First Option and the Second

Option shall each have an exercise price per share equal to the closing price of the Company's common stock on November 3, 2004. If for some reason Executive does not commence employment with the Company on the Effective Date, the First Option and the Second Option shall terminate at the beginning of the following day. Except as set forth in the Agreement, the First Option and the Second Option shall contain substantially the same terms and conditions as in the Company's standard form of non-qualified stock option agreement under the Hanmi Financial Corporation Year 2000 Stock Option Plan (the "Plan"), whether or not the First Option and/or the Second Option are granted under the Plan.

Executive shall also be entitled to the grant of an additional option to acquire shares of Hanmi's common stock under the Plan in the amount of 100,000 shares (adjusted for changes in the Company's capital structure that alters the amount and/or type of equity securities in the share reserve of the Plan) at such time that (1) either (A) the fair market value of the Company's common stock (calculated as the median of the closing prices of the common stock over a 21 consecutive day trading period) doubles from the closing price of the common stock on the Effective Date and such doubling occurs during the Term, or (B) the Company's earnings per share as announced in its annual audited financial statements doubles from the earnings per share announced in the audited financial statements for the Company's 2004 fiscal year and such doubling occurs during the Term, and (2) Executive is serving as Hanmi's President and Chief Executive Officer on the grant date (the "First Performance Option"). The First Performance Option shall be granted as soon as administratively practicable after the time that it is determined that this performance objective has been met and shall have an exercise price per share equal to the fair market value of the Company's common stock on the grant date. The shares subject to the First Performance Option shall become vested and exercisable over the remainder of the Term following the grant date in equal annual installments. Except as set forth in the Agreement, the First Performance Option shall contain substantially the same terms and conditions as in the Company's standard form of non-qualified stock option agreement under the Plan.

Furthermore, Executive shall be entitled to the grant of an additional option to acquire shares of Hanmi's common stock under the Plan in the amount of 100,000 shares (adjusted for changes in the Company's capital structure that alters the amount and/or type of equity securities in the share reserve of the Plan) at such time that (1) either (A) the fair market value of the Company's common stock (calculated as the median of the closing prices of the common stock over a 21 consecutive day trading period) quadruples from the closing price of the common stock on the Effective Date and such quadrupling occurs during the Term, or (B) the Company's earnings per share as announced in its annual audited financial statements quadruples from the earnings per share announced in the audited financial statements for the Company's 2004 fiscal year and such quadrupling occurs during the Term, and (2) Executive is serving as Hanmi's President and Chief Executive Officer on the grant date (the "Second Performance Option"). The Second Performance Option shall be granted as soon as administratively practicable after the time that it is determined that this performance objective has been met and shall have an exercise price per share equal to the fair market value of the Company's common stock on the grant date. The shares subject to the Second Performance Option shall become vested and exercisable over the remainder of the Term following the grant date in equal annual installments. Except as set forth in the Agreement, the Second Performance Option shall contain the same terms and conditions as in the Company's standard form of non-qualified stock option agreement under the Plan.

For purposes of this Agreement, the First Option, the Second Option, the First Performance Option, and the Second Performance Option shall be referred to collectively as the "Options".

Finally, Executive shall be granted as an entitlement for Executive's execution of this Agreement a stock bonus in the amount of 50,000 shares of Hanmi's common stock ("Stock Bonus"). Executive shall not be required to provide any monetary payment as a condition of receiving this grant. The Stock Bonus shall be granted as soon as administratively practicable following the Effective Date. The shares subject to such award shall become vested over a period of five (5) years from the Effective Date, in equal annual installments of 20% per year, and upon termination of employment for any reason shall continue to vest and become exercisable as if Executive had continued to deliver services to Hanmi under this Agreement for the remainder of the Term, except to the extent that more favorable terms are set forth elsewhere in this Agreement.

(d) *Executive Perquisites, Benefits and Other Compensation*. Executive shall be entitled to receive additional benefits and compensation from Hanmi in such form and to such extent as specified below:

(1) Coverage for Executive, his spouse and his dependent family members under health, hospitalization, disability, dental, life and other insurance plans that Hanmi may have in effect from time to time, with the premiums for such coverage paid by Hanmi to at least the same degree as Hanmi pays for its other executive officers.

(2) Reimbursement for all business travel and other out-of-pocket expenses reasonably incurred by Executive in the performance of his services pursuant to this Agreement. All reimbursable expenses shall be appropriately documented in reasonable detail by Executive upon submission of any request for reimbursement, and in a format and manner consistent with Hanmi's expense-reporting policy.

(3) Four (4) weeks paid vacation (exclusive of sick pay) for each year during the period of employment ending on the anniversary of the date on which the period of employment commenced (pro rated for any year in which Executive is employed for less than a full year).

(4) An automobile allowance to provide Executive with an appropriate automobile for his use in the performance of his duties. Hanmi shall pay all reasonable costs and expenses of maintaining and operating said automobile, including automobile liability insurance covering Executive. Any reimbursement of expenses shall follow the procedures set forth in Hanmi's expense-reporting policy. In addition, Executive shall receive a tax gross-up for any taxes recognized by Executive as a direct result of Executive's operation of said automobile.

(5) Such other executive perquisites as may be available to or deemed appropriate for Executive by the Compensation Committee and participation in all other Company-wide employee benefits as available from time to time.

(6) Reimbursement of reasonable moving expenses associated with the relocation of Executive's principal residence from Minnesota to California, including the cost of two house hunting trips for Executive and his spouse, movement of household goods and cars, and other expenses related to the foregoing.

(7) Payment or reimbursement of initiation fees not to exceed $60,000 and payment or reimbursement for monthly dues related to a country club membership while Executive is employed by the Company. The country club must be located in either Los Angeles Country or Orange County, California. Upon the termination of Executive's employment, the Company will have the discretion to transfer its rights relating to such membership to Executive.

(8) In the event that the Company is able to purchase such policy from a life insurance company with a financial strength rating of A or above from A.M. Best for an annual premium cost of no more than 200% of such insurer's premium for a policy written on the life of a male of the same age as Executive in the "standard" risk category, the Company shall be obligated to purchase a term life insurance policy with a death benefit of Two Million Two Hundred Thousand Dollars ($2,200,000) for a period of no less than four (4) years following the Effective Date so long as Executive is employed by the Company under this Agreement. The initial beneficiary on the policy shall be Executive's estate, and then after the completion of each full year of employment with the Company, twenty five percent (25%) of the death benefit shall become payable to Hanmi or its assignee instead of Executive's estate, so that after four (4) years of Executive's employment with the Company, one hundred percent (100%) of the death benefit shall become payable to the Company.

(9) The Company shall employ its best efforts to obtain a supplemental long-term disability insurance policy for Executive while Executive is employed by the Company under this Agreement from a disability insurance carrier with a financial strength rating of A or above from A.M. Best with an annual premium of no more than Nine Thousand Dollars ($9000). Within such parameters, the Company shall endeavor to obtain a policy with the most beneficial level of benefits and other policy terms, as ultimately approved by Executive.

3. Non-Competition Agreement.

(a) Executive will not, during the period of his employment by or with Hanmi, and thereafter as described in further detail below, for any reason whatsoever, directly or indirectly, for himself or on behalf of or in conjunction with any other person, persons, company, partnership, corporation or business of whatever nature:

(i) during the period of his employment by or with Hanmi, and thereafter through the end of any period of time during which Executive is receiving payment or benefits under the Termination Payment (as defined below), engage, as an officer, director, shareholder, owner, partner, joint venturer, or in a managerial capacity, whether as an employee, independent contractor, consultant or advisor, or as a sales representative, of or for any banking or related businesses conducting business within any state within (i) the United States of America, including its possessions and territories, in which Hanmi has a presence or written detailed plans to have a presence during the full term of this Agreement, or (ii) any country outside of the United States of America in which Hanmi has a presence (the “Territory”);

(ii) during the period of his employment by or with Hanmi, and thereafter through the remainder of the Term set forth in Section 4 (even if Executive is no longer delivering services to Hanmi for such remainder) call upon, or cause others to call upon, any person who is, at that time, within the Territory, an employee of Hanmi (including its subsidiaries) in a sales representative or managerial capacity for the purpose or with the intent of enticing such employee away from or out of the employ of Hanmi (including its subsidiaries);

(iii) during the period of his employment by or with Hanmi, and thereafter through the remainder of the Term set forth in Section 4 (even if Executive is no longer delivering services to Hanmi for such remainder) knowingly call upon, or cause others to call upon, any person or entity which is, at that time, or which has been, within one (1) year prior to that time, a customer of Hanmi (including its subsidiaries) for the purpose of soliciting or selling products or services in direct competition with Hanmi (including its subsidiaries) within the Territory, and will cease any unknowing solicitation upon receipt of written notice from Hanmi that such solicitation has occurred immediately upon such receipt of written notice;

(iv) during the period of his employment by or with Hanmi, and thereafter through the remainder of the Term set forth in Section 4 (even if Executive is no longer delivering services to Hanmi for such remainder) disclose customers or confidential information regarding customers, whether in existence or proposed, of Hanmi (including its subsidiaries) to any person, firm, partnership, corporation or business for any reason or purpose whatsoever except to the extent that Hanmi (including its subsidiaries) has in the past disclosed such information to the public for valid business reasons.

(v) comply with the provisions of a standard form of Confidentiality Agreement which Executive shall execute on or before the Effective Date.

Notwithstanding the above, the foregoing covenant shall not be deemed to prohibit Executive from acquiring as an investment not more than one percent (1%) of the capital stock of another financial institution or a subsidiary of such institution, provided that such capital stock is traded on a national securities exchange or over-the-counter.

(b) Because of the difficulty of measuring economic losses to Hanmi (including its subsidiaries) as a result of a breach of the foregoing covenant, and because of the immediate and irreparable damage that could be caused to Hanmi (including its subsidiaries) for which it would have no other adequate remedy, Executive agrees that the foregoing covenants may be enforced by Hanmi (including its subsidiaries) in the event of breach by him, by injunctions and restraining orders to the fullest extent not prohibited by law.

(c) It is agreed by the parties that the foregoing covenants in this Section 3 impose a reasonable restraint on Executive in light of the activities and business of Hanmi (including its subsidiaries) on the date of the execution of this Agreement and the current plans of Hanmi; but it is also the intent of Hanmi and Executive that such covenants be construed and enforced in accordance with the changing activities and business of Hanmi throughout the term of this covenant. For example, if, during the term of this Agreement, Hanmi (including its subsidiaries) engages in new and different activities, enters a new business or establishes new locations for its current activities or business in addition to or other than the activities or business in effect on the Effective Date or the locations currently established therefore, then Executive will be precluded from soliciting the customers or employees of such new activities or business or from such new location and from directly competing with such new business through the term of this covenant, even if such restrictions are applicable outside of the Territory.

It is further agreed by the parties hereto that, in the event that Executive shall cease to be employed hereunder, and shall enter into a business or pursue other activities not in competition with Hanmi (including its subsidiaries) as described above, or similar activities or business in locations the operation of which, under such circumstances, does not violate this Section 3, and in any event such new business, activities or location are not in violation of this Section 3 or of Executive's obligations under this Section 3, if any, Executive shall not be chargeable with a violation of this Section 3 if Hanmi (including its subsidiaries) shall thereafter enter the same, similar or a competitive (i) business, (ii) course of activities or (iii) location, as applicable.

(d) The covenants in this Section 3 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent that the court deems reasonable, and the Agreement shall thereby be reformed.

(e) All of the covenants in this Section 3 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against Hanmi (including its subsidiaries), whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Hanmi (including its subsidiaries) of such covenants. It is specifically agreed that the period of the remainder of the Term stated at the beginning of this Section 3, during which the agreements and covenants of Executive made in this Section 3 shall be effective, shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this Section 3.

4. Term; Termination; Rights on Termination. The term of this Agreement shall begin on the date hereof and continue for a period of six (6) years until January 3, 2011 (the "Term"). This Agreement and Executive's employment may be terminated in any one of the following ways:

(a) *Death*. The death of Executive shall immediately terminate this Agreement. In the event of Executive's death, the First Option and the Stock Bonus shall become immediately fully vested (and in the case of the First Option, fully exercisable) as of the date of death.

(b) *Disability*. If, as a result of incapacity due to physical or mental illness or injury, Executive either (i) shall have been absent from his full-time duties hereunder for substantially all of six (6) consecutive months, or (ii) such incapacity can reasonably be expected to result in death or to last for a continuous period of not less than twelve (12) months and to render Executive unable to perform effectively the duties and responsibilities of his office, then Hanmi may terminate Executive's employment hereunder; provided, however, that any termination pursuant to this Section 4(b) shall not occur prior to the expiration of three (3) months following the commencement of Executive's incapacity due to his physical or mental illness or injury. In the event of the termination of Executive's employment on account of Executive's disability, the First Option and the Stock Bonus shall become immediately fully vested (and in the case of the First Option, fully exercisable) as of the date of death.

(c) *Good Cause.* Hanmi may terminate the Agreement for "good cause", which shall be: (1) Executive's willful or grossly negligent failure to comply with the lawful directions of the Board; (2) Executive's gross negligence or willful misconduct (including but not limited to any willfully dishonest or fraudulent act or omission) in the performance or intentional nonperformance of any of Executive's material duties and responsibilities hereunder or continued neglect of Executive's duties to the Company (including its subsidiaries); (3) Executive's material misappropriation of property of the Company (including its subsidiaries) for his own personal financial benefit; or (4) Executive's conviction or plea of guilty or "no contest” to a felony, in each case provided that Executive has failed to cure such act or omission to the Company’s reasonable satisfaction, if such act or omission is reasonably capable of being cured, no later than ten (10) days following delivery of written notice by the Company to Executive of such offending act or omission. In the event of a termination for good cause, as enumerated above, Executive shall have no right to any compensation not otherwise expressly provided for herein.

(d) *Without Good Cause*. Hanmi may terminate the Agreement without a showing of “good cause”. Should this Agreement be terminated by Hanmi without “good cause”, subject to Executive’s execution of an effective general release of claims and Executive’s continuing compliance with the covenants set forth in Sections 3, 5 and 6, Executive shall receive the following benefits: (1) Executive shall continue to receive his base salary over the remainder of the Term as if Executive had continued to deliver services to Hanmi under this Agreement for the remainder of the Term (including cost of living adjustments to such base salary as described in Section 2(a) above), (2) any Options that are outstanding on the date of Executive’s termination without “good cause” shall continue to vest and become exercisable as if Executive had continued to deliver services to Hanmi under this Agreement for the remainder of the Term, (3) the Stock Bonus shall continue to vest as if Executive had continued to deliver services to Hanmi under this Agreement for the remainder of the Term, and (4) the Company shall pay the premium cost of any private medical, dental and vision coverage that Executive purchases for the benefit of himself, his spouse and his covered dependents with coverage no more favorable in the aggregate than the coverage received by Executive, his spouse and his covered dependents immediately prior to such termination of employment, such payments to continue for the shorter of (i) the remainder of the Term as if Executive had continued to deliver services to Hanmi under this Agreement for such period or (ii) the date that Executive becomes eligible to receive health care benefits under a health care plan sponsored by a subsequent employer (collectively the “Termination Payment”). Executive shall have no obligation to mitigate such amount or take any action to lessen Hanmi’s liability for such payment, but in the event that Executive receives any cash, goods, services, or other property (“Remuneration”) for his services over the period during which any portion of the Termination Payment is being made, the amount of the unpaid cash portion of the Termination Payment shall be reduced by the value of such Remuneration. In the event that Executive violates one or more of the covenants set forth in Section 3, Hanmi shall be entitled to immediately cease any further payments of the Termination Payment and may seek the return of the value of the portion of the Termination Payment previously made to Executive.

(e) *Resignation by Executive on Account of “Constructive Termination”*. Executive may resign on account of a “Constructive Termination” by Hanmi during the Term. In the event that Executive resigns on account of “Constructive Termination”, such resignation shall be treated in the same fashion as a termination of Executive’s employment without “good cause” by Hanmi. For purposes of this Agreement, the term “Constructive Termination” shall mean: (1) the failure by Hanmi to pay or cause to be paid to Executive his base salary or any earned annual cash incentive bonus payment when due; (2) the reduction of Executive’s annual base salary without his consent; (3) a material diminution in Executive’s authority, responsibilities, duties or reporting relationships as President and Chief Executive Officer; or (4) the relocation of Executive’s primary work place with Hanmi in Los Angeles, California to a location more than thirty-five (35) miles from its current location as of the Effective Date without Executive's consent, in each if such breach is not cured by Hanmi within ten (10) business days following the date on which Executive notifies the Board in writing of the existence of such breach.

(f) *Resignation by Executive other than on account of "Constructive Termination".* At any time after the commencement of employment, Executive may terminate this Agreement and his employment by resignation, effective thirty (30) days after written notice is provided to Hanmi. If Executive voluntarily resigns or otherwise terminates his employment, and such termination is not considered to be a "Constructive Termination" as defined in Section 4(e) above, then Executive shall receive no Termination Payment or any other form of severance compensation, except that the First Option shall continue to vest and become exercisable as if Executive had continued to deliver services to Hanmi for the remainder of the Term and the Stock Bonus shall continue to vest as if Executive had continued to deliver services to Hanmi for the remainder of the Term.

Upon termination of this Agreement for any reason described above in Sections 4(a) through 4(f), inclusive, Executive shall be entitled to receive all compensation earned and all benefits and reimbursements due through the effective date of termination. Additional compensation subsequent to termination, if any, will be due and payable to Executive only to the extent and in the manner expressly provided above or in Section 10. All other rights and obligations of Hanmi and Executive under this Agreement shall cease as of the effective date of termination, except that Hanmi's obligations under this Section 4 and Section 10, as well as Section 7 herein, and Executive's obligations under Sections 3, 5, 6, 7 and 8 herein shall survive such termination in accordance with their terms.

5. Return of Company Property. All records, business plans, financial statements, financial records, manuals, memoranda, lists, equipment and other property or information delivered to, received by or compiled by Executive by or on behalf of Hanmi (including its subsidiaries) or their representatives, vendors or customers which pertain to the business of Hanmi (including its subsidiaries) shall be and remain the property of Hanmi (including its subsidiaries) and be subject at all times to their discretion and control. Likewise, all correspondence, reports, records, charts, advertising materials and other similar data pertaining to the business, activities or future plans of Hanmi (including its subsidiaries) which is collected by Executive or otherwise in Executive's possession shall be delivered promptly to Hanmi without request by it upon termination of Executive's employment for any reason or no reason.

6. *Confidential Information*. Executive is and will be employed hereunder by Hanmi in a confidential relationship wherein Executive, in the course of his employment with Hanmi, is and will become familiar with and aware of information as to Hanmi's customers, specific manner of doing business, including the processes, techniques, confidential information and trade secrets utilized by Hanmi, and future plans with respect thereto, all of which will be established and maintained at great expense to Hanmi; this information is confidential information and a trade secret and constitutes the valuable goodwill of Hanmi. Executive agrees that he will not, during or after the term of this Agreement with Hanmi, use or disclose the

specific terms of Hanmi's relationships or agreements with its significant vendors or customers or any other significant and material confidential information or trade secret of Hanmi, whether in existence or proposed, with or to any person, firm, partnership, corporation or business for any reason or purpose whatsoever other than as required by law or to attorneys or accountants or other agents of the Company.

7. Indemnification. In the event Executive is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by Hanmi against Executive), by reason of the fact that he is or was performing services under this Agreement, then Hanmi shall indemnify and hold harmless the Executive against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, as actually and reasonably incurred by Executive in connection therewith to the fullest extent permitted by the General Corporation Law of the State of Delaware and the Company's By-Laws. In the event that both Executive and Hanmi are made a party to the same third-party action, complaint, suit or proceeding, Hanmi agrees to engage competent legal representation, and Executive agrees to use the same representation, provided that if counsel selected by Hanmi shall have a conflict of interest that prevents such counsel from representing Executive, Executive may engage separate counsel and Hanmi shall pay all reasonable attorneys' fees and costs of such separate counsel. Executive agrees to reimburse the Company for all amounts paid to or for the benefit of Executive in the event that Executive is not entitled to indemnification under the General Corporation Law of the State of Delaware or the Company By-Laws.

8. No Prior Agreements. Executive hereby represents and warrants to Hanmi that the execution of this Agreement by Executive and his employment by Hanmi and the performance of his duties hereunder will not violate or be a breach of any agreement with a former employer, client or any other person or entity. Further, Executive agrees to indemnify Hanmi for any claim, including, but not limited to, attorneys' fees and expenses of investigation, by any such third party that such third party may now have or may hereafter come to have against Hanmi based upon or arising out of any non-competition agreement, confidential information, invention, secrecy or similar agreement between Executive and such third party which was in existence as of the Effective Date.

9. Assignment; Binding Effect. Executive understands that he has been selected for employment by Hanmi on the basis of his personal qualifications, experience and skills. Executive agrees, therefore, he cannot assign all or any portion of his performance under this Agreement. Subject to the preceding two (2) sentences and the express provisions of Section 11 below, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective heirs, legal representatives, successors and assigns.

10. Change in Control.

(a) Executive understands and acknowledges that Hanmi may be merged or consolidated with or into another entity and that such entity shall automatically be subject to the rights and obligations of Hanmi hereunder.

(b) In the event of a pending Change in Control (as defined below) if (i) Executive resigns on account of a Constructive Termination or his employment is terminated by Hanmi without "good cause", and such resignation or termination of employment occurs upon or within thirteen (13) months following the occurrence of a Change of Control as defined in Section 10(c) below, or (ii) Hanmi and Executive have not received written notice at least five (5) business days prior to the anticipated closing date of the transaction giving rise to the Change in Control from the successor to all or a substantial portion of Hanmi's business and/or assets that such successor is willing and able as of the closing to assume and agree to perform Hanmi's obligations under this Agreement in the same manner and to the same extent that Hanmi is hereby required to perform, then in either such case termination or failure to assume Hanmi's obligations under this Agreement shall be treated as a termination of this Agreement by Hanmi without good cause and upon Executive's termination of employment (including a resignation by Executive for any reason pursuant to Section 10(b)(ii)), the provisions of Section 4(d) will apply; however, under such circumstances, (i) the amount of the cash portion of the Termination Payment due to Executive shall be payable in a lump-sum payment on the effective date of the termination and (ii) all then outstanding Options and the Stock Bonus shall become fully vested (and in the case of the Options, fully exercisable) on the effective date of the termination. In addition, Executive shall also be entitled to an additional cash incentive bonus payable in a lump-sum amount on the effective date of the termination in an amount equal to the mean average of Executive's annual cash incentive bonuses under Section 3(b) hereof for the preceding three (3) years (or such smaller number of years if Executive has not received at least three annual cash incentive bonuses under Section 3(b)). In calculating such supplemental bonus, if the amount of Executive's cash incentive bonus for calendar year 2005 was not greater than the guaranteed bonus for such year, then the 2005 annual cash incentive bonus shall be disregarded. Any payments or other benefits to which Executive shall become entitled to pursuant to this Section 10(b) shall be subject to Executive's satisfaction of all of the conditions set forth in Section 4(d) hereof (e.g., execution of an effective general release of claims, compliance with the covenants in Sections 3 and 6, return of property).

(c) A "Change in Control" shall be deemed to have occurred if:

(i) The consummation of a merger or consolidation of Hanmi with or into another entity or any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who were not stockholders of Hanmi immediately prior to such merger, consolidation or other reorganization; or

(ii) The sale, transfer or other disposition of all or substantially all of the Company's assets; or

(iii) A change in the composition of the Board, as a result of which fewer than one-half of the directors are incumbent directors who either (x) had been directors of Hanmi on the date 24 months prior to the date of the event that may constitute a Change in Control (the “original directors”) or (y) were elected, or nominated with the affirmative votes of at least a majority of the aggregate of the original directors who were still in office at the time of the election or nomination and the directors whose election or nomination was previously so approved; or

(iv) Any transaction as a result of which any person is the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Hanmi representing at least 50% of the total voting power represented by Hanmi’s then outstanding voting securities. For purposes of this Paragraph (iv), the term “person” shall have the same meaning as when used in Sections 13(d) and 14(d) of the Exchange Act but shall exclude:

(x) A trustee or other fiduciary holding securities under an employee benefit plan of Hanmi or a subsidiary of Hanmi; and

(y) A corporation owned directly or indirectly by the stockholders of Hanmi in substantially the same proportions as their ownership of the common stock of Hanmi.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of Hanmi’s incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held Hanmi’s securities immediately before such transactions.

(d) Executive must be notified in writing by Hanmi at any time if a Change in Control becomes likely or probable.

(e) In the event that any amounts payable under this Agreement or otherwise to Executive would (i) constitute “parachute payments” within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the “Code”), or any comparable successor provisions, and (ii) but for this Section 10(e) would be subject to the excise tax imposed by Section 4999 of the Code, or any comparable successor provisions (“Excise Tax”), then such amounts payable to Executive hereunder shall be either

(i) provided to Executive in full, or

(ii) provided to Executive as to such lesser extent that would result in no portion of such benefits being subject to the Excise Tax,

whichever of the foregoing amounts, when taking into account applicable federal, state, local and foreign income and employment taxes, the Excise Tax, and any other applicable taxes, results in the receipt by Executive, on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under the Excise Tax.

Unless the Company and Executive otherwise agree in writing, any determination required under this Section 10(e) shall be made in writing in good faith by a nationally recognized accounting firm (the “Accountants”). In the event of a reduction in benefits hereunder, Executive shall be given the choice of which benefits to reduce. If Executive does not provide written identification to the Company of which benefits he chooses to reduce within ten (10) days of his receipt of the Accountants’ determination, and Executive has not disputed the Accountants’ determination, then the Company shall select the benefits to be reduced. For purposes of making the calculations required by this Section 10(e), the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Code, and other applicable legal authority. The Company and Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 10(e). The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 10(e).

If, notwithstanding any reduction described in this Section 10(e), the Internal Revenue Service (“IRS”) determines that Executive is liable for the Excise Tax as a result of the receipt of amounts payable under this Agreement or otherwise as described above, then Executive shall be obligated to pay back to the Company, within thirty (30) days after a final IRS determination or in the event that Executive challenges the final IRS determination, a final judicial determination, a portion of such amounts equal to the “Repayment Amount”. The Repayment Amount with respect to the payment of benefits shall be the smallest such amount, if any, as shall be required to be paid to the Company so that Executive’s net after-tax proceeds with respect to any payment of benefits (after taking into account the payment of the Excise Tax and all other applicable taxes imposed on such payment) shall be maximized. The Repayment Amount with respect to the payment of benefits shall be zero if a Repayment Amount of more than zero would not result in Executive’s net after-tax proceeds with respect to the payment of such benefits being maximized. If the Excise Tax is not eliminated pursuant to this paragraph, Executive shall pay the Excise Tax.

Notwithstanding any other provision of this Section 10(e), if (i) there is a reduction in the payment of benefits as described in this Section 10(e), (ii) the IRS later determines that Executive is liable for the Excise Tax, the payment of which would result in the maximization of Executive’s net after-tax proceeds (calculated as if Executive’s benefits had not previously been reduced), and (iii) Executive pays the Excise Tax, then the Company shall pay to Executive those benefits which were reduced pursuant to this subsection contemporaneously or as soon as administratively possible after Executive pays the Excise Tax so that Executive’s net after-tax proceeds with respect to the payment of benefits are maximized.

11. Complete Agreement. This Agreement is not a promise of future employment. Executive has no oral representations, understandings or agreements with Hanmi or any of its officers, directors or representatives covering the same subject matter as this Agreement. This written Agreement (including any exhibits to the Agreement and any documents expressly referred to in the Agreement) is the final, complete and exclusive statement and expression of the agreement between Hanmi and Executive and of all the terms of this Agreement, and it cannot be

varied, contradicted or supplemented by evidence of any prior or contemporaneous oral or written agreements. This Agreement hereby supersedes any other employment agreements or understandings, written or oral, between Hanmi and Executive. This written Agreement may not be later modified except by a further writing signed by a duly authorized officer of Hanmi and Executive, and no term of this Agreement may be waived except by writing signed by the party waiving the benefit of such term.

12. Notice. Whenever any notice is required hereunder, it shall be given in writing addressed as follows:

To Hanmi: Hanmi Financial Corporation

Attn:

To Executive:

Copies of Notices given to Executive shall be sent to:

Simpson Thacher & Bartlett
3330 Hillview Avenue
Palo Alto, CA 94304-1203
Attention: Stephen W. Fackler, Esq.
Fax: (650) 251-5002

Messerli & Kramer
1800 Fifth Street Towers
150 South Fifth Street
Minneapolis, MN 55402
Attention: Malcolm P. Terry, Esq.
Fax: (612) 672-3777

Notice shall be deemed given and effective upon the occurrence of (i) the signing by the recipient of an acknowledgement of receipt form accompanying delivery through the U.S. mail sent by certified mail, return receipt requested, (ii) personal service by a process server, or (iii) delivery to the recipient’s address by overnight delivery (e.g., FedEx, UPS, or DHL) or other commercial delivery service. Either party may change the address for notice by notifying the other party of such change in accordance with this Section 12.

13. Severability; Headings. If any portion of this Agreement is held invalid or inoperative, the other portions of this Agreement shall be deemed valid and operative and, so far as is reasonable and possible, effect shall be given to the intent manifested by the portion held invalid or inoperative. The Section headings herein are for reference purposes only and are not intended in any way to describe, interpret, define or limit the extent or intent of the Agreement or of any part hereof.

14. Arbitration. Any unresolved dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a single arbitrator in Los Angeles, California, in accordance with the rules of the JAMS, Inc. then in effect. The arbitrator shall not have the authority to add to, detract from, or modify any provision hereof nor to award punitive damages to any injured party. The arbitrator shall have the authority to order back-pay, severance compensation, vesting of options (or cash compensation in lieu of vesting of options), reimbursement of costs, including those incurred to enforce this Agreement, and interest thereon in the event the arbitrator determines that Executive was terminated without good cause, as defined in Section 4(d), or that Hanmi has otherwise materially breached this Agreement. A decision by the arbitrator shall be final and binding. Judgment may be entered on the arbitrator's award in any court having jurisdiction. All expenses of any such arbitration proceeding, including reasonable attorney's fees, whether (i) initiated by Hanmi or (ii) initiated by Executive in good faith, shall be borne by Hanmi to the fullest extent permitted by law. Notwithstanding the foregoing, the Company may seek injunctive relief in a court of competent jurisdiction for any breach or threatened breach by Executive of his obligations under this Agreement, including those obligations set forth in Sections 3 and 6, for which injunctive relief may be available either under this Agreement or applicable law.

15. Governing Law. This Agreement shall in all respects be construed according to the internal laws of the State of California, without regard to any conflicts of laws provisions thereof.

16. Counterparts. This Agreement may be executed simultaneously in two (2) or more counterparts each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date set forth below.

HANMI FINANCIAL CORPORATION

By: /s/ Joon H. Lee

Name: Joon H. Lee
Title: Chairman, Board of Directors

Date: November 3, 2004

EXECUTIVE:

/s/ Dr. Sung Sohn

Dr. Sung Sohn

Date: November 3, 2004

Exhibit 14

HANMI FINANCIAL CORPORATION

CODE OF BUSINESS CONDUCT AND ETHICS

I. Introduction

It is the policy of Hanmi Financial Corporation and all of its direct and indirect subsidiaries, including Hanmi Bank (collectively, the "Company"), to conduct business in an ethical manner in order to merit and maintain the confidence and trust of its customers and the public in general. This Code of Business Conduct and Ethics (this "Code") applies to all employees, officers and directors of the Company. This Code should also be provided to and followed by the Company's agents, representatives, consultants and contract employees as if such individuals were employees of the Company for purposes of this Code.

It is each of our responsibility to be familiar with this Code and to abide by the letter and spirit of its provisions at all times. You must conduct your personal affairs and manage your business transactions accordingly and seek to avoid even the appearance of improper behavior that might damage the Company's reputation as a responsible financial services organization. This Code provides you with guidance to help you recognize and deal with ethical issues, provides mechanisms to report unethical conduct, and seeks to maintain a culture of integrity, honesty and accountability in the Company.

This Code supplements and expands upon the obligations contained in the Hanmi Bank Employee Handbook. The Company provides each Employee with a current copy of the Hanmi Bank Employee Handbook upon joining the Company and each time any amendments are made to the document. A copy of the Hanmi Bank Employee Handbook is available upon request from the Human Resources Department or on the Company's intranet website.

While this Code addresses many types of business and social relationships that may present legal and ethical concerns, it does not cover every issue that may arise. This Code instead contains basic principles to guide you when facing ethical issues. In some situations involving moral or ethical judgment, it may be difficult for you to determine the proper course of action or your obligations under this Code. In such instances, you should not rely solely on your own judgment, but must discuss the matter with the appropriate party as set forth in Section X (Compliance Procedures) below.

The Code also requires you to promptly report any violation or suspected violation of laws, regulations or Company policies, including this Code. Such disclosures should also be made in accordance with the procedures set forth in Section X (Compliance Procedures) below. The procedures permit you to communicate anonymously to the Risk Control Group by calling the Risk Control Group Ethics Line, which is not equipped with caller identification. No retaliation may be taken against you for providing information in good faith about possible violations of laws, rules, regulations or this Code by others.

The Company's Risk Control Group and management are responsible for developing and implementing procedures to ensure proper disclosure and reporting as required by this Code.

The Risk Control Group and management are also responsible for maintaining documentation of all such disclosures and reports. Managers are expected to make every reasonable effort to ensure that their subordinate staff continues to comply with the provisions of this Code.

You will be required to sign, on an annual basis, a written acknowledgement affirming that you have received and reviewed this Code in its then current form. Failure to comply with this Code may result in disciplinary action, up to and including termination of employment. The action taken will be commensurate with the seriousness of the conduct. Violations also could lead, in certain circumstances, to criminal prosecution.

II. Compliance with Laws, Rules and Regulations

It is the Company's policy to comply strictly with all applicable laws and regulations pertaining to its business. You must conduct all personal and business dealings in accordance with the letter and intent of all applicable laws, rules and regulations and refrain from any form of illegal, dishonest, or unethical conduct. This includes behavior or actions that might appear to be illegal, dishonest, or unethical.

Although you are not expected to know the details of all applicable laws, rules and regulations, you should know when to seek advice from your supervisor, the Risk Control Group or the Legal Department.

If you are convicted of any felony or misdemeanor that (a) involves dishonesty or breach of trust, or (b) results in imprisonment, you must immediately report the conviction to your supervisor, the Risk Control Group or the Legal Department. A conviction includes pleading guilty, a verdict of guilty or a finding of guilty, regardless of whether a sentence is imposed. Failure to make such disclosure is a violation of this Code. Dishonesty or breach of trust, with or without conviction, is ground for discipline.

III. Conflict of Interest Policy

Due to the increased number of financial institution failures resulting from self dealing, fraud, and misconduct of employees, officers and directors, the Board of Directors will hold you strictly to this Conflict of Interest Policy. A conflict of interest exists when you are involved in an outside interest or any activity that might either conflict with your duty to the Company or adversely affect your judgment in the performance of your responsibilities to the Company. A conflict of interest can also exist when the outside interest or activity involves your parent, spouse, child or dependent, whether by blood, step or adoptive relationship (each, an "Immediate Family Member").

You are required to act in a responsible and respectable manner and to remain free of influences that may result in a loss of objectivity regarding business conducted with the Company's customers, suppliers or the Company itself. When presented with a situation involving a potential conflict of interest, things to consider include, among other things, whether an outside observer would believe that the situation is improper or may interfere with your work performance or responsibilities to the Company. You must promptly discuss any questions about a particular situation with a supervisor, the Risk Control Group or the Legal Department.

A. Prohibited Transactions

1. *Transactions or Relationships with Customers and Suppliers.* You may not lend personal funds to any existing or prospective customers or suppliers of the Company, unless the customer or supplier is an Immediate Family Member. You and your Immediate Family Members also may not borrow from any existing or prospective customers or suppliers unless the customer or supplier is a recognized lending institution. Any such borrowing must carry the prevailing interest rate and not involve favored treatment of any kind. You also may not co-sign, endorse or otherwise assume liability, contingent or otherwise, in connection with the borrowings of any existing or prospective customer or supplier. You must not sign on customers' accounts, act as deputy or co-renter of customers' safe deposit boxes, or otherwise represent customers. The foregoing prohibition does not include customers that are your Immediate Family Members.

You may not have financial interests in any customer or supplier, unless (a) you have no involvement in the approval or the management of business transactions between the customer or supplier and the Company; (b) your investment in the customer or supplier consists of less than 1 percent of the stock of a publicly traded company; or (c) the only business relationship between the Company and the customer or supplier in which you have an interest consists of the provision of a service or product by the Company (in the case of a customer) or by the supplier (in the case of a supplier) that is typically offered to other parties on the same terms. You also may not permit a customer or supplier to arrange an investment for your account or an Immediate Family Member's account, nor should you participate in investments sponsored by a customer or supplier under circumstances that might create a conflict of interest or the appearance of a conflict.

2. *Financial Interest in Competitors.* You may not have financial interests in any competitor of the Company, other than investments of less than 1 percent of any class of publicly-traded securities, investments in diversified mutual funds and other immaterial investments or financial interests.

3. *Lending Transactions with Co-Workers.* You are not permitted to borrow money from your co-workers, but should discuss any financial emergency with the Human Resources Department.

4. *Lending Transactions Involving Executive Officers and Directors.* Federal law requires executive officers and directors of the Company's bank subsidiaries, including Hanmi Bank, who become indebted to another bank, banking association, or trust company over a certain amount to report their indebtedness to the Company within ten days. Loans by the Company's bank subsidiaries to executive officers and directors may be made only in accordance with 12 C.F.R. Part 215, as amended from time to time ("Regulation O"), and the Sarbanes-Oxley Act of 2002. Non-officer employees are not required to report indebtedness to the Company, so long as the loans are made in the ordinary course of business.

B. Insider Trading

You are encouraged to purchase and hold Company stock for long-term investment.

Although the Company may not delve into your personal life, your employment or association with a bank requires prudent and proper conduct in investment and other situations. You must avoid entering into transactions where it may appear that you are benefiting improperly from your relationship with the Company or violating your fiduciary responsibilities.

Insider trading involves the purchase or sale of securities of a company or other entity, including the Company, while in possession of material, nonpublic information ("inside information") about the company or other entity. Such information is considered to be "material" if there is a likelihood that it would be considered important by an investor in making a decision to buy or sell a company's securities (whether stock, bonds, notes, debentures, limited partnership units or other equity or debt securities). Examples of "material" information are a potential business acquisition or sale, earnings and other financial information about the company, important product developments, significant purchase or sale of assets, major litigation, new debt or equity offerings by the company and significant changes in company management.

The prohibition on insider trading applies, not only to you, but also to any of your family members or any other person to whom you may have communicated the information. Any person who purchases or sells securities while in possession of material inside information, or who communicates or "tips" such inside information to anyone else who trades securities on such information, violates this Code and may violate United States securities laws. You should consult the Company's Legal Department with any questions regarding insider trading, including whether information is "inside information" or "material."

C. Outside Employment and Activities

1. *Outside Employment.* You should avoid outside employment that creates a conflicting demand on your time and energy and/or is likely to affect your job performance at the Company. If an employee or officer finds that outside employment is necessary, the matter must be discussed with a supervisor, the Risk Control Group or the Legal Department. You may not work for a vendor, customer or competitor of the Company because such employment would create a conflict or the appearance of a conflict of interest.

2. *Outside Activities.* Individual participation in civic welfare, industry, political and similar activities is encouraged. However, if confronted with situations that may present an actual, potential or even the appearance of a conflict of interest, you are expected to seek guidance from your supervisor, the Risk Control Group or the Legal Department before making such a commitment. Normally, voluntary efforts must take place outside of regular working hours. If voluntary efforts require business time, prior approval must be obtained.

3. *Fiduciary Role.* You are not to act, without prior written approval of the Risk Control Group and the Legal Department, as executor, administrator, trustee, guardian or conservator, or in any other fiduciary capacity, whether or not it is related to the business of the Company. Approval will only be granted, except in unusual cases, when you seek to act as fiduciary for a family member.

4. *Outside Directorship.* Offers of directorship to any outside organization that has or desires a business relationship with the Company, or to any institution within the financial

industry, must be reported to your supervisor, the Risk Control Group or the Legal Department. Any offer of directorship may be accepted only upon written approval from the Risk Control Group and the Legal Department (if you are an employee) or the Board of Directors (if you are an officer or director).

5. *Political Activity and Contributions.* You may not make any direct or indirect contribution of funds or other property of the Company, on behalf of the Company, in connection with the election of a candidate to any federal office. The Company may make contributions to state and local offices but these contributions must be approved by the Chief Executive Officer. For these purposes, use of corporate facilities and equipment for political activities is deemed to be a contribution. You may not solicit Company employees for political contributions or coerce others into contributing to any organization on Company property or during working hours. Company loans to candidates for political office are permitted so long as the loan is made in the ordinary course of business and meets the Company's usual credit criteria and approval procedures for the particular type of loan. You may make personal contributions to candidates or political parties of your choice as long as the contributions are made in your name and not on behalf of the Company.

D. Corporate Opportunities

You owe a duty to the Company to advance the Company's legitimate interests when the opportunity to do so arises. You are prohibited from taking, for themselves personally (including for the benefit of family members or friends) or any other person or organization, opportunities or potential opportunities that are discovered during your employment or directorship that are in the Company's line of business without the prior consent of the Board of Directors. You may not compete with the Company, directly or indirectly.

E. Gifts and Other Benefits

A "gift" is any personal benefit, including cash or property, special discounts, price concessions, special personal items, special personal entertainment, special personal services, gratuitous personal services, personal favors, or special dispensations of any kind that could be attributed to the recipient's position or responsibilities with the Company.

Neither you nor any of your Immediate Family Members may solicit, accept, or retain a benefit for yourself, his/herself or any third party from (1) any customer of the bank, (2) any individual organization doing or seeking to do business with the Company, or (3) any other individual or organization based on a banking relationship (other than normal authorized compensation) if in connection with any business or transaction of the Company. In this context, a benefit is regarded as any type of gift, gratuity, favor, service, loan, legacy (except from an Immediate Family Member), fee, compensation, or anything of monetary value.

To avoid even the implication of any impropriety, it is important that you decline any gifts, the acceptance of which would raise even the slightest inference of improper influence. Any personal benefit received, other than the exceptions noted below, is to be reported to your supervisor, the Risk Control Group or the Legal Department, who will review the situation and instruct you as to the appropriate action. The Company shall maintain written records of all such disclosures and instructions.

You may receive the following benefits if there is no, and there appears to be no, reasonable likelihood of improper influence on your performance of duties on behalf of the Company:

1. Normal business courtesies, such as a meal or entertainment, involving no more than reasonable amenities, in the course of a meeting or other occasion, the purpose of which is to hold bona fide business discussions.

2. Non-cash gifts of a nominal value (less than $100.00) that are received at holiday time or for special occasions, such as a new job, promotion, wedding, or retirement, which represent expressions of friendship.

3. Gifts based on kinship, marriage or social relationships entirely beyond and apart from any business relationship.

4. Unsolicited advertising and promotional material of nominal value.

5. Awards by charitable, educational, civic, or religious organizations for meritorious contributions or service.

6. Loans from other banks or financial institutions on customary terms to finance proper and usual activities such as home mortgage loans, provided that any such loan is made on customary terms without any preferential treatment.

7. Discounts or rebates on merchandise or services that do not exceed those available to other customers.

It is important to recognize that federal law makes it a crime for any employee, officer or director of a federally insured bank or bank holding company, directly or indirectly, to ask, solicit, accept, receive, or agree to receive anything of value for himself or herself or any other person or entity, for or in connection with any transaction or business of the Company. This federal law once applied only to bribes to procure or attempt to procure a loan. However, an amendment to this federal bribery statute eliminates the necessity of showing that the employee, officer or director received the payment in exchange for making a loan. The penalty for violating this law is a fine, imprisonment, or both. You must immediately report any offer of such a payment to your supervisor, the Risk Control Group or the Legal Department.

For this reason, employees, officers and directors may not accept tickets for sporting, cultural, or other events from vendors or customers. However, tickets for sporting, cultural, or other events purchased by the Company may be used in entertaining potential or actual customers, vendors, or others for business purposes.

IV. COMPETITION AND FAIR DEALING

A. Customers, Suppliers, Competitors and Employees

You are required to respect the rights of the Company's customers, suppliers, competitors and employees. You may not use any illegal or unethical practices to obtain competitive information, such as stealing or illegally appropriating proprietary information, possessing trade secret information improperly obtained, or inducing such disclosures by past or present employees of other companies. You also may not solicit, use or accept business entertainment and gifts to gain unfair advantage with customers or suppliers or for personal gain or compensation outside of that provided by the Company for the performance of services for the Company.

B. Government Personnel

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. The Company strictly prohibits the making of any payments or giving anything of value to government officials of any country if this could be interpreted as an attempt to obtain or retain business for the Company.

In addition, the U.S. government has a number of laws and regulations regarding business gratuities to U.S. government personnel. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate Company policy but may also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules. You should consult the Company's Legal Department with any questions regarding this subject.

V. THE WORKPLACE

A. Discrimination and Harassment

The Company is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind. The Company's policies concerning discrimination and sexual harassment are contained in the Hanmi Bank Employee Handbook, a copy of which is available from the Company's Human Resources Department or on the Company's intranet website.

B. Health and Safety

The Company strives to provide a safe and healthy work environment. Each employee has a responsibility for maintaining a safe and healthy workplace for all employees by following safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions. Violence or threatening behavior or use of illegal drugs and alcohol is not permitted under any circumstances in the workplace. Employees are required to adhere to the health and safety policies set forth in the Hanmi Bank Employee Handbook, a copy of which is available from the Company's Human Resources Department or on the Company's intranet website.

VI. RECORD KEEPING

All of the Company's books, records, accounts and financial statements must be timely maintained in reasonable detail and must completely and accurately reflect the Company's assets, liabilities and transactions, conforming to applicable legal requirements and financial policies and procedures of the Company's internal controls systems. No transaction shall be carried out in a manner such that the substance of the transaction is obscured or recorded improperly.

Many employees and officers regularly use business expense accounts, which must be documented and recorded accurately. If you are not sure whether a certain expense is legitimate, you should ask your supervisor, the Risk Control Group or the Legal Department.

You should avoid exaggeration, derogatory remarks, guesswork, or improper characterizations of people, events and companies in its business records and communications. This prohibition applies equally to e-mail, internal memoranda, formal reports as well as business letters. E-mail systems and information technology systems provided by the Company should be used only to advance the legitimate business purposes of the Company, although incidental personal use may be permitted. Records should always be retained or destroyed according to the Company's record retention policies. In no event should records be destroyed that relate to an existing dispute or investigation, unless directed by the Company's Legal Department.

VII. CONFIDENTIALITY

A. General Policy

Nonpublic information concerning the Company, its suppliers, customers, depositors and employees is considered confidential and is to be used for Company purposes only. Confidential information about customers cannot be used to further personal, familial or other interests or the interests of another customer. Information regarding any business conducted cannot be disclosed to outside individuals (unless properly authorized by the Company, its customer, etc.) and may not be used for personal gain.

B. Safeguarding Confidential Information

Safeguarding the confidential information concerning the Company's customers is essential in maintaining the public's trust and is required by law. Information is to be used for Company purposes and not as a basis for personal gain. Information shall not be disclosed to persons outside the Company, including family or associates, or to Company employees who do not have a business reason for knowing the information. Exceptions are routine credit inquiries, legally required disclosures and authorized release of information by the customer.

In addition, each employee must ensure that: (i) desks are clear of confidential papers at the end of each workday; (ii) all sensitive data is locked in your desk or file cabinets; (iii) if necessary to carry sensitive data off premises, you exercise reasonable care to protect the security of such information; (iv) you avoid displaying documents in an indiscriminate manner; and (v) you avoid discussions of confidential topics in public places, such as elevators, hallways, and restrooms.

C. Public Disclosure

Financial or other information regarding the Company is not to be released to any outside person or organization unless it has been published in reports to stockholders or otherwise made public. All news media inquiries must be referred to the Chief Executive Officer of the Company.

D. Material Inside Information

As described above under the “Insider Trading” heading in Section III (Conflict of Interest Policy), the unauthorized use or disclosure of “material inside information” subjects you, the Company, and third parties to whom the information is communicated to penalties under federal and state securities laws. If you possess such material inside information, you must not disclose such information and must not trade in or recommend the purchase or sale of the securities involved until after the information is actually disseminated to the public.

Disclosure of material inside information by customers to employees may be required in connection with possible loan transactions or in connection with other financial matters such as mergers or acquisitions. The employees involved must not communicate such information to anyone except to the extent essential to carry out the proposed transaction. In addition, if an employee is authorized to reveal confidential information to another, the employee must specifically designate such information as confidential. For example, if the employee provides material nonpublic information to accountants or other consultants who have been retained to assist in an acquisition, the employee must make it clear that such information is confidential in order to avoid “tipper” liability under the securities laws.

E. Employee Information and Reports

Information regarding past or present employees must be kept confidential. All inquiries regarding past or present employees are to be referred to the Human Resources Department. Information contained in reports issued by the Department of Financial Institutions or the Federal Deposit Insurance Corporation is privileged information and must not be communicated to anyone who is not in a “need to know” position or not officially connected with the Company. The disclosure of audit/examination results is clearly prohibited by both corporate policy and government regulations.

F. Published Information

In addition, all published information (both for internal and external use), developed programs, equipment, etc. are the property of the Company and are reserved for use by Company employees. Use of these materials for any other purpose may constitute copyright infringement and theft.

G. Electronic Information

A substantial amount of Company information is stored, processed and transmitted through computer and telecommunications systems. It is the practice of the Company to properly secure these information resources, which include all computer equipment, data, software, documentation, supplies and facilities. You must comply with Company information and systems security policies, standards and procedures.

H. No Legal Advice

Employees may occasionally be asked by customers to comment upon the legality of a particular transaction. Because the Company cannot practice law or give legal, tax or money laundering structuring advice, employees must exercise care in discussing transactions with customers and must not make any comments that could be construed as legal, tax or money laundering structuring advice.

VIII. PROTECTION AND PROPER USE OF COMPANY ASSETS

Each of us should endeavor to protect the Company's tangible and intangible assets and ensure their proper and efficient use. All company assets should be used for legitimate business purposes. It is important to remember that loss, theft, damage and waste of the Company's assets have a direct impact on the Company's profitability. Accordingly, any suspected incident of fraud, theft or misuse should be immediately reported for investigation.

Your obligation to protect the Company's assets includes its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, copyrights and know-how, as well as business, sales, marketing and service plans, engineering and manufacturing ideas and practices, designs, databases, records, salary and other compensation/benefit information and any unpublished financial data and reports. Unauthorized use or distribution of the Company's proprietary information is prohibited and could also be illegal, resulting in the imposition of civil or criminal penalties.

IX. WAIVERS OF THE CODE

Supervisors may not authorize actions by a non-officer employee that constitute a conflict of interest without first filing a written description of the activity with the Risk Control Group. The conflict of interest will then be reviewed by the Risk Control Group and the Company's Legal Department. A waiver of this Code for any employee (other than an officer) may be made only by both the Risk Control Group and the Company's Legal Department.

A waiver of this Code for officers or directors may be made only by the Board of Directors and will be promptly disclosed to the extent required by law and the listing requirements of The Nasdaq Stock Market, Inc.

X. COMPLIANCE PROCEDURES

The Company's success is dependent on its reputation with customers and the public as an effective and dependable financial institution. Thus, the Company is committed to conducting its business in an ethical manner and depends on its ability to discover and remedy any potential or actual violations of this Code. Reporting by Company employees, officers and directors is essential to this process. Consequently, procedures have been put into place to hear and handle (i) the disclosure by any employee, officer or director of an actual or potential conflict of interest, including any relationships, receipts of gifts, compensation, or other situations leading to possible conflicts; and (ii) the reporting of instances of misconduct, even if the reporting person is unsure of whether the conduct is prohibited, and complaints regarding accounting, internal accounting controls, or auditing matters. Under those procedures, you should feel free to disclose or report (confidentially or otherwise) without fear of retaliation.

A. Employee Awareness, Training and Review

To facilitate compliance with this Code, the Company has implemented a program of Code awareness, training and review. The Company has entrusted the Risk Control Group with overseeing this program. You are encouraged to contact the Risk Control Group using any of the procedures set forth below under "Methods of Reporting."

In addition to fielding questions or concerns with respect to potential violations of this Code, the Risk Control Group is responsible for:

1. Investigating possible violations of this Code.

2. Training new employees in Code policies.

3. Conducting annual training sessions to refresh employees' familiarity with this Code.

4. Distributing copies of this Code annually to each employee with a reminder that each employee is responsible for reading, understanding and complying with this Code.

5. Updating this Code as needed and alerting employees to any updates, with appropriate approval of the Board of Directors, to reflect changes in the law, Company operations and recognized best practices, and to reflect Company experience.

6. Otherwise promoting an atmosphere of responsible and ethical conduct.

B. Methods of Disclosure

1. Disclosures of (i) an actual or potential conflict of interest, (ii) a potential or actual violation of this Code or (iii) questions or concerns regarding this Code may be communicated as follows:

Employees	Report to your supervisor, the Risk Control Group or the Legal Department.
	Waivers of this Code may be made by both the Risk Control Group and the Company's Legal Department.
Officers	Report to the Risk Control Group, the Legal Department or the Audit Committee.
	Waivers of this Code may be made by the Board of Directors.
Directors	Report to the Risk Control Group, the Legal Department or the Audit Committee.
	Waivers of this Code may be made by the Board of Directors.

2. If you have any concerns with accounting, internal accounting controls, or auditing matters, you should report them to your supervisor, the Risk Control Group or the Legal Department. The Audit Committee of the Board of Directors will oversee treatment of all concerns in this area. Where you do not feel comfortable reporting such a matter to a supervisor, the Risk Control Group or the Legal Department, you should report such matter directly to the Chairman of the Audit Committee by writing to Hanmi Financial Corporation, 3660 Wilshire Blvd., Suite 218, Los Angeles, California 90010, Attention: Chairman of the Audit Committee. Any submissions to the Audit Committee may be anonymous and/or confidential. Upon receipt of a complaint or concern, the Chairman of the Audit Committee will determine whether the complaint relates to accounting, internal accounting controls, or auditing matters, and, if possible, acknowledge receipt of the complaint to the sender.

Whether you choose to speak with your supervisor, the Risk Control Group, the Legal Department, you may do so without fear of any form of retaliation. The Company will take prompt disciplinary action against any employee who retaliates against a reporting employee, up to and including termination of employment.

The Audit Committee will oversee the response to the complaint or concern, including designation of the appropriate internal and, if necessary, external personnel to investigate and review the complaint or concern, and the appropriate response thereto. Prompt corrective action will be taken to address the issues raised in the complaint or concern as determined by the Audit Committee. The Audit Committee will maintain a log reflecting receipt of all complaints and tracking their investigation and resolution. The status of all outstanding concerns addressed to the Audit Committee will be reported to the Chairman of Audit Committee on a quarterly basis. The Audit Committee will also prepare a periodic report for the Board of Directors regarding complaints.

3. Interested parties may contact the Risk Control Group with any questions or concerns in any one of the following ways:

- *By writing to the Risk Control Group:* Interested parties can use either internal mail or write to Hanmi Financial Corporation, The Risk Control Group, 3660 Wilshire Blvd., Suite 218, Los Angeles, California 90010.

- *By contacting the Risk Control Group Manager:* Steve Curran, the Risk Control Group Manager, can be reached via telephone at (213) 639-1794, via fax at (213) 427-5700, or via e-mail at stevecurran@hanmi.com. Persons who wish to communicate in Korean may contact MiMi Park at (213) 639-1796, via fax at (213) 427-5700, or via e-mail at mmpark@hanmi.com.

- *By calling the Risk Control Group Ethics Line:* Interested parties may call the Risk Control Group Ethics Line at either (800) 822-2315 or (213) 368-3220. All communications to the Risk Control Group Ethics Line can be made anonymously because all caller identification features have been removed. However, the Risk Control Group will be unable to obtain follow-up details from anonymous calls that may be necessary to investigate the matter.

C. Methods of Investigation

Supervisors must promptly report any complaints or observations of Code violations to the Risk Control Group. The Risk Control Group will investigate all reported potential Code violations promptly. Whether you identify yourself or remain anonymous, your contact with the Risk Control Group will be kept strictly confidential to the extent reasonably possible within the objectives of this Code. Your cooperation in the investigation will be expected.

If the investigation indicates that a violation of this Code has probably occurred, the Company will take such action as it believes to be appropriate under the circumstances. If the Company determines that an employee is responsible for a Code violation, he or she will be subject to disciplinary action up to and including termination of employment and, in appropriate cases, civil action or referral for criminal prosecution. Appropriate action also may be taken to deter any future Code violations.

All disclosures or reports received by the Risk Control Group or the Legal Department regarding a potential conflict of interest or Code violations involving an officer or director will be disclosed to and reviewed by the Audit Committee.

XI. SPECIFIC PROVISIONS FOR INSIDERS

Insiders (defined under Regulation O as directors, executive officers and principal shareholders) of the Company may not take advantage of their positions in the Company for personal profit.

Insiders are prohibited from being involved in the loan approval process if they or their related interests may benefit directly of indirectly from the decision to grant credit. This prohibition extends to professional relationships with any company or firm receiving remuneration as a result of the decision to grant credit.

Decisions regarding the sale or purchase of bank assets and services must be made in the best interests of the Company, with no influence on insiders resulting from gifts, entertainment, or gratuities. All conduct of such business must be at “arm’s length.” Insiders must disclose any personal or business connections they have with potential purchasers or Company assets and services so that steps can be taken by the Company to prevent an appearance of impropriety when dealing with those potential customers.

Insiders must avoid entering into transactions where it may appear that they are benefiting improperly from their relationship with the Company. For this reason, insiders are prohibited from representing the Company in any transaction with a person or organization in which the insider or his or her Immediate Family Member has a direct or indirect interest or from which the insider or his or her family may derive a benefit.

To avoid possible conflicts of interest, loan applications submitted to insiders by relatives or close personal friends (or entities controlled by relatives or close personal friends) are to be submitted to other independent lending officers of equal or higher position for processing and approval.

In addition, insiders must refrain from directly or indirectly owning or purchasing:

1. Real or personal property in which the Company or any affiliate of the Company has or intends to obtain an ownership interest.

2. Stocks, bonds, or other securities pledged to the Company or any Company affiliate as collateral, sold by any affiliate in a fiduciary capacity, or issued by any entity indebted to an affiliate (except for publicly traded securities).

3. Stock of any business of financial institution in anticipation of its merger with or acquisition by the Company or any affiliate.

4. Trust deeds, mortgages or chattel mortgages that are a lien against property in which any Company affiliate has a security interest.

5. An interest in any company that is a customer or supplier of the Company or any affiliate, unless (a) you have no involvement in the approval or the management of business transactions between the customer or supplier and the Company; (b) your investment in the customer or supplier consists of less than 1 percent of the stock of a publicly traded company; or (c) the only business relationship between the Company and the customer or supplier in which you have an interest consists of the provision of a service or product by the Company (in the case of a customer) or by the supplier (in the case of a supplier) that is typically offered to other parties on the same terms.

6. An interest in a company for which the insider is the account officer or which the insider has access to information that is not generally available to the public.

XII. SPECIFIC PROVISIONS FOR SENIOR OFFICERS

The Board has adopted certain specific provisions in this Section XII that apply to the Company's President and Chief Executive Officer, Chief Financial Officer, Chief Credit Officer, Chief Administration Officer, its principal accounting officer and any other senior executive and senior financial officers who may be designated as such by the Board of Directors (each, a "Senior Officer", and collectively, the "Senior Officers"). The provisions of this Section XII are designed to deter wrongdoing and to promote (i) honest and ethical conduct, (ii) full, fair, accurate, timely and understandable disclosure in the Company's filings with, or submissions to, the Securities and Exchange Commission ("SEC") and in other public communications made by the Company, (iii) compliance with applicable governmental laws, rules and regulations, (iv) prompt internal reporting to the Board or the Audit Committee which oversees the provisions of this Section XII and any violations of provisions of this Section XII and (v) accountability for adherence to the provisions of this Section XII.

Each Senior Officer is expected to act with uncompromising honesty and integrity. Each Senior Officer is required to adhere to the highest standards regardless of local custom. A Senior Officer is expected to be honest and ethical in dealing with all employees of the Company and the Company's customers, suppliers and other third parties with whom the Company conducts business. The actions of a Senior Officer must be free from illegal behavior. Each Senior Officer is expected to avoid engaging in activities that conflict with, or have the appearance of conflicting with, the best interests of the Company and its stockholders. Any personal activities or interests of a Senior Officer that could negatively influence, or which could have the appearance of negatively influencing, the judgment, decisions or actions of such Senior Officer must be disclosed to the Board or the Audit Committee, who will determine if there is a conflict and, if so, how to resolve it without compromising the best interests of the Company and its stockholders. Prompt and full disclosure is always the correct first step towards identifying and resolving any potential conflict of interest. A conflict involving a Senior Officer will be reviewed by the Board or the Audit Committee; provided, that any conflict involving the Chief Executive Officer will be reviewed by the Board.

Each Senior Officer shall endeavor to ensure full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the SEC and in other public communications made by the Company. Each Senior Officer shall review each SEC periodic report and material press release prior to the time it is filed, furnished or issued to the SEC or made public, as applicable. Any material inaccuracy or misstatement in, or the omission of any information necessary to make the statements made not misleading from, any SEC filing or press release shall be immediately disclosed to the Board and, if applicable, the Company’s auditors and legal advisors.

Each Senior Officer shall comply with applicable governmental laws, rules and regulations.

If a Senior Officer becomes aware of a violation of the provisions of this Section XII, such Senior Officer should report the matter immediately to the Board or the Audit Committee. It is the policy of the Company not to allow retaliation for violation allegations made in good faith by employees of the Company. Senior Officers are expected to cooperate in investigations concerning allegations of violations of the provisions of this Section XII.

Any waiver of the provisions of this Section XII may be made only by the Board. The Company will promptly disclose waivers of the provisions of this Section XII to the extent required by applicable law, including the rules and regulations promulgated by the SEC.

Any Senior Officer who violates the provisions of this Section XII will be subject to disciplinary action up to and including dismissal. If a Senior Officer is in a situation which he or she believes may violate or lead to a violation of the provisions of this Section XII, such Senior Officer should contact a member of the Board or the Audit Committee as soon as possible.

Effective March 10, 2004

ACKNOWLEDGMENT OF RECEIPT AND UNDERSTANDING

I have received my copy of the Corporation Code of Business Conduct and Ethics of Hanmi Financial Corporation (the "Code of Business Conduct and Ethics"). I understand and agree that it is my responsibility to read and familiarize myself with the policies and procedures contained in this Code of Business Conduct and Ethics. If I have any questions about any section of the Code of Business Conduct and Ethics, I understand that I am expected and encouraged to seek clarification from my supervisor, the Risk Control Group or the Legal Department of Hanmi Financial Corporation.

I HAVE READ AND UNDERSTAND THE ABOVE STATEMENT, AND AGREE TO FOLLOW THE POLICIES AND PROCEDURES CONTAINED IN THE CODE OF BUSINESS CONDUCT AND ETHICS.

Date ________________________

____

Signature

____

Print Name

____

Position with Hanmi Financial
Corporation and/or Hanmi Bank

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Hanmi Financial Corporation:

We consent to the incorporation by reference in the registration statements on Form S-8 (No. 333-44090 and No. 333-44320) of Hanmi Financial Corporation of our reports dated March 16, 2005, with respect to the consolidated statements of financial condition of Hanmi Financial Corporation and subsidiary as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' equity and comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2004, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004 and the effectiveness of internal control over financial reporting as of December 31, 2004, which reports appear in the December 31, 2004 annual report on Form 10-K of Hanmi Financial Corporation.

/s/ KPMG LLP

Los Angeles, California
March 16, 2005

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Sung Won Sohn, Chief Executive Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K 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.

HANMI FINANCIAL CORPORATION
By:

/s/ Sung Won Sohn, PH.D.
Sung Won Sohn, PH.D.
President and Chief Executive Officer

Date: March 16, 2005

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael J. Winiarski, Chief Financial Officer, certify that:

1. I have reviewed this Annual Report on Form 10-K 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.

HANMI FINANCIAL CORPORATION
By:

/s/ Michael J. Winiarski
Michael J. Winiarski
Chief Financial Officer

Date: March 16, 2005

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 Annual Report of Hanmi Financial Corporation (the “Company”) on Form 10-K for the fiscal year ended December 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sung Won Sohn, 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 result of operations of the Company.

Date: March 16, 2005

/s/ Sung Won Sohn PH.D.
Sung Won Sohn PH.D.
President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Hanmi Financial Corporation and will be retained by Hanmi Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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 Annual Report of Hanmi Financial Corporation (the “Company”) on Form 10-K for the fiscal year ended December 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael J. Winiarski, 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:

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

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

Date: March 16, 2005	/s/ Michael J. Winiarski
	Michael J. Winiarski
	Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Hanmi Financial Corporation and will be retained by Hanmi Financial Corporation and furnished to the Securities and Exchange Commission or its staff upon request.