UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2024

or

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

For the Transition Period From To

Commission File Number: 000-30421

HANMI FINANCIAL CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware	**95-4788120**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
900 Wilshire Boulevard, Suite 1250 **Los Angeles, California**	**90017**
(Address of Principal Executive Offices)	**(Zip Code)**

(213) 382-2200
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	**HAFC**	**Nasdaq Global Select Market**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of April 30, 2024, there were 30,387,062 outstanding shares of the Registrant's Common Stock.

Hanmi Financial Corporation and Subsidiaries Quarterly Report on Form 10-Q
Three Months Ended March 31, 2024

Table of Contents

Part I – Financial Information

Item 1.	**Financial Statements**	3
	Consolidated Balance Sheets at March 31, 2024 (unaudited) and December 31, 2023	3
	Consolidated Statements of Income for the three months ended March 31, 2024 and 2023 (unaudited)	4
	Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2024 and 2023 (unaudited)	5
	Consolidated Statements of Changes in Stockholders' Equity for the three months ended March 31, 2024 and 2023 (unaudited)	6
	Consolidated Statements of Cash Flows for the three months ended March 31, 2024 and 2023 (unaudited)	7
	Notes to Consolidated Financial Statements (unaudited)	8
Item 2.	**Management's Discussion and Analysis of Financial Condition and Results of Operations**	39
Item 3.	**Quantitative and Qualitative Disclosures About Market Risk**	55
Item 4.	**Controls and Procedures**	55

Part II – Other Information

Item 1.	**Legal Proceedings**	56
Item 1A.	**Risk Factors**	56
Item 2.	**Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities**	56
Item 3.	**Defaults Upon Senior Securities**	56
Item 4.	**Mine Safety Disclosures**	56
Item 5.	**Other Information**	56
Item 6.	**Exhibits**	57
Signatures		58

Part I — Financial Information

Item 1. Financial Statements

Hanmi Financial Corporation and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share data)

	March 31, 2024 (Unaudited)	December 31, 2023
Assets		
Cash and due from banks	$ 256,038	$ 302,324
Securities available for sale, at fair value (amortized cost of $978,580 and $967,031 as of March 31, 2024 and December 31, 2023, respectively)	872,190	865,739
Loans held for sale, at the lower of cost or fair value	3,999	12,013
Loans receivable, net of allowance for credit losses of $68,270 and $69,462 as of March 31, 2024 and December 31, 2023, respectively	6,109,570	6,112,972
Accrued interest receivable	23,032	23,371
Premises and equipment, net	21,952	21,959
Customers' liability on acceptances	161	625
Servicing assets	6,890	7,070
Goodwill and other intangible assets, net	11,074	11,099
Federal Home Loan Bank ("FHLB") stock, at cost	16,385	16,385
Income tax assets	35,863	35,226
Bank-owned life insurance	56,639	56,335
Prepaid expenses and other assets	98,253	105,223
Total assets	**$ 7,512,046**	**$ 7,570,341**
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Noninterest-bearing	$ 1,933,060	$ 2,003,596
Interest-bearing	4,443,000	4,276,978
Total deposits	6,376,060	6,280,574
Accrued interest payable	38,007	39,306
Bank's liability on acceptances	161	625
Borrowings	172,500	325,000
Subordinated debentures ($136,800 and $136,800 face amount less unamortized discount and debt issuance costs of $6,635 and $6,788 as of March 31, 2024 and December 31, 2023, respectively)	130,165	130,012
Accrued expenses and other liabilities	92,053	92,933
Total liabilities	**6,808,946**	**6,868,450**
Stockholders' equity:		
Preferred stock, $0.001 par value; authorized 10,000,000 shares; no shares issued as of March 31, 2024 and December 31, 2023	—	—
Common stock, $0.001 par value; authorized 62,500,000 shares; issued 33,957,284 shares (30,276,358 shares outstanding) and 33,918,035 shares (30,368,655 shares outstanding) as of March 31, 2024 and December 31, 2023, respectively	34	34
Additional paid-in capital	587,687	586,912
Accumulated other comprehensive loss, net of tax benefit of $31,401 and $29,058 as of March 31, 2024 and December 31, 2023, respectively	(76,890)	(71,928)
Retained earnings	326,526	319,048
Less treasury stock; 3,680,926 shares and 3,549,380 shares as of March 31, 2024 and December 31, 2023, respectively	(134,257)	(132,175)
Total stockholders' equity	**703,100**	**701,891**
Total liabilities and stockholders' equity	**$ 7,512,046**	**$ 7,570,341**

See Accompanying Notes to Consolidated Financial Statements (Unaudited)

Hanmi Financial Corporation and Subsidiaries
Consolidated Statements of Income (Unaudited)
(in thousands, except share and per share data)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Interest and dividend income:		
Interest and fees on loans receivable	$ 91,674	$ 80,923
Interest on securities	4,955	4,025
Dividends on FHLB stock	361	289
Interest on deposits in other banks	2,604	2,066
Total interest and dividend income	99,594	87,303
Interest expense:		
Interest on deposits	45,638	25,498
Interest on borrowings	1,655	2,369
Interest on subordinated debentures	1,646	1,583
Total interest expense	48,939	29,450
Net interest income before credit loss expense	50,655	57,853
Credit loss expense	227	2,133
Net interest income after credit loss expense	50,428	55,720
Noninterest income:		
Service charges on deposit accounts	2,450	2,579
Trade finance and other service charges and fees	1,414	1,258
Gain on sale of Small Business Administration ("SBA") loans	1,482	1,869
Other operating income	2,387	2,630
Total noninterest income	7,733	8,336
Noninterest expense:		
Salaries and employee benefits	21,585	20,610
Occupancy and equipment	4,537	4,412
Data processing	3,551	3,253
Professional fees	1,893	1,335
Supplies and communications	601	676
Advertising and promotion	907	833
Other operating expenses	3,371	1,672
Total noninterest expense	36,445	32,791
Income before tax	21,716	31,265
Income tax expense	6,552	9,274
Net income	**$ 15,164**	**$ 21,991**
Basic earnings per share	$ 0.50	$ 0.72
Diluted earnings per share	$ 0.50	$ 0.72
Weighted-average shares outstanding:		
Basic	30,119,646	30,347,325
Diluted	30,119,646	30,430,745

See Accompanying Notes to Consolidated Financial Statements (Unaudited)

Hanmi Financial Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(in thousands)

	Three Months Ended March 31,	
	2024	**2023**
Net income	**$ 15,164**	**$ 21,991**
Other comprehensive income (loss), net of tax:		
Unrealized gain (loss):		
Unrealized holding gain (loss) on available for sale securities	(5,098)	13,607
Unrealized gain (loss) on cash flow hedges	(2,207)	—
Unrealized gain (loss)	(7,305)	13,607
Income tax benefit (expense) related to other comprehensive income items	2,343	(3,681)
Other comprehensive income (loss), net of tax	(4,962)	9,926
Total comprehensive income	**$ 10,202**	**$ 31,917**

See Accompanying Notes to Consolidated Financial Statements (Unaudited)

Hanmi Financial Corporation and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
For the Three Months Ended March 31, 2024 and 2023
(in thousands, except share data)

	Common Stock - Number of Shares			Stockholders' Equity					
	Shares Issued	**Treasury Shares**	**Shares Outstanding**	**Common Stock**	**Additional Paid-in Capital**	**Accumulated Other Comprehensive Loss**	**Retained Earnings**	**Treasury Stock, at Cost**	**Total Stockholders' Equity**
Balance at January 1, 2023	**33,708,234**	**(3,222,613)**	**30,485,621**	**$ 33**	**$ 583,410**	**$ (88,985)**	**$ 269,542**	**$ (126,485)**	**$ 637,515**
Stock options exercised	50,000	(35,273)	14,727	—	822	—	—	(1,003)	(181)
Issuance of awards pursuant to equity incentive plans, net of forfeitures	69,567	—	69,567	—	—	—	—	—	—
Share-based compensation expense	—	—	—	—	652	—	—	—	652
Shares surrendered to satisfy tax liability upon vesting of equity awards	—	(11,392)	(11,392)	—	—	—	—	(115)	(115)
Repurchase of common stock	—	(3,236)	(3,236)	—	—	—	—	—	—
Cash dividends paid (common stock, $0.25/share)	—	—	—	—	—	—	(7,623)	—	(7,623)
Net income	—	—	—	—	—	—	21,991	—	21,991
Change in unrealized gain (loss) on securities available for sale, net of income taxes	—	—	—	—	—	9,926	—	—	9,926
Balance at March 31, 2023	**33,827,801**	**(3,272,514)**	**30,555,287**	**$ 33**	**$ 584,884**	**$ (79,059)**	**$ 283,910**	**$ (127,603)**	**$ 662,165**
Balance at January 1, 2024	**33,918,035**	**(3,549,380)**	**30,368,655**	**$ 34**	**$ 586,912**	**$ (71,928)**	**$ 319,048**	**$ (132,175)**	**$ 701,891**
Issuance of awards pursuant to equity incentive plans, net of forfeitures	39,249	—	39,249	—	—	—	—	—	—
Share-based compensation expense	—	—	—	—	775	—	—	—	775
Shares surrendered to satisfy tax liability upon vesting of equity awards	—	(31,546)	(31,546)	—	—	—	—	(490)	(490)
Repurchase of common stock	—	(100,000)	(100,000)	—	—	—	—	(1,592)	(1,592)
Cash dividends paid (common stock, $0.25/share)	—	—	—	—	—	—	(7,686)	—	(7,686)
Net income	—	—	—	—	—	—	15,164	—	15,164
Change in unrealized gain (loss) on securities available for sale, net of income taxes	—	—	—	—	—	(3,394)	—	—	(3,394)
Change in unrealized gain (loss) on cash flow hedge, net of income taxes	—	—	—	—	—	(1,568)	—	—	(1,568)
Balance at March 31, 2024	**33,957,284**	**(3,680,926)**	**30,276,358**	**$ 34**	**$ 587,687**	**$ (76,890)**	**$ 326,526**	**$ (134,257)**	**$ 703,100**

See Accompanying Notes to Consolidated Financial Statements (Unaudited)

Hanmi Financial Corporation and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Three Months Ended March 31,	
	2024	**2023**
Cash flows from operating activities:		
Net income	**$ 15,164**	**$ 21,991**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,604	1,742
Amortization of servicing assets - net	694	634
Share-based compensation expense	775	652
Credit loss expense	227	2,133
Gain on sales of SBA loans	(1,482)	(1,869)
Origination of SBA loans held for sale	(17,632)	(25,316)
Proceeds from sales of SBA loans	26,555	30,954
Gain on sales of mortgage loans	(443)	—
Change in bank-owned life insurance	(304)	(270)
Change in prepaid expenses and other assets	5,564	(3,000)
Change in income tax assets	1,707	8,585
Valuation adjustment on servicing assets	—	(384)
Change in accrued interest payable and other liabilities	(2,446)	276
Net cash provided by operating activities	**29,983**	**36,128**
Cash flows from investing activities:		
Purchases of securities available for sale	(38,424)	(29,504)
Proceeds from matured, called and repayment of securities	26,233	17,499
Purchases of loans receivable	(10,198)	—
Proceeds from sales of mortgage loans	30,427	—
Purchases of premises and equipment	(794)	(617)
Change in loans receivable, excluding purchases	(16,729)	(14,773)
Net cash used in investing activities	**(9,485)**	**(27,395)**
Cash flows from financing activities:		
Change in deposits	95,486	32,966
Change in borrowings	(152,500)	—
Proceeds from exercise of stock options	—	822
Cash paid for employee vested shares surrendered due to employee tax liability	(490)	(1,118)
Repurchase of common stock	(1,594)	—
Cash dividends paid	(7,686)	(7,623)
Net cash provided by (used in) financing activities	**(66,784)**	**25,047**
Net increase (decrease) in cash and due from banks	**(46,286)**	**33,780**
Cash and due from banks at beginning of year	302,324	352,421
Cash and due from banks at end of period	**$ 256,038**	**$ 386,201**
Supplemental disclosures of cash flow information:		
Interest paid	$ 50,238	$ 16,730
Income taxes paid	$ 175	$ 334
Non-cash activities:		
Income tax benefit (expense) related to other comprehensive income items	$ 2,343	$ (3,681)
Change in right-of-use asset obtained in exchange for lease liability	$ (1,873)	$ (145)

See Accompanying Notes to Consolidated Financial Statements (Unaudited)

Hanmi Financial Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

Note 1 — Organization and Basis of Presentation

Hanmi Financial Corporation (“Hanmi Financial,” the “Company,” “we,” “us” or “our”) is a bank holding company whose primary subsidiary is Hanmi Bank (the “Bank”). Our primary operations are related to traditional banking activities, including the acceptance of deposits and the lending and investing of money by the Bank.

In management’s opinion, the accompanying unaudited consolidated financial statements of Hanmi Financial and its subsidiaries reflect all adjustments of a normal and recurring nature that are necessary for a fair presentation of the results for the interim period ended March 31, 2024. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted. The unaudited consolidated financial statements are prepared in conformity with GAAP and in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. Operating results for the three-month period ended March 31, 2024 are not necessarily indicative of the results that may be expected for the year ended December 31, 2024 or for any other period. The interim information should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2023 (the “2023 Annual Report on Form 10-K”).

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

Recently Issued Accounting Standards Not Yet Effective

Accounting Standards Update (“ASU”) 2023-09*, Income Taxes (Topic 740): Improvements to Income Tax Disclosures:* In December 2023, the Financial Accounting Standards Board (“FASB”) issued ASU 2023-09 to enhance the transparency and usefulness of income tax disclosures primarily related to income tax rate reconciliation and income taxes information. The amendments in ASU 2023-09 are effective for fiscal years beginning after December 15, 2024. The adoption of ASU 2023-09 is not expected to have material effect on the Company’s operating results or financial condition.

ASU 2023-07, Segment Reporting (Topic 280): Segment Reporting: In November 2023, FASB issued ASU 2023-07 to provide updates that improve reportable segment disclosure requirements, primarily through enhanced disclosures on significant segment expenses. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2024. The adoption of ASU 2023-07 is not expected to have material effect on the Company’s operating results or financial condition.

Note 2 — Securities

The following is a summary of securities available for sale as of the dates indicated:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
		(in thousands)		
March 31, 2024				
U.S. Treasury securities	$ 88,407	$ 21	$ (1,124)	$ 87,304
U.S. government agency and sponsored agency obligations:				
Mortgage-backed securities - residential	489,714	226	(65,267)	424,673
Mortgage-backed securities - commercial	59,603	—	(12,383)	47,220
Collateralized mortgage obligations	131,756	107	(10,128)	121,735
Debt securities	132,236	—	(7,420)	124,816
Total U.S. government agency and sponsored agency obligations	813,309	333	(95,198)	718,444
Municipal bonds-tax exempt	76,864	—	(10,422)	66,442
Total securities available for sale	**$ 978,580**	**$ 354**	**$ (106,744)**	**$ 872,190**
December 31, 2023				
U.S. Treasury securities	$ 86,355	$ 173	$ (1,040)	$ 85,488
U.S. government agency and sponsored agency obligations:				
Mortgage-backed securities - residential	504,544	481	(62,697)	442,328
Mortgage-backed securities - commercial	59,973	—	(11,982)	47,991
Collateralized mortgage obligations	106,823	237	(9,649)	97,411
Debt securities	132,215	—	(7,590)	124,625
Total U.S. government agency and sponsored agency obligations	803,555	718	(91,918)	712,355
Municipal bonds-tax exempt	77,121	—	(9,225)	67,896
Total securities available for sale	**$ 967,031**	**$ 891**	**$ (102,183)**	**$ 865,739**

The amortized cost and estimated fair value of securities as of March 31, 2024 and December 31, 2023, by contractual or expected maturity, are shown below. Collateralized mortgage obligations are included in the table shown below based on their expected maturities. All other securities are included based on their contractual maturities.

	March 31, 2024 Available for Sale		December 31, 2023 Available for Sale	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
		(in thousands)		
Within one year	$ 76,125	$ 75,255	$ 62,521	$ 61,828
Over one year through five years	156,571	148,475	169,176	160,983
Over five years through ten years	90,497	82,423	83,720	77,608
Over ten years	655,387	566,037	651,614	565,320
Total	**$ 978,580**	**$ 872,190**	**$ 967,031**	**$ 865,739**

The following table summarizes debt securities available for sale in an unrealized loss position for which an allowance for credit losses has not been recorded at March 31, 2024 or December 31, 2023, aggregated by major security type and length of time in a continuous unrealized loss position:

	Holding Period								
	Less than 12 Months			12 Months or More			Total		
	Gross Unrealized Loss	Estimated Fair Value	Number of Securities	Gross Unrealized Loss	Estimated Fair Value	Number of Securities	Gross Unrealized Loss	Estimated Fair Value	Number of Securities
	(in thousands, except number of securities)								
March 31, 2024									
U.S. Treasury securities	$ (159)	$ 43,837	13	$ (965)	$ 31,489	11	$ (1,124)	$ 75,326	24
U.S. government agency and sponsored agency obligations:									
Mortgage-backed securities - residential	(88)	16,344	8	(65,179)	395,536	118	(65,267)	411,880	126
Mortgage-backed securities - commercial	—	—	—	(12,383)	47,220	15	(12,383)	47,220	15
Collateralized mortgage obligations	(268)	38,790	10	(9,860)	63,898	25	(10,128)	102,688	35
Debt securities	—	—	—	(7,420)	124,816	26	(7,420)	124,816	26
Total U.S. government agency and sponsored agency obligations	(356)	55,134	18	(94,842)	631,470	184	(95,198)	686,604	202
Municipal bonds-tax exempt	—	—	—	(10,422)	66,442	19	(10,422)	66,442	19
Total	**$ (515)**	**$ 98,971**	**31**	**$ (106,229)**	**$ 729,401**	**214**	**$ (106,744)**	**$ 828,372**	**245**
December 31, 2023									
U.S. Treasury securities	$ (57)	$ 21,024	7	$ (983)	$ 32,449	11	$ (1,040)	$ 53,473	18
U.S. government agency and sponsored agency obligations:									
Mortgage-backed securities - residential	(11)	2,324	5	(62,686)	411,417	118	(62,697)	413,741	123
Mortgage-backed securities - commercial	—	—	—	(11,982)	47,991	15	(11,982)	47,991	15
Collateralized mortgage obligations	(38)	7,074	2	(9,611)	63,610	24	(9,649)	70,684	26
Debt securities	—	—	—	(7,590)	124,625	26	(7,590)	124,625	26
Total U.S. government agency and sponsored agency obligations	(49)	9,398	7	(91,869)	647,643	183	(91,918)	657,041	190
Municipal bonds-tax exempt	—	—	—	(9,225)	67,896	19	(9,225)	67,896	19
Total	**$ (106)**	**$ 30,422**	**14**	**$ (102,077)**	**$ 747,988**	**213**	**$ (102,183)**	**$ 778,410**	**227**

The Company evaluates its available for sale securities portfolio for impairment on a quarterly basis. The Company did not recognize unrealized losses in income because it has the ability and the intent to hold and does not expect to be required to sell these securities until the recovery of their cost basis. The quarterly impairment assessment takes into account the changes in the credit quality of these debt securities since acquisition and the likelihood of a credit loss occurring over the life of the securities. In the event that a credit loss is expected to occur in the future, an allowance is established and a corresponding credit loss is recognized. Based on this analysis, as of March 31, 2024, the Company determined that no credit losses were expected to be realized on the tax-exempt municipal bond portfolio. The remainder of the portfolio consists of U.S. Treasury obligations, U.S. government agency securities, and U.S. government sponsored agency securities, all of which have the backing of the U.S. government, and are therefore not expected to incur credit losses.

Securities available for sale with market values of $23.8 million and $24.8 million as of March 31, 2024 and December 31, 2023, respectively, were pledged to secure borrowings from the Federal Reserve Bank ("FRB") Discount Window.

At March 31, 2024, there were no holdings of securities of any one issuer, other than the U.S. government and its agencies in an amount greater than 10% of shareholders' equity.

Note 3 — Loans

Loans Receivable

Loans consisted of the following as of the dates indicated:

	March 31, 2024	December 31, 2023
	(in thousands)	
Real estate loans:		
Commercial property		
Retail	$ 1,091,059	$ 1,107,360
Hospitality	740,160	740,519
Office	575,847	574,981
Other [(1)]	1,367,395	1,366,534
Total commercial property loans	3,774,461	3,789,394
Construction	104,216	100,345
Residential [(2)]	970,362	962,661
Total real estate loans	4,849,039	4,852,400
Commercial and industrial loans [(3)]	774,851	747,819
Equipment financing agreements	553,950	582,215
Loans receivable	**6,177,840**	**6,182,434**
Allowance for credit losses	(68,270)	(69,462)
Loans receivable, net	**$ 6,109,570**	**$ 6,112,972**

(1) *Includes mixed-use, multifamily, industrial, gas stations, faith-based facilities, and medical; all other property types represent less than one percent of total loans receivable.*

(2) *Includes $1.5 million and $1.9 million of home equity loans and lines, and $5.3 million and $4.5 million of personal loans at March 31, 2024 and December 31, 2023, respectively.*

(3) *At March 31, 2024 and December 31, 2023, Paycheck Protection Program loans were $0.1 million and $0.2 million, respectively.*

Accrued interest on loans was $19.5 million and $19.8 million at March 31, 2024 and December 31, 2023, respectively.

At March 31, 2024 and December 31, 2023, loans with carrying values of $2.45 billion and $2.36 billion, respectively, were pledged to secure advances from the FHLB.

Loans Held for Sale

The following is the activity for loans held for sale for the following periods:

	Real Estate	Commercial and Industrial	Total
		(in thousands)	
Three months ended March 31, 2024			
Balance at beginning of period	$ 8,792	$ 3,221	$ 12,013
Originations and transfers	9,614	8,018	17,632
Sales	(16,900)	(8,687)	(25,587)
Principal paydowns and amortization	(52)	(7)	(59)
Balance at end of period	**$ 1,454**	**$ 2,545**	**$ 3,999**
Three months ended March 31, 2023			
Balance at beginning of period	$ 3,775	$ 4,268	$ 8,043
Originations and transfers	16,387	8,929	25,316
Sales	(19,781)	(9,918)	(29,699)
Principal paydowns and amortization	(2)	(6)	(8)
Balance at end of period	**$ 379**	**$ 3,273**	**$ 3,652**

The following table presents loans purchased by portfolio segment for the following periods:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	(in thousands)	
Commercial real estate	$ 274	$ —
Commercial and industrial	9,924	—
Residential real estate	—	—
Total	**$ 10,198**	**$ —**

Allowance for Credit Losses

The following table details the information on the allowance for credit losses by portfolio segment for the following periods:

	Real Estate	Commercial and Industrial	Equipment Financing Agreements	Total
		(in thousands)		
Three months ended March 31, 2024				
Balance at beginning of period	$ 45,499	$ 10,257	$ 13,706	69,462
Charge-offs	—	(155)	(1,968)	(2,123)
Recoveries	46	58	423	527
Credit loss expense (recovery)	(2,961)	1,676	1,689	404
Ending balance	**$ 42,584**	**$ 11,836**	**$ 13,850**	**$ 68,270**
Three months ended March 31, 2023				
Balance at beginning of period	$ 44,026	$ 15,267	$ 12,230	$ 71,523
Charge-offs	(412)	(210)	(1,616)	(2,238)
Recoveries	68	235	480	783
Credit loss expense (recovery)	(151)	41	2,291	2,181
Ending balance	**$ 43,531**	**$ 15,333**	**$ 13,385**	**$ 72,249**

The table below presents the allowance for credit losses by portfolio segment as a percentage of the total allowance for credit losses and loans by portfolio segment as a percentage of the aggregate investment of loans receivable as of:

	March 31, 2024				December 31, 2023			
	Allowance Amount	Percentage of Total Allowance	Total Loans	Percentage of Total Loans	Allowance Amount	Percentage of Total Allowance	Total Loans	Percentage of Total Loans
				(dollars in thousands)				
Real estate loans:								
Commercial property								
Retail	$ 10,095	14.8%	$ 1,091,059	17.7%	$ 10,264	14.8%	$ 1,107,360	17.9%
Hospitality	11,668	17.1	740,160	12.0	15,534	22.4	740,519	12.0
Office	3,740	5.5	575,847	9.3	3,024	4.4	574,981	9.3
Other	8,270	12.1	1,367,395	22.1	8,663	12.4	1,366,534	22.1
Total commercial property loans	33,773	49.5	3,774,461	61.1	37,485	54.0	3,789,394	61.3
Construction	2,611	3.8	104,216	1.7	2,756	4.0	100,345	1.6
Residential	6,200	9.1	970,362	15.7	5,258	7.5	962,661	15.6
Total real estate loans	42,584	62.4	4,849,039	78.5	45,499	65.5	4,852,400	78.5
Commercial and industrial loans	11,836	17.3	774,851	12.5	10,257	14.8	747,819	12.1
Equipment financing agreements	13,850	20.3	553,950	9.0	13,706	19.7	582,215	9.4
Total	**$ 68,270**	**100.0%**	**$ 6,177,840**	**100.0%**	**$ 69,462**	**100.0%**	**$ 6,182,434**	**100.0%**

The following table represents the amortized cost basis of collateral-dependent loans by class of loans, for which repayment is expected to be obtained through the sale of the underlying collateral, as of:

	March 31, 2024	December 31, 2023
	(in thousands)	
Real estate loans:		
Commercial property		
Retail	$ —	$ 1,530
Hospitality	299	338
Other	2,147	305
Total commercial property loans	2,446	2,173
Residential	—	1
Total real estate loans	2,446	2,174
Commercial and industrial loans	3,927	5,178
Total	**$ 6,373**	**$ 7,352**

Loan Quality Indicators

As part of the on-going monitoring of the quality of our loans portfolio, we utilize an internal loan grading system to identify credit risk and assign an appropriate grade (from 1 to 8) for each loan in our portfolio. Third-party loan reviews are conducted annually on a sample basis. Additional adjustments are made when determined to be necessary. The loan grade definitions are as follows:

Pass and Pass-Watch: Pass and Pass-Watch loans, grades (1-4), are in compliance with the Bank's credit policy and regulatory requirements, and do not exhibit any potential or defined weaknesses as defined under "Special Mention", "Substandard" or "Doubtful." This category is the strongest level of the Bank's loan grading system. It consists of all performing loans with no identified credit weaknesses. It includes cash and stock/security secured loans or other investment grade loans.

Special Mention: A Special Mention loan, grade (5), has potential weaknesses that deserve management's close attention. If not corrected, these potential weaknesses may result in deterioration of the repayment of the debt and result in a Substandard classification. Loans that have significant actual, not potential, weaknesses are considered more severely classified.

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

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

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

Under regulatory guidance, loans graded special mention or worse are considered criticized loans, and loans graded substandard or worse are considered classified loans.

Loans by Vintage Year and Risk Rating

	Term Loans Amortized Cost Basis by Origination Year (1)							
	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
				(in thousands)				
March 31, 2024								
Real estate loans:								
Commercial property								
Risk Rating								
Pass / Pass-Watch	$ 109,310	$ 614,621	$ 978,263	$ 847,463	$ 567,561	$ 578,221	$ 46,941	$ 3,742,380
Special Mention	4,399	—	3,979	3,252	5,628	967	1,409	19,634
Classified	1,573	—	1,197	—	—	9,677	—	12,447
Total commercial property	115,282	614,621	983,439	850,715	573,189	588,865	48,350	3,774,461
YTD gross charge-offs	—	—	—	—	—	—	—	—
YTD net charge-offs (recoveries)	—	—	—	—	(5)	(41)	—	(46)
Construction								
Risk Rating								
Pass / Pass-Watch	49,902	26,003	—	—	—	—	—	75,905
Special Mention	—	—	—	28,311	—	—	—	28,311
Classified	—	—	—	—	—	—	—	—
Total construction	49,902	26,003	—	28,311	—	—	—	104,216
YTD gross charge-offs	—	—	—	—	—	—	—	—
YTD net charge-offs (recoveries)	—	—	—	—	—	—	—	—
Residential								
Risk Rating								
Pass / Pass-Watch	52,132	256,261	369,965	156,338	12,510	117,129	5,777	970,112
Special Mention	—	—	—	—	—	—	250	250
Classified	—	—	—	—	—	—	—	—
Total residential	52,132	256,261	369,965	156,338	12,510	117,129	6,027	970,362
YTD gross charge-offs	—	—	—	—	—	—	—	—
YTD net charge-offs (recoveries)	—	—	—	—	—	—	—	—
Total real estate loans								
Risk Rating								
Pass / Pass-Watch	211,344	896,885	1,348,228	1,003,801	580,071	695,350	52,718	4,788,397
Special Mention	4,399	—	3,979	31,563	5,628	967	1,659	48,195
Classified	1,573	—	1,197	—	—	9,677	—	12,447
Total real estate loans	217,316	896,885	1,353,404	1,035,364	585,699	705,994	54,377	4,849,039
YTD gross charge-offs	—	—	—	—	—	—	—	—
YTD net charge-offs (recoveries)	—	—	—	—	(5)	(41)	—	(46)
Commercial and industrial loans:								
Risk Rating								
Pass / Pass-Watch	97,014	98,018	161,227	76,197	17,368	19,615	287,010	756,449
Special Mention	403	—	13,595	—	99	24	—	14,121
Classified	—	—	96	—	—	258	3,927	4,281
Total commercial and industrial loans	97,417	98,018	174,918	76,197	17,467	19,897	290,937	774,851
YTD gross charge-offs	—	—	126	—	—	29	—	155
YTD net charge-offs (recoveries)	—	—	126	—	—	5	(34)	97
Equipment financing agreements:								
Risk Rating								
Pass / Pass-Watch	35,518	198,213	190,684	88,306	19,607	14,681	—	547,009
Special Mention	—	—	—	—	—	—	—	—
Classified	—	846	3,613	1,729	216	537	—	6,941
Total equipment financing agreements	35,518	199,059	194,297	90,035	19,823	15,218	—	553,950
YTD gross charge-offs	—	19	1,364	400	170	15	—	1,968
YTD net charge-offs (recoveries)	—	19	1,207	310	164	(155)	—	1,545
Total loans receivable:								
Risk Rating								
Pass / Pass-Watch	343,876	1,193,116	1,700,139	1,168,304	617,046	729,646	339,728	6,091,855
Special Mention	4,802	—	17,574	31,563	5,727	991	1,659	62,316
Classified	1,573	846	4,906	1,729	216	10,472	3,927	23,669
Total loans receivable	**$ 350,251**	**$ 1,193,962**	**$ 1,722,619**	**$ 1,201,596**	**$ 622,989**	**$ 741,109**	**$ 345,314**	**$ 6,177,840**
YTD gross charge-offs	—	19	1,490	400	170	44	—	2,123
YTD net charge-offs (recoveries)	—	19	1,333	310	159	(191)	(34)	1,596

(1) *Includes extensions, renewals, or modifications of credit contracts, which consist of a new credit decision.*

	Term Loans Amortized Cost Basis by Origination Year [(1)]							
	2023	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Total**
December 31, 2023								
Real estate loans:								
Commercial property								
Risk Rating								
Pass / Pass-Watch	$ 683,819	$ 986,822	$ 858,821	$ 572,950	$ 378,067	$ 238,400	$ 30,236	$ 3,749,115
Special Mention	4,400	3,997	3,271	5,670	711	2,310	1,406	21,765
Classified	3,065	1,080	4,899	—	5,578	3,892	—	18,514
Total commercial property	691,284	991,899	866,991	578,620	384,356	244,602	31,642	3,789,394
YTD gross charge-offs	—	—	—	411	—	216	—	627
YTD net charge-offs (recoveries)	—	—	—	403	—	(81)	—	322
Construction								
Risk Rating								
Pass / Pass-Watch	72,039	—	—	—	—	—	—	72,039
Special Mention	—	—	28,306	—	—	—	—	28,306
Classified	—	—	—	—	—	—	—	—
Total construction	72,039	—	28,306	—	—	—	—	100,345
YTD gross charge-offs	—	—	—	—	—	—	—	—
YTD net charge-offs (recoveries)	—	—	—	—	—	—	—	—
Residential								
Risk Rating								
Pass / Pass-Watch	290,196	375,712	158,618	12,656	217	119,736	5,025	962,160
Special Mention	—	—	—	—	—	—	500	500
Classified	—	—	—	—	—	1	—	1
Total residential	290,196	375,712	158,618	12,656	217	119,737	5,525	962,661
YTD gross charge-offs	—	—	—	—	—	—	—	—
YTD net charge-offs (recoveries)	—	—	—	—	—	(7)	—	(7)
Total real estate loans								
Risk Rating								
Pass / Pass-Watch	1,046,054	1,362,534	1,017,439	585,606	378,284	358,136	35,261	4,783,314
Special Mention	4,400	3,997	31,577	5,670	711	2,310	1,906	50,571
Classified	3,065	1,080	4,899	—	5,578	3,893	—	18,515
Total real estate loans	1,053,519	1,367,611	1,053,915	591,276	384,573	364,339	37,167	4,852,400
YTD gross charge-offs	—	—	—	411	—	216	—	627
YTD net charge-offs (recoveries)	—	—	—	403	—	(88)	—	315
Commercial and industrial loans:								
Risk Rating								
Pass / Pass-Watch	177,864	169,209	84,198	31,348	9,971	12,920	242,044	727,554
Special Mention	—	14,578	—	102	—	65	(1)	14,744
Classified	329	—	—	—	79	174	4,939	5,521
Total commercial and industrial loans	178,193	183,787	84,198	31,450	10,050	13,159	246,982	747,819
YTD gross charge-offs	—	17	—	—	110	410	6,120	6,657
YTD net charge-offs (recoveries)	—	5	(7)	—	101	(6,621)	6,090	(432)
Equipment financing agreements:								
Risk Rating								
Pass / Pass-Watch	215,670	211,228	101,622	24,340	18,832	3,192	—	574,884
Special Mention	—	—	—	—	—	—	—	—
Classified	392	4,171	1,945	365	401	57	—	7,331
Total equipment financing agreements	216,062	215,399	103,567	24,705	19,233	3,249	—	582,215
YTD gross charge-offs	178	3,944	3,267	386	799	232	—	8,806
YTD net charge-offs (recoveries)	178	3,744	2,858	244	250	(114)	—	7,160
Total loans receivable:								
Risk Rating								
Pass / Pass-Watch	1,439,588	1,742,971	1,203,259	641,294	407,087	374,248	277,305	6,085,752
Special Mention	4,400	18,575	31,577	5,772	711	2,375	1,905	65,315
Classified	3,786	5,251	6,844	365	6,058	4,124	4,939	31,367
Total loans receivable	**$ 1,447,774**	**$ 1,766,797**	**$ 1,241,680**	**$ 647,431**	**$ 413,856**	**$ 380,747**	**$ 284,149**	**$ 6,182,434**
YTD gross charge-offs	178	3,961	3,267	797	909	858	6,120	16,090
YTD net charge-offs (recoveries)	178	3,749	2,851	647	351	(6,823)	6,090	7,043

(1) *Includes extensions, renewals, or modifications of credit contracts, which consist of a new credit decision.*

Loans by Vintage Year and Payment Performance

	Term Loans Amortized Cost Basis by Origination Year [(1)]						Revolving Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior		
				(in thousands)				
March 31, 2024								
Real estate loans:								
Commercial property								
Payment performance								
Performing	$ 113,709	$ 614,621	$ 983,314	$ 850,715	$ 573,189	$ 587,509	$ 48,350	$ 3,771,407
Nonperforming	1,573	—	125	—	—	1,356	—	3,054
Total commercial property	115,282	614,621	983,439	850,715	573,189	588,865	48,350	3,774,461
YTD gross charge-offs	—	—	—	—	—	—	—	—
YTD net charge-offs (recoveries)	—	—	—	—	(5)	(41)	—	(46)
Construction								
Payment performance								
Performing	49,902	26,003	—	28,311	—	—	—	104,216
Nonperforming	—	—	—	—	—	—	—	—
Total construction	49,902	26,003	—	28,311	—	—	—	104,216
YTD gross charge-offs	—	—	—	—	—	—	—	—
YTD net charge-offs (recoveries)	—	—	—	—	—	—	—	—
Residential								
Payment performance								
Performing	52,132	256,261	369,965	156,338	12,510	117,129	6,027	970,362
Nonperforming	—	—	—	—	—	—	—	—
Total residential	52,132	256,261	369,965	156,338	12,510	117,129	6,027	970,362
YTD gross charge-offs	—	—	—	—	—	—	—	—
YTD net charge-offs (recoveries)	—	—	—	—	—	—	—	—
Total real estate loans								
Payment performance								
Performing	215,743	896,885	1,353,279	1,035,364	585,699	704,638	54,377	4,845,985
Nonperforming	1,573	—	125	—	—	1,356	—	3,054
Total real estate loans	217,316	896,885	1,353,404	1,035,364	585,699	705,994	54,377	4,849,039
YTD gross charge-offs	—	—	—	—	—	—	—	—
YTD net charge-offs (recoveries)	—	—	—	—	(5)	(41)	—	(46)
Commercial and industrial loans:								
Payment performance								
Performing	97,417	98,018	174,904	76,197	17,467	19,809	287,010	770,822
Nonperforming	—	—	14	—	—	88	3,927	4,029
Total commercial and industrial loans	97,417	98,018	174,918	76,197	17,467	19,897	290,937	774,851
YTD gross charge-offs	—	—	126	—	—	29	—	155
YTD net charge-offs (recoveries)	—	—	126	—	—	5	(34)	97
Equipment financing agreements:								
Payment performance								
Performing	35,518	198,213	190,684	88,306	19,607	14,681	—	547,009
Nonperforming	—	846	3,613	1,729	216	537	—	6,941
Total equipment financing agreements	35,518	199,059	194,297	90,035	19,823	15,218	—	553,950
YTD gross charge-offs	—	19	1,364	400	170	15	—	1,968
YTD net charge-offs (recoveries)	—	19	1,207	310	164	(155)	—	1,545
Total loans receivable:								
Payment performance								
Performing	348,678	1,193,116	1,718,867	1,199,867	622,773	739,128	341,387	6,163,816
Nonperforming	1,573	846	3,752	1,729	216	1,981	3,927	14,024
Total loans receivable	**$ 350,251**	**$ 1,193,962**	**$ 1,722,619**	**$ 1,201,596**	**$ 622,989**	**$ 741,109**	**$ 345,314**	**$ 6,177,840**
YTD gross charge-offs	—	19	1,490	400	170	44	—	2,123
YTD net charge-offs (recoveries)	—	19	1,333	310	159	(191)	(34)	1,596

(1) *Includes extensions, renewals, or modifications of credit contracts, which consist of a new credit decision.*

	Term Loans Amortized Cost Basis by Origination Year [(1)]							
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
December 31, 2023								
Real estate loans:								
Commercial property								
Payment performance								
Performing	$ 689,449	$ 991,899	$ 866,841	$ 578,620	$ 384,275	$ 243,819	$ 31,642	$ 3,786,545
Nonperforming	1,835	—	150	—	81	783	—	2,849
Total commercial property	691,284	991,899	866,991	578,620	384,356	244,602	31,642	3,789,394
YTD gross charge-offs	—	—	—	411	—	216	—	627
YTD net charge-offs (recoveries)	—	—	—	403	—	(81)	—	322
Construction								
Payment performance								
Performing	72,039	—	28,306	—	—	—	—	100,345
Nonperforming	—	—	—	—	—	—	—	—
Total construction	72,039	—	28,306	—	—	—	—	100,345
YTD gross charge-offs	—	—	—	—	—	—	—	—
YTD net charge-offs (recoveries)	—	—	—	—	—	—	—	—
Residential								
Payment performance								
Performing	290,196	375,712	158,618	12,656	217	119,736	5,525	962,660
Nonperforming	—	—	—	—	—	1	—	1
Total residential	290,196	375,712	158,618	12,656	217	119,737	5,525	962,661
YTD gross charge-offs	—	—	—	—	—	—	—	—
YTD net charge-offs (recoveries)	—	—	—	—	—	(7)	—	(7)
Total real estate loans								
Payment performance								
Performing	1,051,684	1,367,611	1,053,765	591,276	384,492	363,555	37,167	4,849,550
Nonperforming	1,835	—	150	—	81	784	—	2,850
Total real estate loans	1,053,519	1,367,611	1,053,915	591,276	384,573	364,339	37,167	4,852,400
YTD gross charge-offs	—	—	—	411	—	216	—	627
YTD net charge-offs (recoveries)	—	—	—	403	—	(88)	—	315
Commercial and industrial loans:								
Payment performance								
Performing	177,864	183,787	84,198	31,415	10,050	13,066	242,134	742,514
Nonperforming	329	—	—	35	—	93	4,848	5,305
Total commercial and industrial loans	178,193	183,787	84,198	31,450	10,050	13,159	246,982	747,819
YTD gross charge-offs	—	17	—	—	110	410	6,120	6,657
YTD net charge-offs (recoveries)	—	5	(7)	—	101	(6,621)	6,090	(432)
Equipment financing agreements:								
Payment performance								
Performing	215,670	211,228	101,622	24,340	18,844	3,192	—	574,896
Nonperforming	392	4,171	1,945	365	389	57	—	7,319
Total equipment financing agreements	216,062	215,399	103,567	24,705	19,233	3,249	—	582,215
YTD gross charge-offs	178	3,944	3,267	386	799	232	—	8,806
YTD net charge-offs (recoveries)	178	3,744	2,858	244	250	(114)	—	7,160
Total loans receivable:								
Payment performance								
Performing	1,445,218	1,762,626	1,239,585	647,031	413,386	379,813	279,301	6,166,960
Nonperforming	2,556	4,171	2,095	400	470	934	4,848	15,474
Total loans receivable	**$ 1,447,774**	**$ 1,766,797**	**$ 1,241,680**	**$ 647,431**	**$ 413,856**	**$ 380,747**	**$ 284,149**	**$ 6,182,434**
YTD gross charge-offs	178	3,961	3,267	797	909	858	6,120	16,090
YTD net charge-offs (recoveries)	178	3,749	2,851	647	351	(6,823)	6,090	7,043

[(1)] *Includes extensions, renewals, or modifications of credit contracts, which consist of a new credit decision.*

The following is an aging analysis of loans, including loans on nonaccrual status, disaggregated by loan class, as of:

	30-59 Days Past Due		60-89 Days Past Due		90 Days or More Past Due		Total Past Due		Current		Total
					(in thousands)						
March 31, 2024											
Real estate loans:											
Commercial property											
Retail	$	757	$	—	$	—	$	757	$	1,090,302	$	1,091,059
Hospitality		—		—		—		—		740,160		740,160
Office		—		—		—		—		575,847		575,847
Other		2,950		366		574		3,890		1,363,505		1,367,395
Total commercial property loans		3,707		366		574		4,647		3,769,814		3,774,461
Construction		—		—		—		—		104,216		104,216
Residential		2,190		1,410		—		3,600		966,762		970,362
Total real estate loans		5,897		1,776		574		8,247		4,840,792		4,849,039
Commercial and industrial loans		107		3,989		—		4,096		770,755		774,851
Equipment financing agreements		7,452		1,994		3,924		13,370		540,580		553,950
Total loans receivable	**$**	**13,456**	**$**	**7,759**	**$**	**4,498**	**$**	**25,713**	**$**	**6,152,127**	**$**	**6,177,840**
December 31, 2023											
Real estate loans:											
Commercial property											
Retail	$	632	$	—	$	—	$	632	$	1,106,728	$	1,107,360
Hospitality		—		150		22		172		740,347		740,519
Office		—		—		—		—		574,981		574,981
Other		592		—		—		592		1,365,942		1,366,534
Total commercial property loans		1,224		150		22		1,396		3,787,998		3,789,394
Construction		—		—		—		—		100,345		100,345
Residential		521		336		1		858		961,803		962,661
Total real estate loans		1,745		486		23		2,254		4,850,146		4,852,400
Commercial and industrial loans		76		120		5,178		5,374		742,445		747,819
Equipment financing agreements		7,138		2,134		4,551		13,823		568,392		582,215
Total loans receivable	**$**	**8,959**	**$**	**2,740**	**$**	**9,752**	**$**	**21,451**	**$**	**6,160,983**	**$**	**6,182,434**

Nonaccrual Loans and Nonperforming Assets

The following table represents the amortized cost basis of loans on nonaccrual status and loans past due 90 days and still accruing as of March 31, 2024 and December 31, 2023.

	March 31, 2024			
	Nonaccrual Loans With No Allowance for Credit Losses	Nonaccrual Loans With Allowance for Credit Losses	Loans Past Due 90 Days Still Accruing	Total Nonperforming Loans
	(in thousands)			
Real estate loans:				
Commercial property				
Retail	$ 161	$ 437	$ —	$ 598
Hospitality	292	—	—	292
Office	—	—	—	—
Other	2,148	16	—	2,164
Total commercial property loans	2,601	453	—	3,054
Total real estate loans	2,601	453	—	3,054
Commercial and industrial loans	—	4,029	—	4,029
Equipment financing agreements	663	6,278	—	6,941
Total	**$ 3,264**	**$ 10,760**	**$ —**	**$ 14,024**

	December 31, 2023			
	Nonaccrual Loans With No Allowance for Credit Losses	Nonaccrual Loans With Allowance for Credit Losses	Loans Past Due 90 Days Still Accruing	Total Nonperforming Loans
	(in thousands)			
Real estate loans:				
Commercial property				
Retail	$ 1,717	$ 321	$ —	$ 2,038
Hospitality	338	150	—	488
Other	305	18	—	323
Total commercial property loans	2,360	489	—	2,849
Residential	1	—	—	1
Total real estate loans	2,361	489	—	2,850
Commercial and industrial loans	5,213	92	—	5,305
Equipment financing agreements	570	6,749	—	7,319
Total	**$ 8,144**	**$ 7,330**	**$ —**	**$ 15,474**

The Company recognized $9,000 and $104,000 of interest income on nonaccrual loans for the three months ended March 31, 2024 and 2023, respectively.

The following table details nonperforming assets as of the dates indicated:

	March 31, 2024	December 31, 2023
	(in thousands)	
Nonaccrual loans	$ 14,024	$ 15,474
Total nonperforming loans receivable	14,024	15,474
Other real estate owned (“OREO”)	117	117
Total nonperforming assets	**$ 14,141**	**$ 15,591**

OREO of $0.1 million is included in prepaid expenses and other assets in the accompanying Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023.

Loan Modifications

No loans were modified to borrowers experiencing financial difficulty during the three months ended March 31, 2024 or during the three months ended March 31, 2023.

Note 4 — Servicing Assets

The changes in servicing assets for the three months ended March 31, 2024 and 2023 were as follows:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Balance at beginning of period	$ 7,070	$ 7,176
Addition related to sale of SBA loans	514	615
Amortization	(694)	(635)
Change in valuation allowance	—	385
Balance at end of period	**$ 6,890**	**$ 7,541**

At March 31, 2024 and December 31, 2023, we serviced loans sold to unaffiliated parties of $536.0 million and $539.6 million, respectively. These represented loans that were sold for which the Bank continues to provide servicing. These loans are maintained off-balance sheet and are not included in the loans receivable balance. All of the loans serviced were SBA loans.

The Company recorded servicing fee income of $1.3 million for each of the three months ended March 31, 2024 and 2023. Servicing fee income, net of the amortization of servicing assets, is included in other operating income in the consolidated statements of income. Amortization expense was $0.7 million and $0.6 million for the three months ended March 31, 2024 and 2023, respectively.

The fair value of servicing rights was $8.3 million at March 31, 2024 and was determined using discount rates ranging from 11.1% to 22.2% and prepayment speeds ranging from 11.4% to 20.5%, depending on the stratification of the specific right. The fair value of servicing rights was $7.7 million at December 31, 2023 and was determined using discount rates ranging from 14.4% to 24.7% and prepayment speeds ranging from 12.2% to 19.7%, depending on the stratification of the specific right.

Note 5 — Income Taxes

The Company's income tax expense was $6.6 million and $9.3 million, representing an effective income tax rate of 30.2% and 29.7% for the three months ended March 31, 2024 and 2023, respectively.

Management concluded that as of March 31, 2024 and December 31, 2023, a valuation allowance of $1.9 million was appropriate against certain state net operating loss carry forwards and certain tax credits. For all other deferred tax assets, management believes it was more likely than not these deferred tax assets will be realized principally through future taxable income and reversal of existing taxable temporary differences. Net deferred tax assets were $35.9 million and $35.2 million as of March 31, 2024 and December 31, 2023, respectively.

As of March 31, 2024, the Company was subject to examination by various taxing authorities for its federal tax returns for the periods ended after December 31, 2019 and state tax returns for the periods ended after December 31, 2018. During the quarter ended March 31, 2024, there was no material change to the Company's uncertain tax positions. The Company does not expect its unrecognized tax positions to change significantly over the next twelve months.

Note 6 — Goodwill and other Intangibles

The third-party originator's intangible of $0.5 million and goodwill of $11.0 million were recorded as a result of the acquisition of an equipment financing agreements portfolio in 2016. The core deposit intangible of $2.2 million was recognized for the core deposits acquired in a 2014 acquisition. The Company's intangible assets were as follows for the periods indicated:

		March 31, 2024			December 31, 2023		
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
				(in thousands)			
Core deposit intangible	10 years	$ 2,213	$ (2,170)	$ 43	$ 2,213	$ (2,145)	$ 68
Third-party originator's intangible	7 years	—	—	—	483	(483)	—
Goodwill	N/A	11,031	—	11,031	11,031	—	11,031
Total intangible assets		**$ 13,244**	**$ (2,170)**	**$ 11,074**	**$ 13,727**	**$ (2,628)**	**$ 11,099**

The Company performed an impairment analysis in the first quarter of 2024 and determined there was no impairment as of March 31, 2024. No triggering event occurred as of, or subsequent to March 31, 2024, that would require a reassessment of goodwill and other intangible assets.

Note 7 — Deposits

The scheduled maturities of time deposits are as follows for the periods indicated:

	Time Deposits More Than $250,000	Other Time Deposits	Total
		(in thousands)	
At March 31, 2024			
2024	$ 835,582	$ 1,246,625	$ 2,082,207
2025	158,310	250,112	408,422
2026	263	3,754	4,017
2027	—	807	807
2028 and thereafter	—	308	308
Total	**$ 994,155**	**$ 1,501,606**	**$ 2,495,761**
At December 31, 2023			
2024	$ 995,830	$ 1,444,509	$ 2,440,339
2025	3,928	6,205	10,133
2026	263	3,142	3,405
2027	—	572	572
2028 and thereafter	—	418	418
Total	**$ 1,000,021**	**$ 1,454,846**	**$ 2,454,867**

Accrued interest payable on deposits was $37.9 million and $39.2 million at March 31, 2024 and December 31, 2023, respectively. Total deposits reclassified to loans due to overdrafts at March 31, 2024 and December 31, 2023 were $1.5 million and $1.6 million, respectively.

Note 8 — Borrowings and Subordinated Debentures

At March 31, 2024, the Bank had $60.0 million of open advances and $112.5 million of term advances at the FHLB with a weighted average interest rate of 5.69% and 3.91%, respectively. At December 31, 2023, the Bank had $212.5 million of open advances and $112.5 million of term advances at the FHLB with a weighted average rate of 5.70% and 2.77%, respectively. Interest expense on borrowings for the three months ended March 31, 2024 and 2023 was $1.7 million and $2.4 million, respectively.

	March 31, 2024		December 31, 2023	
	Outstanding Balance	**Weighted Average Rate**	**Outstanding Balance**	**Weighted Average Rate**
		(dollars in thousands)		
Open advances	$ 60,000	5.69%	$ 212,500	5.70%
Advances due within 12 months	50,000	3.33	37,500	0.40
Advances due over 12 months through 24 months	25,000	4.44	12,500	1.90
Advances due over 24 months through 36 months	37,500	4.32	62,500	4.37
Outstanding advances	**$ 172,500**	**4.53%**	**$ 325,000**	**4.69%**

The following is financial data pertaining to FHLB advances:

	March 31, 2024	December 31, 2023
	(dollars in thousands)	
Weighted-average interest rate at end of period	4.53%	4.69%
Weighted-average interest rate during the period	4.10%	3.48%
Average balance of FHLB advances	$ 162,418	$ 197,390
Maximum amount outstanding at any month-end	$ 187,500	$ 450,000

The Bank maintains a secured credit facility with the FHLB, allowing the Bank to borrow on an overnight and term basis. The Bank had pledged $2.45 billion and $2.36 billion of loans at carrying values as collateral with the FHLB as of March 31, 2024 and December 31, 2023, respectively. The remaining available borrowing capacity was $1.33 billion and $1.09 billion at March 31, 2024 and December 31, 2023, respectively.

The Bank also had securities pledged with the FRB with market values of $23.8 million and $24.8 million at March 31, 2024 and December 31, 2023, respectively. The pledged securities provided $22.3 million in available borrowing capacity through the Fed Discount Window as of March 31, 2024, and $23.2 million in available borrowing capacity through the Fed Discount Window and the Bank Term Funding Program ("BTFP") as of December 31, 2023.

On August 20, 2021, the Company issued $110.0 million of Fixed-to-Floating Subordinated Notes ("2031 Notes") with a maturity date of September 1, 2031. The 2031 Notes have an initial fixed interest rate of 3.75% per annum, payable semiannually in arrears on March 1 and September 1 of each year, up to but excluding September 1, 2026. From and including September 1, 2026 and thereafter, the 2031 Notes will bear interest at a floating rate per annum equal to the Benchmark rate (which is expected to be the Three-Month Term SOFR) plus 310 basis points, payable quarterly in arrears on March 1, June 1, September 1 and December 1 of each year. If the then current three-month term SOFR rate is less than zero, the three-month SOFR will be deemed to be zero. Debt issuance cost was $2.1 million, which is being amortized through the 2031 Notes' maturity date. At March 31, 2024 and December 31, 2023, the balance of the 2031 Notes included in the Company's Consolidated Balance Sheet, net of issuance cost, was $108.4 million and $108.3 million, respectively.

The Company assumed Junior Subordinated Deferrable Interest Debentures ("Subordinated Debentures") as a result of an acquisition in 2014 with an unpaid principal balance of $26.8 million and an estimated fair value of $18.5 million. The $8.3 million discount is being amortized to interest expense through the debentures' maturity date of March 15, 2036. A trust was formed in 2005 which issued $26.0 million of Trust Preferred Securities ("TPS") at a 6.26% fixed rate for the first five years and a variable rate of three-month LIBOR plus 140 basis points thereafter and invested the proceeds in the Subordinated Debentures. Beginning September 15, 2023, the variable rate on the TPS changed to three-month SOFR plus 166 basis points, representing the credit spread of 140 basis points and a 26 basis point adjustment to convert three-month LIBOR to three-month SOFR. The rate on the TPS at March 31, 2024 was 6.99%. The TPS will be subject to mandatory redemption if the Subordinated Debentures are repaid by the Company. Interest is payable quarterly, and the Company has the option to defer interest payments on the Subordinated Debentures from time to time for a period not to exceed five consecutive years. At March 31, 2024 and December 31, 2023, the balance of Subordinated Debentures included in the Company's Consolidated Balance Sheets, net of discount of $5.0 million and $5.1 million, was $21.8 million and $21.7 million, respectively. The amortization of discount was $106,000 and $104,000 for the three months ended March 31, 2024 and 2023, respectively.

Note 9 — Earnings Per Share

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

Unvested restricted stock containing rights to non-forfeitable dividends are considered participating securities prior to vesting and have been included in the earnings allocation in computing basic and diluted EPS under the two-class method.

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

	Three Months Ended March 31,	
	2024	**2023**
	(dollars in thousands, except per share amounts)	
Basic EPS		
Net income	$ 15,164	$ 21,991
Less: income allocated to unvested restricted stock	92	117
Income allocated to common shares	$ 15,072	$ 21,874
Weighted-average shares for basic EPS	30,119,646	30,347,325
Basic EPS *(1)*	**$ 0.50**	**$ 0.72**
Effect of dilutive stock options and unvested performance stock units	—	83,420
Diluted EPS		
Income allocated to common shares	$ 15,072	$ 21,874
Weighted-average shares for diluted EPS	30,119,646	30,430,745
Diluted EPS *(1)*	**$ 0.50**	**$ 0.72**

(1) *Per share amounts may not be able to be recalculated using net income and weighted-average shares presented above due to rounding.*

On a weighted-average basis, options to purchase 61,000 and 31,034 shares of common stock were excluded from the calculation of diluted earnings per share for the three months ended March 31, 2024 and 2023, respectively, because their effect would have been anti-dilutive. There were 91,732 of and no anti-dilutive unvested PSUs outstanding for the three months ended March 31, 2024 and 2023, respectively.

No PSUs were awarded to executive officers during the three months ended March 31, 2024. During the three months ended March 31, 2023, the Company issued 52,450 PSUs to executive officers from the 2021 Equity Compensation Plan with a fair value of $1.1 million on the grant date of March 10, 2023. These units have a three-year cliff vesting period and include dividend equivalent rights. Total PSUs outstanding as of March 31, 2024 were 91,732 with an aggregate grant fair value of $2.1 million. Total PSUs outstanding as of March 31, 2023 were 157,049 with an aggregate grant fair value of $3.1 million.

Note 10 — Regulatory Matters

Federal bank regulatory agencies require bank holding companies and banks to maintain a minimum ratio of qualifying total capital to risk-weighted assets of 8.0% and a minimum ratio of Tier 1 capital to risk-weighted assets of 6.0%. In addition to the risk-based guidelines, federal bank regulatory agencies require bank holding companies and banks to maintain a minimum ratio of Tier 1 capital to average assets, referred to as the leverage ratio, of 4.0%.

In order for banks to be considered “well capitalized,” federal bank regulatory agencies require a minimum ratio of qualifying total capital to risk-weighted assets of 10.0% and a minimum ratio of Tier 1 capital to risk-weighted assets of 8.0%. In addition to the risk-based guidelines, federal bank regulatory agencies require depository institutions to maintain a minimum ratio of Tier 1 capital to average assets, referred to as the leverage ratio, of 5.0%.

At March 31, 2024, the Bank’s capital ratios exceeded the minimum requirements for the Bank to be considered “well capitalized” and the Company exceeded all of its applicable minimum regulatory capital ratio requirements.

A capital conservation buffer of 2.5% must be met to avoid limitations on the ability of the Bank and the Company to pay dividends, repurchase shares or pay discretionary bonuses. The Bank's capital conservation buffer was 6.50% and 6.27% and the Company's capital conservation buffer was 6.40% and 6.20% as of March 31, 2024 and December 31, 2023, respectively.

In March 2020, federal banking agencies announced an interim final rule to delay the impact on regulatory capital arising from the implementation of CECL. The interim final rule maintains the three-year transition option in the previous rule and provides banks the option to delay for two years an estimate of CECL’s effect on regulatory capital, relative to the incurred loss methodology’s effect on regulatory capital, followed by a three-year transition period (five-year transition option). The Company and the Bank adopted the capital transition relief over the permissible five-year period.

The capital ratios of Hanmi Financial and the Bank as of March 31, 2024 and December 31, 2023 were as follows:

	Actual		Minimum Regulatory Requirement		Minimum to Be Categorized as “Well Capitalized”	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
March 31, 2024						
Total capital (to risk-weighted assets):						
Hanmi Financial	$ 958,173	15.20%	$ 504,319	8.00%	N/A	N/A
Hanmi Bank	$ 914,061	14.50%	$ 504,340	8.00%	$ 630,425	10.00%
Tier 1 capital (to risk-weighted assets):						
Hanmi Financial	$ 781,521	12.40%	$ 378,239	6.00%	N/A	N/A
Hanmi Bank	$ 847,409	13.44%	$ 378,255	6.00%	$ 504,340	8.00%
Common equity Tier 1 capital (to risk-weighted assets)						
Hanmi Financial	$ 759,752	12.05%	$ 283,680	4.50%	N/A	N/A
Hanmi Bank	$ 847,409	13.44%	$ 283,691	4.50%	$ 409,776	6.50%
Tier 1 capital (to average assets):						
Hanmi Financial	$ 781,521	10.36%	$ 301,758	4.00%	N/A	N/A
Hanmi Bank	$ 847,409	11.29%	$ 300,334	4.00%	$ 375,417	5.00%
December 31, 2023						
Total capital (to risk-weighted assets):						
Hanmi Financial	$ 947,286	14.95%	$ 506,891	8.00%	N/A	N/A
Hanmi Bank	$ 904,153	14.27%	$ 506,741	8.00%	$ 633,426	10.00%
Tier 1 capital (to risk-weighted assets):						
Hanmi Financial	$ 773,179	12.20%	$ 380,168	6.00%	N/A	N/A
Hanmi Bank	$ 840,046	13.26%	$ 380,056	6.00%	$ 506,741	8.00%
Common equity Tier 1 capital (to risk-weighted assets)						
Hanmi Financial	$ 751,516	11.86%	$ 285,126	4.50%	N/A	N/A
Hanmi Bank	$ 840,046	13.26%	$ 285,042	4.50%	$ 411,727	6.50%
Tier 1 capital (to average assets):						
Hanmi Financial	$ 773,179	10.37%	$ 298,277	4.00%	N/A	N/A
Hanmi Bank	$ 840,046	11.32%	$ 296,948	4.00%	$ 371,185	5.00%

Note 11 — Fair Value Measurements

Fair Value Measurements

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

- Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

- Level 2 - Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

- Level 3 - Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

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

The following methods and assumptions were used to estimate the fair value of each class of financial instrument below:

Securities available for sale - The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges. If quoted prices are not available, fair values are measured using matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities, or other model-based valuation techniques requiring observable inputs other than quoted prices such as yield curve, prepayment speeds, and default rates. Level 1 securities include U.S. Treasury securities that are traded on an active exchange or by dealers or brokers in active over-the-counter markets. The fair value of these securities is determined by quoted prices on an active exchange or over-the-counter market. Level 2 securities primarily include U.S. government agency and sponsored agency mortgage-backed securities, collateralized mortgage obligations and debt securities as well as municipal bonds in markets that are active. In determining the fair value of the securities categorized as Level 2, we obtain reports from nationally recognized broker-dealers detailing the fair value of each investment security held as of each reporting date. The broker-dealers use prices obtained from nationally recognized pricing services to value our fixed income securities. The fair value of the municipal securities is determined based on pricing data provided by nationally recognized pricing services. We review the prices obtained for reasonableness based on our understanding of the marketplace, and also consider any credit issues related to the bonds. As we have not made any adjustments to the market quotes provided to us and as they are based on observable market data, they have been categorized as Level 2 within the fair value hierarchy. Level 3 securities are instruments that are not traded in the market. As such, no observable market data for the instrument is available, which necessitates the use of significant unobservable inputs.

Derivatives – The fair values of derivatives are based on valuation models using observable market data as of the measurement date (Level 2). Our derivatives are traded in an over-the-counter market where quoted market prices are not always available. Therefore, the fair values of derivatives are determined using quantitative models that utilize multiple market inputs. The inputs will vary based on the type of derivative, but could include interest rates, prices and indices to generate continuous yield or pricing curves, prepayment rates, and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services.

Loans held for sale - Loans held for sale includes the guaranteed portion of SBA 7(a) loans carried at the lower of cost or fair value. Management obtains quotes, bids or pricing indication sheets on all or part of the loans directly from the purchasing financial institutions. Premiums received or to be received on the quotes, bids or pricing indication sheets are indicative of the fact that cost is lower than fair value. At March 31, 2024 and December 31, 2023, the entire balance of loans held for sale was recorded at its cost. We record loans held for sale on a nonrecurring basis with Level 2 inputs.

Nonperforming loans – Nonaccrual loans receivable and loans 90-days past due and still accruing interest are considered nonperforming for reporting purposes and are measured and recorded at fair value on a non-recurring basis. All nonperforming loans with a carrying balance over $250,000 are individually evaluated for the amount of impairment, if any. Nonperforming loans with a carrying balance of $250,000 or less are evaluated collectively. However, from time to time, nonrecurring fair value adjustments to collateral dependent nonperforming loans are recorded based on either the current appraised value of the collateral, or management's judgment and estimation of value reported on older appraisals that are then adjusted based on recent market trends, and result in a Level 3 measurement.

OREO - Fair value of OREO is based primarily on third party appraisals, less costs to sell and result in a Level 3 classification of the inputs for determining fair value. Appraisals are required annually and may be updated more frequently as circumstances require and the fair value adjustments are made to OREO based on the updated appraised value of the property.

Servicing assets - On a quarterly basis, the Company utilizes a third party service to evaluate servicing assets related to loans sold to unaffiliated parties with servicing retained, and result in a Level 3 classification. Servicing assets are assessed for impairment or increased obligation based on fair value at each reporting date.

Other repossessed assets – Fair value of equipment from equipment financing agreements is based primarily on a third party valuation service, less costs to sell and result in a Level 3 classification of the inputs for determining fair value. Valuations are required at the time the asset is repossessed and may be subsequently updated periodically due to the Company's short-term possession of the asset prior to sale or as circumstances require and the fair value adjustments are made to the asset based on its value prior to sale.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of March 31, 2024 and December 31, 2023, assets and liabilities measured at fair value on a recurring basis are as follows:

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Observable Inputs with No Active Market with Identical Characteristics	Level 3 Significant Unobservable Inputs	Total Fair Value
		(in thousands)		
March 31, 2024				
Assets:				
Securities available for sale:				
U.S. Treasury securities	$ 87,304	$ —	$ —	$ 87,304
U.S. government agency and sponsored agency obligations:				
Mortgage-backed securities - residential	—	424,673	—	424,673
Mortgage-backed securities - commercial	—	47,220	—	47,220
Collateralized mortgage obligations	—	121,735	—	121,735
Debt securities	—	124,816	—	124,816
Total U.S. government agency and sponsored agency obligations	—	718,444	—	718,444
Municipal bonds-tax exempt	—	66,442	—	66,442
Total securities available for sale	**$ 87,304**	**$ 784,886**	**$ —**	**$ 872,190**
Derivative financial instruments	$ —	$ 6,459	$ —	$ 6,459
Liabilities:				
Derivative financial instruments	$ —	$ 8,318	$ —	$ 8,318
December 31, 2023				
Assets:				
Securities available for sale:				
U.S. Treasury securities	$ 85,488	$ —	$ —	$ 85,488
U.S. government agency and sponsored agency obligations:				
Mortgage-backed securities - residential	—	442,328	—	442,328
Mortgage-backed securities - commercial	—	47,991	—	47,991
Collateralized mortgage obligations	—	97,411	—	97,411
Debt securities	—	124,625	—	124,625
Total U.S. government agency and sponsored agency obligations	—	712,355	—	712,355
Municipal bonds-tax exempt	—	67,896	—	67,896
Total securities available for sale	**$ 85,488**	**$ 780,251**	**$ —**	**$ 865,739**
Derivative financial instruments	$ —	$ 6,245	$ —	$ 6,245
Liabilities:				
Derivative financial instruments	$ —	$ 5,920	$ —	$ 5,920

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

As of March 31, 2024 and December 31, 2023, assets and liabilities measured at fair value on a non-recurring basis are as follows:

		Level 1	Level 2	Level 3
	Total	Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs With No Active Market With Identical Characteristics	Significant Unobservable Inputs
		(in thousands)		
March 31, 2024				
Assets:				
Collateral dependent loans [(1)]	$ 4,410	$ —	$ —	$ 4,410
Other real estate owned	117	—	—	117
Repossessed personal property	1,288	—	—	1,288
December 31, 2023				
Assets:				
Collateral dependent loans [(2)]	$ 7,352	$ —	$ —	$ 7,352
Other real estate owned	117	—	—	117
Repossessed personal property	1,305	—	—	1,305

(1) *Consisted of real estate loans of $2.4 million and commercial and industrial loans of $2.0 million.*
(2) *Consisted of real estate loans of $2.2 million and commercial and industrial loans of $5.2 million.*

The following table represents quantitative information about Level 3 fair value assumptions for assets measured at fair value on a non-recurring basis at March 31, 2024 and December 31, 2023:

	Fair Value		Valuation Techniques	Unobservable Input(s)	Range (Weighted Average)	
			(in thousands)			
March 31, 2024						
Collateral dependent loans:						
Real estate loans:						
Commercial property						
Hospitality	$	299	Market approach	Adjustments to market data	(30)% to 35% / (3)%	(1)
Other		2,147	Market approach	Adjustments to market data	(25)% to 25% / 8%	(1)
Total real estate loans		2,446				
Commercial and industrial loans		1,964	Market approach	Adjustments to market data	N/A	(2)
Total	**$**	**4,410**				
Other real estate owned	$	117	Market approach	Adjustments to market data	0% to 5% / 4%	(1)
Repossessed personal property		1,288	Market approach	Adjustments to market data	N/A	(3)
December 31, 2023						
Collateral dependent loans:						
Real estate loans:						
Commercial property						
Retail	$	1,530	Market approach	Adjustments to market data	5% to 20% / 15%	(1)
Hospitality		338	Market approach	Adjustments to market data	(30)% to 35% / (1)%	(1)
Other		305	Market approach	Adjustments to market data	(6)% to 1% / (2)%	(1)
Residential		1	Market approach	Adjustments to market data	(15)% to 3% / (6)%	(1)
Total real estate loans		2,174				
Commercial and industrial loans		5,178	Market approach	Adjustments to market data	(20)% to 55% / (2)%	(1)
Total	**$**	**7,352**				
Other real estate owned	$	117	Market approach	Adjustments to market data	(10)% to 5% / (2)%	(1)
Repossessed personal property		1,305	Market approach	Adjustments to market data	N/A	(3)

(1) *Appraisal reports utilize a combination of valuation techniques including a market approach, where prices and other relevant information generated by market transactions involving similar or comparable properties are used to determine the appraised value. Appraisals may include an 'as is' and 'upon completion' valuation scenarios. Adjustments are routinely made in the appraisal process by third-party appraisers to adjust for differences between the comparable sales and income data. Adjustments also result from the consideration of relevant economic and demographic factors with the potential to affect property values. Also, prospective values are based on the market conditions which exist at the date of inspection combined with informed forecasts based on current trends in supply and demand for the property types under appraisal. Positive adjustments disclosed in this table represent increases to the sales comparison and negative adjustments represent decreases.*

(2) *Includes one loan secured by cash and business assets.*

(3) *The equipment is usually too small in value to use a professional appraisal service. The values are determined internally using a combination of auction values, vendor recommendations and sales comparisons depending on the equipment type. Some highly commoditized equipment, such as commercial trucks have services that provide industry values.*

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

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

Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825), among other provisions, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. Other than certain financial instruments for which we had concluded that the carrying amounts approximate fair value, the fair value estimates shown below were based on an exit price notion as of March 31, 2024, as required by ASU 2016-01. The financial instruments for which we had concluded that the carrying amounts approximate fair value include, cash and due from banks, accrued interest receivable and payable, and noninterest-bearing deposits.

The estimated fair values of financial instruments were as follows:

	March 31, 2024			
	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
	(in thousands)			
Financial assets:				
Cash and due from banks	$ 256,038	$ 256,038	$ —	$ —
Securities available for sale	872,190	87,304	784,886	—
Loans held for sale	3,999	—	4,109	—
Loans receivable, net of allowance for credit losses	6,109,570	—	—	6,011,407
Accrued interest receivable	23,032	23,032	—	—
Financial liabilities:				
Noninterest-bearing deposits	1,933,060	—	1,933,060	—
Interest-bearing deposits	4,443,000	—	—	4,437,547
Borrowings and subordinated debentures	302,665	—	171,201	131,361
Accrued interest payable	38,007	38,007	—	—

	December 31, 2023			
	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
	(in thousands)			
Financial assets:				
Cash and due from banks	$ 302,324	$ 302,324	$ —	$ —
Securities available for sale	865,739	85,488	780,251	—
Loans held for sale	12,013	—	12,238	—
Loans receivable, net of allowance for credit losses	6,112,972	—	—	6,007,975
Accrued interest receivable	23,371	23,371	—	—
Financial liabilities:				
Noninterest-bearing deposits	2,003,596	—	2,003,596	—
Interest-bearing deposits	4,276,978	—	—	4,271,711
Borrowings and subordinated debentures	455,012	—	323,491	128,229
Accrued interest payable	39,306	39,306	—	—

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

Cash and due from banks – The carrying amounts of cash and due from banks approximate fair value due to the short-term nature of these instruments (Level 1).

Securities – The fair value of securities, consisting of securities available for sale, is generally obtained from market bids for similar or identical securities, from independent securities brokers or dealers, or from other model-based valuation techniques described above (Level 1 and 2).

Loans held for sale – Loans held for sale, representing the guaranteed portion of SBA loans, are carried at the lower of aggregate cost or fair market value, as determined based upon quotes, bids or sales contract prices (Level 2).

Loans receivable, net of allowance for credit losses – The fair value of loans receivable is estimated based on the discounted cash flow approach. To estimate the fair value of the loans, certain loan characteristics such as account types, remaining terms, annual interest rates or coupons, interest types, past delinquencies, timing of principal and interest payments, current market rates, loan-to-value ratios, loss exposures, and remaining balances are considered. Additionally, the Company's prior charge-off rates and loss ratios as well as various other assumptions relating to credit, interest, and prepayment risks are used as part of valuing the loan portfolio. Subsequently, the loans were individually evaluated by sorting and pooling them based on loan types, credit risk grades, and payment types. Consistent with the requirements of ASU 2016-01, the fair value of the Company's loans receivable is considered to be an exit price notion as of March 31, 2024 (Level 3).

The fair value of collateral dependent loans is estimated based on the net realizable fair value of the collateral or the observable market price of the most recent sale or quoted price from loans held for sale. The Company does not record loans at fair value on a recurring basis. Nonrecurring fair value adjustments to collateral dependent loans are recorded based on the current appraised value of the collateral (Level 3).

Accrued interest receivable – The carrying amount of accrued interest receivable approximates its fair value (Level 1).

Noninterest-bearing deposits – The fair value of noninterest-bearing deposits is the amount payable on demand at the reporting date (Level 2).

Interest-bearing deposits – The fair value of interest-bearing deposits, such as savings accounts, money market checking, and certificates of deposit, is estimated based on discounted cash flows. The cash flows for non-maturity deposits, including savings accounts and money market checking, are estimated based on their historical decaying experiences. The discount rate used for fair valuation is based on interest rates currently being offered by the Bank on comparable deposits as to amount and term (Level 3).

Borrowings and subordinated debentures – Borrowings consist of FHLB advances, subordinated debentures and other borrowings. Discounted cash flows based on current market rates for borrowings with similar remaining maturities are used to estimate the fair value of borrowings (Level 2 and 3).

Accrued interest payable – The carrying amount of accrued interest payable approximates its fair value (Level 1).

Note 12 — Off-Balance Sheet Commitments

The Bank 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 similar to the risk involved with on-balance sheet items.

The Bank's exposure to 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, was based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, premises and equipment, and income-producing or borrower-occupied properties.

Some of the commitments to fund existing loans, lines of credit and letters of credit are expected to expire without being drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements. As of March 31, 2024, the Bank was obligated on $120.0 million of letters of credit to the FHLB of San Francisco, which were being used as collateral for $120.0 million in public fund deposits from the State of California.

The following table shows the distribution of total loan commitments as of the dates indicated:

	March 31, 2024	December 31, 2023
	(in thousands)	
Unused commitments to extend credit	$ 792,769	$ 813,960
Standby letters of credit	83,772	83,725
Commercial letters of credit	35,929	33,140
Total commitments	**$ 912,470**	**$ 930,825**

The allowance for credit losses related to off-balance sheet items was maintained at a level believed to be sufficient to absorb current expected lifetime losses related to these unfunded credit facilities. The determination of the allowance adequacy was based on periodic evaluations of the unfunded credit facilities including an assessment of the probability of commitment usage, credit risk factors for loans outstanding to these same customers, and the terms and expiration dates of the unfunded credit facilities.

Activity in the allowance for credit losses related to off-balance sheet items was as follows for the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Balance at beginning of period	$ 2,474	$ 3,114
Credit loss recovery	(177)	(48)
Balance at end of period	**$ 2,297**	**$ 3,066**

Note 13 — Leases

The Company enters into leases in the normal course of business primarily for bank branch offices, back-office operations locations, business development offices, information technology data centers and information technology equipment. The Company's leases have remaining terms ranging from one month to nine years and nine months, some of which include renewal or termination options to extend the lease for up to seven years.

The Company includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option. In addition, the Company has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Company has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the Company's balance sheet.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the term of the lease. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of the lease payments over the lease term.

As of March 31, 2024, the outstanding balances for our right-of-use asset and lease liability were $40.0 million and $44.0 million, respectively. The outstanding balances of the right-of-use asset and lease liability were $42.4 million and $46.4 million, respectively, as of December 31, 2023. The right-of-use asset is reported in prepaid expenses and other assets line item and lease liability is reported in accrued expenses and other liabilities line item on the Consolidated Balance Sheets.

In determining the discount rates, since most of our leases do not provide an implicit rate, we used our incremental borrowing rate provided by the FHLB of San Francisco based on the information available at the commencement date to calculate the present value of lease payments.

At March 31, 2024, future minimum rental commitments under these non-cancelable operating leases, with initial or remaining terms of one year or more, were as follows:

	Amount
	(in thousands)
2024	$ 8,439
2025	7,550
2026	6,669
2027	6,593
2028	5,833
Thereafter	13,618
Remaining lease commitments	48,702
Interest	(4,716)
Present value of lease liability	**$ 43,986**

Net lease expense recognized for the three months ended March 31, 2024 and 2023 was $2.2 million and $2.0 million, respectively. This included operating lease costs of $2.2 million and $2.1 million for the three months ended March 31, 2024 and 2023, respectively. Sublease income for operating leases was immaterial for both the three months ended March 31, 2024 and 2023.

Weighted average remaining lease terms for the Company's operating leases were 6.72 years and 6.82 years as of March 31, 2024 and December 31, 2023, respectively. Weighted average discount rates used for the Company's operating leases were 2.99% and 2.98% as of March 31, 2024 and December 31, 2023, respectively.

Cash paid and included in cash flows from operating activities for amounts used in the measurement of the lease liability of the Company's operating leases was $2.2 million and $2.1 million for the three months ended March 31, 2024 and 2023, respectively.

Note 14 — Liquidity

Hanmi Financial

As of March 31, 2024, Hanmi Financial had $6.7 million in cash on deposit with its bank subsidiary and $34.3 million of U.S. Treasury securities at fair value. As of December 31, 2023, the Company had $7.5 million in cash on deposit with its bank subsidiary and $32.4 million of U.S. Treasury securities at fair value. Management believes that Hanmi Financial, on a stand-alone basis, had adequate liquid assets to meet its current debt obligations.

Hanmi Bank

The principal objective of our liquidity management program is to maintain the Bank’s ability to meet the day-to-day cash flow requirements of its customers who wish either to withdraw funds or to draw upon credit facilities to meet their cash needs. Management believes that the Bank, on a stand-alone basis, has adequate liquid assets to meet its current obligations. The Bank’s primary funding source will continue to be deposits originating from its branch platform. The Bank’s wholesale funds historically consisted of FHLB advances, brokered deposits as well as State of California time deposits. As of March 31, 2024 and December 31, 2023, the Bank had $172.5 million and $325.0 million of FHLB advances, $43.3 million and $58.3 million of brokered deposits, respectively, and $120.0 million of State of California time deposits as of March 31, 2024 and December 31, 2023.

We monitor the sources and uses of funds on a regular basis to maintain an acceptable liquidity position. The Bank’s primary source of borrowings is the FHLB, from which the Bank is eligible to borrow up to 30% of its assets. As of March 31, 2024 and December 31, 2023, the total borrowing capacity available, based on pledged collateral was $1.63 and $1.54 billion, respectively.

The remaining available borrowing capacity was $1.33 billion and $1.09 billion as of March 31, 2024 and December 31, 2023, respectively.

The amount that the FHLB is willing to advance differs based on the quality and character of qualifying collateral pledged by the Bank, and the FHLB may adjust the advance rates for qualifying collateral upwards or downwards from time to time. To the extent deposit renewals and deposit growth are not sufficient to fund maturing and withdrawable deposits, repay maturing borrowings, fund existing and future loans, equipment financing agreements and securities, and otherwise fund working capital needs and capital expenditures, the Bank may utilize the remaining borrowing capacity from its FHLB borrowing arrangement.

As a means of augmenting its liquidity, the Bank had an available borrowing source of $22.3 million from the Federal Reserve Discount Window, to which the Bank pledged securities with a carrying value of $28.1 million, with no borrowings as of March 31, 2024. The Bank also maintains a line of credit for repurchase agreements up to $100.0 million. The Bank also had three unsecured federal funds lines of credit totaling $115.0 million with no outstanding balances as of March 31, 2024 or December 31, 2023.

Note 15 — Derivatives and Hedging Activities

Risk Management Objective of Using Derivative

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its assets and liabilities and through the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates.

Derivatives Designated as Hedging Instruments - Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest income and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of fixed-rate amounts from a counterparty in exchange for the Company making variable-rate payments over the life of the agreements without exchange of the underlying notional amount. Such derivatives were used to hedge the variable cash flows associated with existing variable-rate assets. During the fourth quarter of 2023, the Company entered into a $100.0 million notional interest rate swap designated as a cash flow hedge, with an effective date of May 1, 2024 and a maturity date of May 1, 2026, to hedge a pool of Prime-indexed loans against falling rates. The principal balance of the loan pool designated for the Prime-indexed loans was $152.9 million as of March 31, 2024. During the first quarter of 2024, the Company entered into a $75.0 million notional interest rate swap designated as a cash flow hedge, with an effective date of May 1, 2024 and a maturity date of May 1, 2026, to hedge a pool of one-month SOFR-indexed loans against falling rates. The principal balance of the loan pool designated for the SOFR-indexed loans was $103.5 million as of March 31, 2024.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in Accumulated Other Comprehensive Income and subsequently reclassified into interest income in the same period(s) during which the hedged transaction affects earnings. Management evaluated the effectiveness of the Company's derivatives designated as cash flow hedges at inception and at the balance sheet date and determined they are effective. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest income as interest payments are received on the Company's variable-rate asset. During the next 12 months, the Company estimates that an additional $1.7 million will be reclassified as a decrease to interest income.

Derivatives Not Designated as Hedging Instruments

The Company also enters into interest rate swap agreements between the Company and its customers and other third-party counterparties. The Company enters into "back to back swap" arrangements whereby the Company executes interest rate swap agreements with its customers and acquires an offsetting swap position from a third-party counterparty. These derivative financial statements are accounted for at fair value, with changes in fair value recognized in the Company's Consolidated Statements of Income.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Balance Sheet as of March 31, 2024 and December 31, 2023.

As of March 31, 2024	**Derivative Assets**			**Derivative Liabilities**		
	Notional Amount	**Balance Sheet Location**	**Fair Value**	**Notional Amount**	**Balance Sheet Location**	**Fair Value**
			(in thousands)			
Derivatives not designated as hedging instruments						
Interest rate products	$ 103,918	Other Assets	$ 6,459	$ 103,918	Other Liabilities	$ 6,417
Total derivatives not designated as hedging instruments			**$ 6,459**			**$ 6,417**
Derivatives designated as hedging instruments						
Interest rate products	$ —	Other Assets	$ —	$ 175,000	Other Liabilities	$ 1,901
Total derivatives designated as hedging instruments			**$ —**			**$ 1,901**

As of December 31, 2023	**Derivative Assets**			**Derivative Liabilities**		
	Notional Amount	**Balance Sheet Location**	**Fair Value**	**Notional Amount**	**Balance Sheet Location**	**Fair Value**
			(in thousands)			
Derivatives not designated as hedging instruments						
Interest rate products	$ 104,571	Other Assets	$ 5,939	$ 104,571	Other Liabilities	$ 5,920
Total derivatives not designated as hedging instruments			**$ 5,939**			**$ 5,920**
Derivatives designated as hedging instruments						
Interest rate products	$ 100,000	Other Assets	$ 306	$ —	Other Liabilities	$ —
Total derivatives designated as hedging instruments			**$ 306**			**$ —**

The table below presents the effect of cash flow hedge accounting on Accumulated Other Comprehensive Income as of March 31, 2024 and December 31, 2023.

As of March 31, 2024

Derivatives in Subtopic 815-20 Hedging Relationships	**Amount of Gain or (Loss) Recognized in OCI on Derivative**	**Amount of Gain or (Loss) Recognized in OCI Included Component**	**Amount of Gain or (Loss) Recognized in OCI Excluded Component**	**Location of Gain or (Loss) Recognized from Accumulated Other Comprehensive Income into Income**	**Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income**	**Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income Included Component**	**Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income Excluded Component**
				(in thousands)			
Derivatives in Cash Flow Hedging Relationships							
Interest Rate Products	$ (2,207)	$ (2,207)	$ —	Interest Income	$ —	$ —	$ —
Total	**$ (2,207)**	**$ (2,207)**	**$ —**		**$ —**	**$ —**	**$ —**

As of December 31, 2023

Derivatives in Subtopic 815-20 Hedging Relationships	**Amount of Gain or (Loss) Recognized in OCI on Derivative**	**Amount of Gain or (Loss) Recognized in OCI Included Component**	**Amount of Gain or (Loss) Recognized in OCI Excluded Component**	**Location of Gain or (Loss) Recognized from Accumulated Other Comprehensive Income into Income**	**Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income**	**Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income Included Component**	**Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income Excluded Component**
				(in thousands)			
Derivatives in Cash Flow Hedging Relationships							
Interest Rate Products	$ 306	$ 306	$ —	Interest Income	$ —	$ —	$ —
Total	**$ 306**	**$ 306**	**$ —**		**$ —**	**$ —**	**$ —**

The table below presents the effect of the Company's derivative financial instruments that are not designated as hedging instruments on the Income Statement for the three months ended March 31, 2024 and 2023.

Derivatives Not Designated as Hedging Instruments under Subtopic 815-20	**Location of Gain or (Loss) Recognized in Income on Derivative**	**Amount of Gain or (Loss) Recognized in Income on Derivative**	
		Three Months Ended March 31,	
		2024	**2023**
		(in thousands)	
Interest rate products	Other income	$ 23	$ (128)
Total		**$ 23**	**$ (128)**

No fee income was recognized from its derivative financial instruments for the three months ended March 31, 2024, compared to $0.6 million for the three months ended March 31, 2023.

The table below presents a gross presentation, the effects of offsetting, and a net presentation of the Company's derivatives as of March 31, 2024 and December 31, 2023. The net amounts of derivative assets or liabilities can be reconciled to the tabular disclosure of fair value. The derivative assets are located within the prepaid and other assets line item on the Consolidated Balance Sheets and the derivative liabilities are located within the accrued expenses and other liabilities line item on the Consolidated Balance Sheets.

Offsetting of Derivative Assets

As of March 31, 2024

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets presented in the Consolidated Balance Sheets	Financial Instruments	Cash Collateral Received	Net Amount
	(in thousands)					
Derivatives	$ 6,459	$ —	$ 6,459	$ 1,901	$ 4,558	$ —

Offsetting of Derivative Liabilities

As of March 31, 2024

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities presented in the Consolidated Balance Sheets	Financial Instruments	Cash Collateral Provided	Net Amount
	(in thousands)					
Derivatives	$ 8,318	$ —	$ 8,318	$ 1,901	$ —	$ 6,417

Offsetting of Derivative Assets

As of December 31, 2023

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets presented in the Consolidated Balance Sheets	Financial Instruments	Cash Collateral Received	Net Amount
	(in thousands)					
Derivatives	$ 6,245	$ —	$ 6,245	$ 284	$ 5,731	$ 230

Offsetting of Derivative Liabilities

As of December 31, 2023

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities presented in the Consolidated Balance Sheets	Financial Instruments	Cash Collateral Provided	Net Amount
	(in thousands)					
Derivatives	$ 5,920	$ —	$ 5,920	$ 284	$ —	$ 5,636

The Company has agreements with each of its derivative counterparties that contain a provision stating if the Company either defaults or is capable of being declared in default on any of its indebtedness, then the Company could also be declared in default on its derivative obligations. In addition, these agreements may also require the Company to post additional collateral should it fail to maintain its status as a well- or adequately- capitalized institution.

As of March 31, 2024 and December 31, 2023, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $0. As of March 31, 2024 and December 31, 2023, no collateral was provided related to these agreements.

Note 16 — Subsequent Events

Cash Dividend

On April 25, 2024, the Company announced that the Board of Directors of the Company declared a quarterly cash dividend of $0.25 per share to be paid on May 22, 2024 to stockholders of record as of the close of business on May 6, 2024.

Share Repurchase

In addition to the share repurchases completed during the first quarter of 2024, the Company announced on April 25, 2024 that the Board of Directors has adopted a new stock repurchase program under which the Company may repurchase up to 5% of its outstanding shares, or approximately 1.5 million shares of its common stock. The repurchase program permits shares to be repurchased in open market or private transactions, through block trades, and pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities and Exchange Commission. Repurchases will be made at management's discretion at prices management considers to be attractive and in the best interests of both the Company and its stockholders, subject to the availability of stock, general market conditions, the trading price of the stock, alternative uses for capital, and the Company's financial performance. The repurchase program may be suspended, terminated or modified at any time for any reason, including market conditions, the cost of repurchasing shares, the availability of alternative investment opportunities, liquidity, and other factors deemed appropriate. The repurchase program does not obligate the Company to purchase any particular number of shares.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's discussion and analysis of our results of operations and financial condition as of and for the three months ended March 31, 2024. This analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Annual Report on Form 10-K") and with the unaudited consolidated financial statements and notes thereto set forth in this Quarterly Report on Form 10-Q for the period ended March 31, 2024 (this "Report").

Forward-Looking Statements

Some of the statements contained in this Report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements in this Report other than statements of historical fact are "forward–looking statements" for purposes of federal and state securities laws, including, but not limited to, statements about anticipated future operating and financial performance, financial condition and liquidity, business strategies, regulatory and competitive outlook, investment and expenditure plans, capital and financing needs and availability, plans and objectives of management for future operations, developments regarding our capital and strategic plans and other similar forecasts and statements of expectation and statements of assumptions underlying any of the foregoing. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of such terms and other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, financial condition, levels of activity, performance or achievements to differ from those expressed or implied by the forward-looking statements. These factors include the following:

- a failure to maintain adequate levels of capital and liquidity to support our operations;
- general economic and business conditions internationally, nationally and in those areas in which we operate, including any potential recessionary conditions;
- volatility and deterioration in the credit and equity markets;
- changes in consumer spending, borrowing and savings habits;
- availability of capital from private and government sources;
- demographic changes;
- competition for loans and deposits and failure to attract or retain loans and deposits;
- inflation and fluctuations in interest rates that reduce our margins and yields, the fair value of financial instruments, the level of loan originations or prepayments on loans we have made and make, the level of loan sales and the cost we pay to retain and attract deposits and secure other types of funding;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- the current or anticipated impact of military conflict, terrorism or other geopolitical events;
- the effect of potential future supervisory action against us or Hanmi Bank and our ability to address any issues raised in our regulatory exams;
- risks of natural disasters;
- legal proceedings and litigation brought against us;
- a failure in or breach of our operational or security systems or infrastructure, including cyberattacks;
- the failure to maintain current technologies;
- risks associated with Small Business Administration loans;
- failure to attract or retain key employees;
- our ability to access cost-effective funding;
- changes in liquidity, including the size and composition of our deposit portfolio, including the percentage of uninsured deposits in the portfolio;
- fluctuations in real estate values;
- changes in accounting policies and practices;
- changes in governmental regulation, including, but not limited to, any increase in FDIC insurance premiums and changes in the monetary policies of the U.S. Treasury and the Board of Governors of the Federal Reserve System;
- the ability of Hanmi Bank to make distributions to Hanmi Financial Corporation, which is restricted by certain factors, including Hanmi Bank's retained earnings, net income, prior distributions made, and certain other financial tests;
- strategic transactions we may enter into;
- the adequacy of and changes in the methodology for computing our allowance for credit losses;
- our credit quality and the effect of credit quality on our credit losses expense and allowance for credit losses;

- changes in the financial performance and/or condition of our borrowers and the ability of our borrowers to perform under the terms of their loans and other terms of credit agreements;
- our ability to control expenses; and
- cyber security and fraud risks against our information technology and those of our third-party providers and vendors.

For additional information concerning risks we face, see “Part II, Item 1A. Risk Factors” in this Report and “Item 1A. Risk Factors” in Part I of the 2023 Annual Report on Form 10-K. We undertake no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date on which such statements were made, except as required by law.

Critical Accounting Policies

We have established various accounting policies that govern the application of GAAP in the preparation of our financial statements. Our significant accounting policies are described in the Notes to the consolidated financial statements in our 2023 Annual Report on Form 10-K. We had no significant changes in our accounting policies since the filing of our 2023 Annual Report on Form 10-K.

Certain accounting policies require us to make significant estimates and assumptions that have a material impact on the carrying value of certain assets and liabilities, and we consider these critical accounting policies. For a description of these critical accounting policies, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies” in our 2023 Annual Report on Form 10-K. 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 the Company’s Board of Directors.

Executive Overview

Financial results include the following:

	As of or for the Three Months Ended March 31,	
	2024	2023
	(dollars in thousands, except per share data)	
Net income	$ 15,164	$ 21,991
Earnings per diluted share	$ 0.50	$ 0.72
Dividends per share	$ 0.25	$ 0.25
Return on average assets	0.81%	1.21%
Return on average stockholders’ equity	7.90%	12.19%

Net income was $15.2 million, or $0.50 per diluted share, for the three months ended March 31, 2024 compared to $22.0 million, or $0.72 per diluted share, for the same period a year ago. The decrease in net income was driven by decreases in net interest income and noninterest income of $7.2 million and $0.6 million, respectively, and a $3.7 million increase in noninterest expense, offset by decreases in credit loss expense of $1.9 million and $2.7 million in income tax expense. Credit loss expense for the first quarter of 2024 was $0.2 million compared to $2.1 million for the first quarter of 2023. Credit loss expense for the first quarter of 2024 included a $0.4 million provision for loan losses, offset by a $0.2 million recovery for off-balance sheet items. Credit loss expense for the first quarter of 2023 included a $2.2 million provision for loan losses, offset by a $0.1 million recovery for off-balance sheet items.

Other financial highlights include the following:

	March 31, 2024	December 31, 2023
	(in thousands)	
Loans receivable, gross	$ 6,177,840	$ 6,182,434
Securities available for sale, at fair value	872,190	865,739
Total assets	7,512,046	7,570,341
Deposits	6,376,060	6,280,574
Borrowings	172,500	325,000
Total stockholders’ equity	703,100	701,891

Results of Operations

Net Interest Income

Our primary source of revenue is net interest income, which is the difference between interest derived from earning assets, and interest paid on liabilities obtained to fund those assets. Our net interest income is affected by changes in the level and mix of interest-earning assets and interest-bearing liabilities, referred to as volume changes. Net interest income is also affected by changes in the yields earned on assets and rates paid on liabilities, referred to as rate changes. Interest rates charged on loans receivable are affected principally by changes to market interest rates, the demand for loans receivable, the supply of money available for lending purposes, and other competitive factors. Those factors are, in turn, affected by general economic conditions and other factors beyond our control, such as federal economic policies, the general supply of money in the economy, legislative tax policies, governmental budgetary matters, and the actions of the Federal Reserve.

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

	Three Months Ended					
	March 31, 2024			March 31, 2023		
	Average Balance	Interest Income / Expense	Average Yield / Rate	Average Balance	Interest Income / Expense	Average Yield / Rate
Assets			*(dollars in thousands)*			
Interest-earning assets:						
Loans receivable [(1)]	$ 6,137,888	$ 91,674	6.00%	$ 5,944,399	$ 80,923	5.51%
Securities [(2)]	969,520	4,955	2.07%	980,712	4,025	1.67%
FHLB stock	16,385	361	8.87%	16,385	289	7.16%
Interest-bearing deposits in other banks	201,724	2,604	5.19%	192,902	2,066	4.34%
Total interest-earning assets	7,325,517	99,594	5.47%	7,134,398	87,303	4.96%
Noninterest-earning assets:						
Cash and due from banks	58,382			65,088		
Allowance for credit losses	(69,106)			(71,452)		
Other assets	244,700			239,121		
Total assets	**$ 7,559,493**			**$ 7,367,155**		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Deposits:						
Demand: interest-bearing	$ 86,401	$ 30	0.14%	$ 109,391	$ 29	0.11%
Money market and savings	1,815,085	16,553	3.67%	1,453,569	7,315	2.04%
Time deposits	2,507,830	29,055	4.66%	2,223,615	18,154	3.31%
Total interest-bearing deposits	4,409,316	45,638	4.16%	3,786,575	25,498	2.73%
Borrowings	162,418	1,655	4.10%	268,056	2,369	3.58%
Subordinated debentures	130,088	1,646	5.06%	129,483	1,583	4.89%
Total interest-bearing liabilities	4,701,822	48,939	4.19%	4,184,114	29,450	2.85%
Noninterest-bearing liabilities and equity:						
Demand deposits: noninterest-bearing	1,921,189			2,324,413		
Other liabilities	164,524			127,112		
Stockholders' equity	771,958			731,516		
Total liabilities and stockholders' equity	**$ 7,559,493**			**$ 7,367,155**		
Net interest income		**$ 50,655**			**$ 57,853**	
Cost of deposits [(3)]			**2.90%**			**1.69%**
Net interest spread (taxable equivalent basis) [(4)]			**1.28%**			**2.10%**
Net interest margin (taxable equivalent basis) [(5)]			**2.78%**			**3.28%**

(1) Loans receivable include loans held for sale and exclude the allowance for credit losses. Nonaccrual loans receivable are included in the average loans receivable balance.
(2) Securities average yield is calculated on a fully taxable equivalent basis using the current statutory federal tax rate of 21%.
(3) Represents interest expense on deposits as a percentage of all interest-bearing and noninterest-bearing deposits.
(4) Represents the average yield earned on interest-earning assets less the average rate paid on interest-bearing liabilities.
(5) Represents net interest income as a percentage of average interest-earning assets.

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

	Three Months Ended March 31, 2024 vs March 31, 2023 Increases (Decreases) Due to Change In		
	Volume	Rate	Total
		(in thousands)	
Interest and dividend income:			
Loans receivable (1)	$ 3,316	$ 7,435	$ 10,751
Securities (2)	(46)	976	930
FHLB stock	2	70	72
Interest-bearing deposits in other banks	113	425	538
Total interest and dividend income	**3,385**	**8,906**	**12,291**
Interest expense:			
Demand: interest-bearing	$ (6)	$ 7	$ 1
Money market and savings	1,895	7,343	9,238
Time deposits	2,492	8,409	10,901
Borrowings	(922)	208	(714)
Subordinated debentures	7	56	63
Total interest expense	**3,466**	**16,023**	**19,489**
Change in net interest income	**$ (81)**	**$ (7,117)**	**$ (7,198)**

(1) Loans receivable include loans held for sale and exclude the allowance for credit losses. Nonaccrual loans receivable are included in the average loans receivable balance.

(2) Securities average yield is calculated on a fully taxable equivalent basis using the current statutory federal tax rate of 21%.

For the three months ended March 31, 2024 and 2023, net interest income was $50.7 million and $57.9 million, respectively. The net interest spread and net interest margin, on a taxable equivalent basis, for the quarter ended March 31, 2024, were 1.28% and 2.78%, respectively, compared to 2.10% and 3.28%, respectively, for the same period in 2023. Interest and dividend income increased $12.3 million, or 14.1%, to $99.6 million for the three months ended March 31, 2024 from $87.3 million for the same period in 2023, primarily due to higher average interest-earning asset yields and an increase in the average balance of loans. Interest expense increased $19.5 million, or 66.2%, to $48.9 million for the three months ended March 31, 2024 from $29.5 million for the same period in 2023 primarily due to increases in deposit rates and average deposit balances and, to a lesser extent, an increase in the cost of borrowings. The increases in average interest-earning asset yields and deposit and borrowing rates were due to the rising interest rate environment.

The average balance of interest earning assets increased $191.1 million, or 2.7%, to $7.33 billion for the three months ended March 31, 2024, from $7.13 billion for the three months ended March 31, 2023. The average balance of loans increased $193.5 million, or 3.3%, to $6.14 billion for the three months ended March 31, 2024, from $5.94 billion for the three months ended March 31, 2023. The average balance of securities decreased $11.2 million, or 1.1%, to $969.5 million for the three months ended March 31, 2024, from $980.7 million for the three months ended March 31, 2023. The average balance of interest-bearing deposits at other banks increased $8.8 million, or 4.6%, to $201.7 million for the three months ended March 31, 2024, from $192.9 million for the three months ended March 31, 2023.

The average yield on interest-earning assets, on a taxable equivalent basis, increased 51 basis points to 5.47% for the three months ended March 31, 2024, from 4.96% for the three months ended March 31, 2023. The average yield on loans increased to 6.00% for the three months ended March 31, 2024, from 5.51% for the three months ended March 31, 2023. The average yield on securities, on a taxable equivalent basis, increased to 2.07% for the three months ended March 31, 2024, from 1.67% for the three months ended March 31, 2023. The average yield on interest-bearing deposits in other banks increased 85 basis points to 5.19% for the three months ended March 31, 2024, from 4.34% for the three months ended March 31, 2023. The increased yields were primarily due to increases in market interest rates.

The average balance of interest-bearing liabilities increased $517.7 million, or 12.4%, to $4.70 billion for the three months ended March 31, 2024 compared with $4.18 billion for the three months ended March 31, 2023. The average balances of time deposits and money market and savings accounts increased $284.2 million and $361.5 million, respectively, offset partially by decreases in interest-bearing demand deposits and borrowings of $23.0 million and $105.6 million, respectively.

The average cost of interest-bearing liabilities was 4.19% and 2.85% for the three months ended March 31, 2024 and 2023, respectively. The average cost of interest-bearing deposits increased 143 basis points to 4.16% for the three months ended March 31, 2024, compared with 2.73% for the three months ended March 31, 2023. The average cost of time deposits increased 135 basis points to 4.66% for the three months ended March 31, 2024 compared with 3.31% for the three months ended March 31, 2023. The average cost of money market and savings accounts increased 163 basis points to 3.67% for the three months ended March 31, 2023 compared with 2.04% for the three months ended March 31, 2023.The average cost of subordinated debentures increased 17 basis points to 5.06% for the three months ended March 31, 2024 compared with 4.89% for the three months ended March 31, 2023. The average cost of borrowings increased 52 basis points to 4.10% for the three months ended March 31, 2024 compared with 3.58% for the three months ended March 31, 2023. The increased costs were primarily due to increases in market interest rates.

Credit Loss Expense

For the first quarter of 2024, the Company recorded $0.2 million of credit loss expense, comprised of a $0.4 million provision for loan losses, offset by a $0.2 million recovery for off-balance sheet items. For the same period in 2023, the Company recorded $2.1 million of credit loss expense, comprised of a $2.2 million credit loss provision for loan losses, offset by a $0.1 million recovery for off-balance sheet items. The credit loss expense for the three months ended March 31, 2024 was mainly attributed to a $1.9 million specific allowance on a $3.9 million nonperforming commercial and industrial loan in the health-care industry, and $1.6 million in net charge-offs, offset by a $3.1 million decrease in the allowance for quantitative and qualitative considerations. The decrease in the allowance for quantitative and qualitative considerations was primarily attributable to a reduction of loss rates in the commercial real estate hospitality industry. The credit loss expense for the three months ended March 31, 2023 was mainly attributed to a specific reserve allocation of $2.5 million on a nonperforming commercial and industrial loan in the health-care industry, offset by loan recoveries of $5.0 million.

See also “Allowance for Credit Losses and Allowance for Credit Losses Related to Off-Balance Sheet Items” for further details.

Noninterest Income

The following table sets forth the various components of noninterest income for the periods indicated:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Increase (Decrease) Amount	Increase (Decrease) Percent
	(in thousands)			
Service charges on deposit accounts	$ 2,450	$ 2,579	$ (129)	(5.00)%
Trade finance and other service charges and fees	1,414	1,258	156	12.40
Servicing income	712	742	(30)	(4.04)
Bank-owned life insurance income	304	270	34	12.59
All other operating income	928	1,618	(690)	(42.65)
Service charges, fees & other	5,808	6,467	(659)	(10.19)
Gain on sale of SBA loans	1,482	1,869	(387)	(20.71)
Gain on sale of mortgage loans	443	—	443	100.00
Total noninterest income	**$ 7,733**	**$ 8,336**	**$ (603)**	**(7.23)%**

For the three months ended March 31, 2024, noninterest income was $7.7 million, a decrease of $0.6 million, or 7.2%, compared to $8.3 million for the same period in 2023, due primarily to a decrease in all other operating income. The $0.7 million decrease in all other operating income was mainly attributed to a $0.6 million decrease in swap fee income. During the first quarter of 2024, the Company sold $29.7 million of residential loans and recognized a net gain of $0.4 million. The gain on sale of mortgage loans was partially offset by the reduction in gain on sale of SBA loans compared to the same period in 2023, due to lower sales volume of $4.1 million and a reduction in trade premiums of 62 basis points from 7.85% to 7.23%.

Noninterest Expense

The following table sets forth the components of noninterest expense for the periods indicated:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Increase (Decrease) Amount	Increase (Decrease) Percent
	(in thousands)			
Salaries and employee benefits	$ 21,585	$ 20,610	$ 975	4.73%
Occupancy and equipment	4,537	4,412	125	2.83
Data processing	3,551	3,253	298	9.16
Professional fees	1,893	1,335	558	41.80
Supplies and communications	601	676	(75)	(11.09)
Advertising and promotion	907	833	74	8.88
All other operating expenses	3,160	1,957	1,203	61.47
Subtotal	36,234	33,076	3,158	9.55
Other real estate owned expense	22	(201)	223	(110.95)
Repossessed personal property expense (income)	189	(84)	273	(325.00)
Total noninterest expense	**$ 36,445**	**$ 32,791**	**$ 3,654**	**11.14%**

For the three months ended March 31, 2024, noninterest expense was $36.4 million, an increase of $3.7 million, or 11.1%, compared with $32.8 million for the same period in 2023. Salaries and employee benefits increased $1.0 million due to higher salaries, group insurance, share-based compensation expense and a decrease in capitalized loan origination costs from lower loan originations. Professional fees increased $0.6 million due to higher consulting, accounting and legal expenses. All other operating expenses increased $1.2 million mainly due to a higher FDIC assessment of $0.3 million and the reversal of a $0.4 million SBA impairment adjustment in the first quarter of 2023. The change in OREO expense was due to a $0.3 million reimbursement of expenses received during the three months ended March 31, 2023. The change in repossessed personal property expense was due to a $0.3 million loss on sale of lease assets.

Income Tax Expense

Income tax expense was $6.6 million and $9.3 million representing an effective income tax rate of 30.2% and 29.7% for the three months ended March 31, 2024 and 2023, respectively.

Financial Condition

Securities

As of March 31, 2024, our securities portfolio consisted of U.S. government agency and sponsored agency mortgage-backed securities, collateralized mortgage obligations and debt securities, tax-exempt municipal bonds and U.S. Treasury securities. Most of these securities carry fixed interest rates. Other than holdings of U.S. government agency and sponsored agency obligations, there were no securities of any one issuer exceeding 10% of stockholders’ equity as of March 31, 2024 or December 31, 2023.

Securities increased $6.5 million to $872.2 million at March 31, 2024 from $865.7 million at December 31, 2023, mainly attributed to $38.4 million in securities purchases, offset by $26.2 million in paydowns and maturities.

The following table summarizes the contractual maturity schedule for securities, at amortized cost, and their cost weighted average yield, which is calculated using amortized cost as the weight, as of March 31, 2024:

	Within One Year		After One Year But Within Five Years		After Five Years But Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
					(dollars in thousands)					
Securities available for sale:										
U.S. Treasury securities	$ 41,132	3.95%	$ 47,275	3.94%	$ —	0.00%	$ —	0.00%	$ 88,407	3.94%
U.S. government agency and sponsored agency obligations:										
Mortgage-backed securities - residential	13	2.99	20	3.03	22,601	0.35	467,080	1.69	489,714	1.63
Mortgage-backed securities - commercial	4,107	3.72	4,384	0.84	—	—	51,112	1.57	59,603	1.66
Collateralized mortgage obligations	—	—	166	1.27	353	2.63	131,237	3.55	131,756	3.54
Debt securities	30,705	2.08	101,531	1.14	—	—	—	—	132,236	1.36
Total U.S. government agency and sponsored agency obligations	34,825	2.27	106,101	1.13	22,954	0.38	649,429	2.06	813,309	1.90
Municipal bonds-tax exempt	—	—	—	—	32,655	1.36	44,209	1.32	76,864	1.34
Total securities available for sale	**$ 75,957**	**3.18%**	**$ 153,376**	**1.99%**	**$ 55,609**	**2.22%**	**$ 693,638**	**2.01%**	**$ 978,580**	**2.11%**

Loans Receivable

As of March 31, 2024 and December 31, 2023, loans receivable (excluding loans held for sale), net of deferred loan fees and costs, discounts and allowance for credit losses, were $6.11 billion. For the three months ended March 31, 2024, there was $234.0 million in new loan production and $10.2 million in SBA loan purchases, offset partially by $141.6 million in loan sales and payoffs, and amortization and other reductions of $97.0 million. Loan production consisted of commercial real estate loans of $60.1 million, residential mortgages of $53.1 million, commercial and industrial loans of $50.8 million, equipment financing agreements of $39.2 million and SBA loans of $30.8 million.

The table below shows the maturity distribution of outstanding loans, before the allowance for credit losses as of March 31, 2024. In addition, the table shows the distribution of such loans between those with floating or variable interest rates and those with fixed or predetermined interest rates.

	Within One Year	After One Year but Within Three Years	After Three Years but Within Five Years	After Five Years but Within Fifteen Years	After Fifteen Years	Total
			(in thousands)			
Real estate loans:						
Commercial property						
Retail	$ 150,284	$ 311,361	$ 360,865	$ 218,920	$ 49,629	$ 1,091,059
Hospitality	233,654	193,201	201,905	95,599	15,801	740,160
Office	54,535	342,603	150,388	21,239	7,082	575,847
Other	169,203	473,436	471,263	208,393	45,100	1,367,395
Total commercial property loans	607,676	1,320,601	1,184,421	544,151	117,612	3,774,461
Construction	63,437	38,788	1,991	—	—	104,216
Residential	5,193	70	133	4,290	960,676	970,362
Total real estate loans	676,306	1,359,459	1,186,545	548,441	1,078,288	4,849,039
Commercial and industrial loans	309,891	241,011	98,652	125,297	—	774,851
Equipment financing agreements	32,340	203,635	300,864	17,111	—	553,950
Loans receivable	**$ 1,018,537**	**$ 1,804,105**	**$ 1,586,061**	**$ 690,849**	**$ 1,078,288**	**$ 6,177,840**
Loans with predetermined interest rates	482,612	1,260,548	978,530	58,522	262,591	3,042,803
Loans with variable interest rates	535,925	543,557	607,531	632,327	815,697	3,135,037

The table below shows the maturity distribution of outstanding loans, before the allowance for credit losses, with fixed or predetermined interest rates, as of March 31, 2024.

	Within One Year	After One Year but Within Three Years	After Three Years but Within Five Years	After Five Years but Within Fifteen Years	After Fifteen Years	Total
			(in thousands)			
Real estate loans:						
Commercial property						
Retail	$ 119,432	$ 279,343	$ 198,809	$ 1,557	$ 235	$ 599,376
Hospitality	86,408	133,332	103,528	697	—	323,965
Office	25,608	264,095	91,734	—	—	381,437
Other	105,980	378,570	270,490	28,954	5,218	789,212
Total commercial property loans	337,428	1,055,340	664,561	31,208	5,453	2,093,990
Construction	28,311	—	—	—	—	28,311
Residential	1,569	70	—	2,523	257,138	261,300
Total real estate loans	367,308	1,055,410	664,561	33,731	262,591	2,383,601
Commercial and industrial loans	82,964	1,503	13,105	7,680	—	105,252
Equipment financing agreements	32,340	203,635	300,864	17,111	—	553,950
Loans receivable	**$ 482,612**	**$ 1,260,548**	**$ 978,530**	**$ 58,522**	**$ 262,591**	**$ 3,042,803**

The table below shows the maturity distribution of outstanding loans, before the allowance for credit losses, with floating or variable interest rates (including hybrids), as of March 31, 2024.

	Within One Year	After One Year but Within Three Years	After Three Years but Within Five Years	After Five Years but Within Fifteen Years	After Fifteen Years	Total
			(in thousands)			
Real estate loans:						
Commercial property						
Retail	$ 30,852	$ 32,018	$ 162,057	$ 217,363	$ 49,395	$ 491,685
Hospitality	147,246	59,868	98,377	94,902	15,801	416,194
Office	28,927	78,508	58,653	21,239	7,082	194,409
Other	63,223	94,866	200,772	179,439	39,881	578,181
Total commercial property loans	270,248	265,260	519,859	512,943	112,159	1,680,469
Construction	35,126	38,788	1,991	—	—	75,905
Residential	3,624	—	133	1,767	703,538	709,062
Total real estate loans	308,998	304,048	521,983	514,710	815,697	2,465,436
Commercial and industrial loans	226,927	239,509	85,548	117,617	—	669,601
Loans receivable	**$ 535,925**	**$ 543,557**	**$ 607,531**	**$ 632,327**	**$ 815,697**	**$ 3,135,037**

Industry

As of March 31, 2024, the loan portfolio included the following concentrations of loans to one type of industry that were greater than 10.0% of loans receivable outstanding:

	Balance as of March 31, 2024	Percentage of Loans Receivable Outstanding
	(in thousands)	
Lessor of nonresidential buildings	$ 1,718,496	27.8%
Hospitality	744,054	12.0%

Loan Quality Indicators

Loans 30 to 89 days past due and still accruing were $15.8 million at March 31, 2024, compared with $10.3 million at December 31, 2023, attributable mainly to an increase of $2.7 million in past due residential loans and the addition of a $3.0 million commercial real estate industrial loan, offset by payoffs and other reductions of $0.2 million.

At March 31, 2024 and December 31, 2023, there were no loans 90 days or more past due and still accruing interest.

Activity in criticized loans was as follows for the periods indicated:

	Special Mention	Classified
	(in thousands)	
March 31, 2024		
Balance at January 1, 2024	$ 65,315	$ 31,367
Additions	671	3,631
Reductions	(3,670)	(11,329)
Balance at March 31, 2024	**$ 62,316**	**$ 23,669**
March 31, 2023		
Balance at January 1, 2023	$ 79,013	$ 46,192
Additions	766	13,808
Reductions	(15,439)	(12,713)
Balance at March 31, 2023	**$ 64,340**	**$ 47,287**

Special mention loans were $62.3 million and $65.3 million at March 31, 2024 and December 31, 2023, respectively. The $3.0 million decrease included upgrades to pass loans of $1.5 million, downgrades to classified loans of $0.8 million, and paydowns and payoffs of $1.4 million, offset by downgrades from pass loans of $0.7 million. The upgrades to pass loans were primarily attributable to a $1.5 million retail loan and downgrades to classified consisted of two SBA commercial real estate retail loans for $0.8 million. The $14.7 million decrease in the first quarter of 2023 included downgrades to classified loans of $10.0 million, and payoffs of $4.6 million.

Classified loans were $23.7 million and $31.4 million at March 31, 2024 and December 31, 2023, respectively. The $7.7 million decrease was primarily driven by paydowns and payoffs of $9.4 million, and charge-offs of $1.9 million, offset by new downgrades to classified loans of $3.6 million. The paydowns and payoffs during the three months ended March 31, 2024 were mainly attributed to payoffs of a $4.7 million commercial real estate industrial loan and a $1.2 million commercial real estate office loan, and a $0.9 million paydown on a previously mentioned nonperforming commercial and industrial loan in the health-care industry. The $1.1 million increase in the first quarter of 2023 was primarily driven by the downgrade of one loan in the amount of $10.0 million, offset by loan upgrades of $8.8 million.

Nonperforming Assets

Nonperforming loans consist of nonaccrual loans and loans 90 days or more past due and still accruing interest. Nonperforming assets consist of nonperforming loans and OREO. Loans are placed on nonaccrual status when, in the opinion of management, the full timely collection of principal or interest is in doubt. Generally, the accrual of interest is discontinued when principal or interest payments become more than 90 days past due, unless we believe the loan is adequately collateralized and in the process of collection. However, in certain instances, we may place a particular loan on nonaccrual status earlier, depending upon the individual circumstances surrounding the loan's delinquency. When a loan is placed on nonaccrual 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 collectability of principal is probable, in which case interest payments are credited to income. Nonaccrual loans may be restored to accrual status when principal and interest become current and full repayment is expected, which generally occurs after sustained payment of six months. Interest income is recognized on the accrual basis for loans not meeting the criteria for nonaccrual. OREO consists of properties acquired by foreclosure or similar means.

Except for nonaccrual loans, management is not aware of any other loans as of March 31, 2024 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 a loan being designated as nonperforming at some future date.

Nonaccrual loans were $14.0 million and $15.5 million as of March 31, 2024 and December 31, 2023, respectively, representing a decrease of $1.5 million, or 9.4%. The decrease in nonaccrual loans resulted from payoffs, paydowns, and upgrades of $4.8 million, offset by additions to nonperforming loans of $3.3 million. The additions to nonperforming loans consisted of equipment financing agreements of $2.6 million and two SBA loans for $0.7 million. As of March 31, 2024 and December 31, 2023, 1.25% of equipment financing agreements were on nonaccrual status. As of March 31, 2024 and December 31, 2023, all loans 90 days or more past due were classified as nonaccrual.

The $14.0 million of nonperforming loans as of March 31, 2024 had individually evaluated allowances of $5.3 million, compared to $15.5 million of nonperforming loans with individually evaluated allowances of $3.4 million as of December 31, 2023.

Nonperforming assets were $14.1 million at March 31, 2024, or 0.19% of total assets, compared to $15.6 million, or 0.21%, at December 31, 2023. Additionally, not included in nonperforming assets were repossessed personal property assets associated with equipment finance agreements of $1.3 million at March 31, 2024 and December 31, 2023.

Individually Evaluated Loans

The Company reviews loans on an individual basis when the loan does not share similar risk characteristics with loan pools. Individually evaluated loans are measured for expected credit losses based on the present value of expected cash flows discounted at the effective interest rate, the observable market price, or the fair value of collateral.

Individually evaluated loans were $14.0 million and $15.4 million as of March 31, 2024 and December 31, 2023, respectively, representing a decrease of $1.4 million, or 9.2%. Specific allowances associated with individually evaluated loans increased $1.9 million to $5.3 million as of March 31, 2024 compared with $3.4 million as of December 31, 2023, mainly attributed to a $1.9 million specific reserve allocation on a commercial and industrial loan in the health-care industry.

No loans were modified to borrowers with financial difficulties during the three months ended March 31, 2024 or 2023. A borrower is experiencing financial difficulties when there is a probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. The Company may modify loans to borrowers experiencing financial difficulties by providing principal forgiveness, a term extension, an other-than-insignificant payment delay, or an interest rate reduction.

Allowance for Credit Losses and Allowance for Credit Losses Related to Off-Balance Sheet Items

The Company's estimate of the allowance for credit losses at March 31, 2024 and December 31, 2023 reflected losses expected over the remaining contractual life of assets based on historical, current, and forward-looking information. The contractual term does not consider extensions, renewals or modifications.

Management selected three loss methodologies for the collective allowance estimation. At March 31, 2024, the Company used the discounted cash flow ("DCF") method to estimate allowances for credit losses for the commercial and industrial loan portfolio, the Probability of Default/Loss Given Default ("PD/LGD") method for the commercial property, construction and residential property portfolios, and the Weighted Average Remaining Maturity ("WARM") method to estimate expected credit losses for equipment financing agreements. Loans that do not share similar risk characteristics are individually evaluated for allowances.

For all loans utilizing the DCF method, the Company determined that four quarters represented a reasonable and supportable forecast period and reverted to a historical loss rate over twelve quarters on a straight-line basis. For each of these loan segments, the Company applied an annualized historical PD/LGD using all available historical periods. Since reasonable and supportable forecasts of economic conditions are embedded directly into the DCF model, qualitative adjustments are considered but were minimal.

For each of the loan segments identified above, the Company applied an annualized historical PD/LGD using all available historical periods. The PD/LGD method incorporates a forecast of economic conditions into loss estimates using a qualitative adjustment.

For loan pools utilizing the PD/LGD method, the Company used historical periods that included an economic downturn to derive historical losses for better alignment in the estimation of expected losses under the PD/LGD method. The Company relied on Frye-Jacobs modeled LGD rates for loan segments with insufficient historical loss data. The Frye-Jacobs model provides a means of applying an LGD rate in the event that limited to no loss data is available. The PD/LGD method incorporates a forecast into loss estimates using a qualitative adjustment.

The Company used the WARM method to estimate expected credit losses for the equipment financing agreements portfolio. The Company applied an expected loss ratio based on internal historical losses adjusted as appropriate for qualitative factors.

As of March 31, 2024 and December 31, 2023, the Company relied on the economic projections from Moody's to inform its loss driver forecasts over the four-quarter forecast period. For all loan pools, the Company utilizes and forecasts the national unemployment rate as the primary loss driver.

To adjust the historical and forecast periods to current conditions, the Company applies various qualitative factors derived from market, industry or business specific data, changes in the underlying portfolio composition, trends relating to credit quality, delinquent and nonperforming loans and adversely-rated equipment financing agreements, and reasonable and supportable forecasts of economic conditions.

The following table reflects our allocation of the allowance for credit losses by loan category as well as the amount of loans in each loan category, including related percentages:

	March 31, 2024				December 31, 2023			
	Allowance Amount	Percentage of Total Allowance	Total Loans	Percentage of Total Loans	Allowance Amount	Percentage of Total Allowance	Total Loans	Percentage of Total Loans
	(dollars in thousands)							
Real estate loans:								
Commercial property								
Retail	$ 10,095	14.8%	$ 1,091,059	17.7%	$ 10,264	14.8%	$ 1,107,360	17.9%
Hospitality	11,668	17.1	740,160	12.0	15,534	22.4	740,519	12.0
Office	3,740	5.5	575,847	9.3	3,024	4.4	574,981	9.3
Other	8,270	12.1	1,367,395	22.1	8,663	12.4	1,366,534	22.1
Total commercial property loans	33,773	49.5	3,774,461	61.1	37,485	54.0	3,789,394	61.3
Construction	2,611	3.8	104,216	1.7	2,756	4.0	100,345	1.6
Residential	6,200	9.1	970,362	15.7	5,258	7.5	962,661	15.6
Total real estate loans	42,584	62.4	4,849,039	78.5	45,499	65.5	4,852,400	78.5
Commercial and industrial loans	11,836	17.3	774,851	12.5	10,257	14.8	747,819	12.1
Equipment financing agreements	13,850	20.3	553,950	9.0	13,706	19.7	582,215	9.4
Total	**$ 68,270**	**100.0%**	**$ 6,177,840**	**100.0%**	**$ 69,462**	**100.0%**	**$ 6,182,434**	**100.0%**

The following table sets forth certain ratios related to our allowance for credit losses at the dates presented:

	As of	
	March 31, 2024	**December 31, 2023**
	(dollars in thousands)	
Ratios:		
Allowance for credit losses to loans receivable	1.11%	1.12%
Nonaccrual loans to loans	0.23%	0.25%
Allowance for credit losses to nonaccrual loans	486.81%	448.89%
Balance:		
Nonaccrual loans at end of period	$ 14,024	$ 15,474
Nonperforming loans at end of period	$ 14,024	$ 15,474

The allowance for credit losses was $68.3 million and $69.5 million at March 31, 2024 and December 31, 2023, respectively. The allowance attributed to individually evaluated loans was $5.3 million and $3.4 million as of March 31, 2024 and December 31, 2023, respectively. The allowance attributed to collectively evaluated loans was $63.0 million and $66.1 million as of March 31, 2024 and December 31, 2023, respectively, and considered the impact of changes in macroeconomic assumptions, normalized interest rate forecasts for the subsequent four quarters, and a net reduction in specific qualitative factors allocated to criticized hospitality loans impacted by the pandemic.

As of March 31, 2024 and December 31, 2023, the allowance for credit losses related to off-balance sheet items, primarily unfunded loan commitments, was $2.3 million and $2.5 million, respectively. The Bank closely monitors the borrower's repayment capabilities, while funding existing commitments to ensure losses are minimized. Based on management's evaluation and analysis of portfolio credit quality and prevailing economic conditions, we believe these allowances were adequate for current expected lifetime losses in the loan portfolio and off-balance sheet exposure as of March 31, 2024.

The following table presents a summary of gross charge-offs and recoveries for the loan portfolio:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Gross charge-offs	$ (2,123)	$ (2,238)
Gross recoveries	527	783
Net (charge-offs) recoveries	**$ (1,596)**	**$ (1,455)**

For the three months ended March 31, 2024, gross charge-offs decreased $0.1 million from the same period in 2023. Gross recoveries, for the three months ended March 31, 2024 decreased $0.3 million from the same period in 2023. Gross charge-offs for the three months ended March 31, 2024 and 2023 primarily consisted of equipment financing agreements charge-offs of $2.0 million and $1.6 million, respectively.

The following table presents a summary of net (charge-offs) recoveries for the loan portfolio:

	Three Months Ended		
	Average Loans	Net (Charge-Offs) Recoveries	Net (Charge-Offs) Recoveries to Average Loans [(1)]
	(dollars in thousands)		
March 31, 2024			
Commercial real estate loans	$ 3,875,439	$ 46	0.00%
Residential loans	978,908	—	—
Commercial and industrial loans	710,440	(97)	(0.05)
Equipment financing agreements	573,101	(1,545)	(1.08)
Total	**$ 6,137,888**	**$ (1,596)**	**(0.10)%**
March 31, 2023			
Commercial real estate loans	$ 3,800,499	$ (412)	(0.04)%
Residential loans	780,833	68	0.03
Commercial and industrial loans	760,835	25	0.01
Equipment financing agreements	602,232	(1,136)	(0.75)
Total	**$ 5,944,399**	**$ (1,455)**	**(0.10)%**

(1) Annualized

Net loan charge-offs were $1.6 million, or 0.10% of average loans, and $1.5 million, or 0.10% of average loans, for the three months ended March 31, 2024 and 2023, respectively.

Deposits

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

	March 31, 2024		December 31, 2023	
	Balance	Percent	Balance	Percent
	(dollars in thousands)			
Demand – noninterest-bearing	$ 1,933,060	30.2%	$ 2,003,596	31.9%
Interest-bearing:				
Demand	87,374	1.4	87,452	1.4
Money market and savings	1,859,865	29.2	1,734,659	27.6
Uninsured amount of time deposits more than $250,000:				
Three months or less	105,953	1.7	186,321	3.0
Over three months through six months	125,310	2.0	201,085	3.2
Over six months through twelve months	402,935	6.3	222,683	3.6
Over twelve months	38,706	0.6	70,932	1.1
All other insured time deposits	1,822,857	28.6	1,773,846	28.2
Total deposits	**$ 6,376,060**	**100.0%**	**$ 6,280,574**	**100.0%**

Total deposits were $6.38 billion and $6.28 billion as of March 31, 2024 and December 31, 2023, respectively, representing an increase of $95.5 million, or 1.5%. The increase in deposits was primarily driven by a $125.2 million increase in money market and savings deposits and a $40.9 million increase in time deposits, partially offset by a $70.5 decline in noninterest-bearing demand deposits. The changes in deposit composition were primarily due to the increase in deposit rates. At March 31, 2024, the loan-to-deposit ratio was 96.9% compared to 98.4% at December 31, 2023.

As of March 31, 2024, the aggregate amount of uninsured deposits (deposits in amounts greater than $250,000, which is the maximum amount for federal deposit insurance) was $2.56 billion. The aggregate amount of uninsured time deposits was $672.9 million. Other uninsured deposits, such as demand and money market and savings deposits were $1.89 billion. In addition, $1.15 billion of total uninsured deposits were in accounts with balances of $5.0 million or more at March 31, 2024. As of December 31, 2023, the aggregate amount of uninsured deposits was $2.52 billion. The aggregate amount of uninsured time deposits was $681.0 million. Other uninsured deposits, such as demand, money market and savings deposits were $1.84 billion. In addition, $1.09 billion of total uninsured deposits were in accounts with balances of $5.0 million or more at December 31, 2023.

The Bank's wholesale funds historically consisted of FHLB advances, brokered deposits as well as State of California time deposits. As of March 31, 2024 and December 31, 2023, the Bank had $172.5 million and $325.0 million of FHLB advances, and $43.3 million and $58.3 million of brokered deposits, respectively, and $120.0 million of State of California time deposits, as of March 31, 2024 and December 31, 2023.

Borrowings and Subordinated Debentures

Borrowings mostly take the form of FHLB advances. At March 31, 2024 and December 31, 2023, FHLB advances were $172.5 million and $325.0 million, respectively. FHLB open advances were $60.0 million and $212.5 million at March 31, 2024 and December 31, 2023, respectively. For the same periods, term advances were $112.5 million. Funds from deposit growth not used to fund loan production were used to pay off borrowings.

The weighted-average interest rate of all FHLB advances at March 31, 2024 and December 31, 2023 was 4.53% and 4.69%, respectively.

The FHLB maximum amount outstanding at any month end during each of the year-to-date periods ended March 31, 2024 and December 31, 2023 was $187.5 million and $450.0 million, respectively.

The following is a summary of contractual maturities of FHLB advances greater than twelve months:

	March 31, 2024		December 31, 2023	
FHLB of San Francisco	**Outstanding Balance**	**Weighted Average Rate**	**Outstanding Balance**	**Weighted Average Rate**
	(dollars in thousands)			
Advances due over 12 months through 24 months	$ 25,000	4.44%	$ 12,500	1.90%
Advances due over 24 months through 36 months	37,500	4.32	62,500	4.37
Outstanding advances over 12 months	**$ 62,500**	**4.37%**	**$ 75,000**	**3.96%**

Subordinated debentures were $130.2 million and $130.0 million as of March 31, 2024 and December 31, 2023, respectively. Subordinated debentures are comprised of fixed-to-floating subordinated notes of $108.4 million and $108.3 million as of March 31, 2024 and December 31, 2023, respectively, and junior subordinated deferrable interest debentures of $21.8 million and $21.7 million as of March 31, 2024 and December 31, 2023, respectively. See “Note 8 – Borrowings and Subordinated Debentures” to the consolidated financial statements for more details.

Stockholders' Equity

Stockholders’ equity was $703.1 million and $701.9 million as of March 31, 2024 and December 31, 2023, respectively. First quarter net income, net of $7.7 million of dividends paid, added $7.5 million to stockholders' equity for the period, which was partially offset by a $3.4 million increase in unrealized after-tax losses on securities available for sale due to changes in interest rates, and a $1.6 million increase in unrealized after-tax losses on cash flow hedges. In addition, the Company repurchased 100,000 shares of common stock during the quarter at an average share price of $15.92 for a total cost of $1.6 million. At March 31, 2024, 309,972 shares remain under the Company's share repurchase program.

Interest Rate Risk Management

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

The Company performs simulation modeling to estimate the potential effects of interest rate changes. The following table summarizes one of the stress simulations performed to forecast the impact of changing interest rates on net interest income and the value of interest-earning assets and interest-bearing liabilities reflected on our balance sheet (i.e., an instantaneous parallel shift in the yield curve of the magnitude indicated below) as of March 31, 2024. The Company compares this stress simulation to policy limits, which specify the maximum tolerance level for net interest income exposure over a 1- to 12-month and a 13- to 24- month horizon, given the basis point adjustment in interest rates reflected below.

	Net Interest Income Simulation			
	1- to 12-Month Horizon		13- to 24-Month Horizon	
Change in Interest Rates (Basis Points)	Dollar Change	Percentage Change	Dollar Change	Percentage Change
	(dollars in thousands)			
300	$ 3,974	1.78%	$ 6,748	2.53%
200	$ 2,191	0.98%	$ 3,114	1.17%
100	$ 1,720	0.77%	$ 2,838	1.06%
-100	$ (3,009)	(1.35%)	$ (5,793)	(2.17%)
-200	$ (7,338)	(3.28%)	$ (14,829)	(5.56%)
-300	$ (12,621)	(5.64%)	$ (26,885)	(10.08%)

	Economic Value of Equity (EVE)	
Change in Interest Rates (Basis Points)	Dollar Change	Percentage Change
	(dollars in thousands)	
300	$ (13,191)	(1.93%)
200	$ (6,910)	(1.01%)
100	$ 3,948	0.58%
-100	$ (20,535)	(3.01%)
-200	$ (61,535)	(9.01%)
-300	$ (122,449)	(17.93%)

The estimated sensitivity does not necessarily represent our forecast, and the results may not be indicative of actual changes to our net interest income. These estimates are based upon a number of assumptions, including the timing and magnitude of interest rate changes, prepayments on loans receivable and securities, pricing strategies on loans receivable and deposits, and replacement of asset and liability cash flows.

The key assumptions, based upon loans receivable, securities and deposits, are as follows:

Conditional prepayment rates*:	
Loans receivable	15%
Securities	6%
Deposit rate betas*:	
NOW, savings, money market demand	48%
Time deposits, retail and wholesale	76%

** Balance-weighted average*

While the assumptions used are based on current economic and local market conditions, there is no assurance as to the predictive nature of these conditions, including how customer preferences or competitor influences might change.

Capital Resources and Liquidity

Capital Resources

Historically, our primary source of capital has been the retention of operating earnings. In order to ensure adequate capital levels, the Board regularly assesses projected sources and uses of capital, expected loan growth, anticipated strategic actions (such as stock repurchases and dividends), and projected capital thresholds under adverse and severely adverse economic conditions. In addition, the Board considers the Company's access to capital from financial markets through the issuance of additional debt and securities, including common stock or notes, to meet its capital needs.

The Company's ability to pay dividends to shareholders depends in part upon dividends it receives from the Bank. California law restricts the amount available for cash dividends to the lesser of a bank's retained earnings or net income for its last three fiscal years (less any distributions to shareholders made during such period). Where the above test is not met, cash dividends may still be paid, with the prior approval of the Department of Financial Protection and Innovation ("DFPI"), in an amount not exceeding the greater of: (1) retained earnings of the Bank; (2) net income of the Bank for its last fiscal year; or (3) the net income of the Bank for its current fiscal year. The Company paid dividends of $7.7 million ($0.25 per share) for the three months ended March 31, 2024 and $30.5 million ($1.00 per share) for the year 2023. As of April 1, 2024, the Bank has the ability to pay dividends of approximately $161.0 million, after giving effect to the $0.25 dividend declared on April 25, 2024, for the second quarter of 2024, without the prior approval of the Commissioner of the DFPI.

At March 31, 2024, the Bank's total risk-based capital ratio of 14.50%, Tier 1 risk-based capital ratio of 13.44%, common equity Tier 1 capital ratio of 13.44% and Tier 1 leverage capital ratio of 11.29% placed the Bank in the "well capitalized" category pursuant to capital rules, which is defined as institutions with total risk-based capital ratio equal to or greater than 10.00%, Tier 1 risk-based capital ratio equal to or greater than 8.00%, common equity Tier 1 capital ratios equal to or greater than 6.50%, and Tier 1 leverage capital ratio equal to or greater than 5.00%.

At March 31, 2024, the Company's total risk-based capital ratio was 15.20%, Tier 1 risk-based capital ratio was 12.40%, common equity Tier 1 capital ratio was 12.05% and Tier 1 leverage capital ratio was 10.36%.

For a discussion of implemented changes to the capital adequacy framework prompted by Basel III and the Dodd- Frank Wall Street Reform and Consumer Protection Act, see our 2023 Annual Report on Form 10-K.

Liquidity

For a discussion of liquidity for the Company, see Note 14 - Liquidity included in the notes to unaudited consolidated financial statements in this Report and Note 22 – Liquidity in our 2023 Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

For a discussion of off-balance sheet arrangements, see Note 12 - Off-Balance Sheet Commitments included in the notes to unaudited consolidated financial statements in this Report and "Item 1. Business - Off-Balance Sheet Commitments" in our 2023 Annual Report on Form 10-K.

Contractual Obligations

There have been no material changes to the contractual obligations described in our 2023 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For quantitative and qualitative disclosures regarding market risks, see “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Interest Rate Risk Management” in this Report.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management is responsible for the disclosure controls and procedures of the Corporation. Disclosure controls and procedures are controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods required by the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Corporation’s management, including the Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), of the effectiveness of the design and operation of the Corporation’s disclosure controls and procedures. Based on that evaluation, the Corporation’s Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of March 31, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in the Corporation's internal control over financial reporting (as defined in Rule 13a-15(f)) during the quarter ended March 31, 2024 that materially affected, or are reasonably likely to materially affect, the Corporation’s internal control over financial reporting.

Part II — Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes in risk factors applicable to the Corporation from those described in “Risk Factors” in Part I, Item 1A of the Corporation’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

On January 24, 2019, the Company announced a stock repurchase program that authorized the repurchase of up to 5% of its outstanding shares or approximately 1.5 million shares of common stock. As of March 31, 2024, 309,972 shares remained available for future purchases under that stock repurchase program. The program has no scheduled expiration date and the Board of Directors has the right to suspend or discontinue the program at any time.

As disclosed in Note 16, “Subsequent Events,” on April 25, 2024, the Company announced that the Board of Directors has adopted a new stock repurchase program under which the Company may repurchase up to 5% of its outstanding shares, or approximately 1.5 million shares of its common stock. The program has no scheduled expiration date and the Board of Directors has the right to suspend or discontinue the program at any time.

The following table represents information with respect to repurchases of common stock made by the Company during the three months ended March 31, 2024:

Purchase Date:	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Shares That May Yet Be Purchased Under the Program
January 1, 2024 - January 31, 2024	$ 17.19	7,000	402,972
February 1, 2024 - February 29, 2024	15.82	93,000	309,972
March 1, 2024 - March 31, 2024	—	—	309,972
Total	**$ 15.92**	**100,000**	**309,972**

The Company acquired 31,546 shares from employees in connection with the satisfaction of employee tax withholding obligations incurred through the vesting of Company stock awards for the three months ended March 31, 2024. Shares withheld to cover income taxes upon the vesting of stock awards are repurchased pursuant to the terms of the applicable plan and not under the Company's repurchase program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Securities Trading Plans of Directors and Executive Officers

During the three months ended March 31, 2024, none of our directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Hanmi securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement.”

Item 6. Exhibits

Exhibit Number	Document
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document *
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents *
104	The cover page from the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL

* Attached as Exhibit 101 to this report are documents formatted in Inline XBRL (Extensible Business Reporting Language).
† Constitutes a management contract or compensatory plan or arrangement.

Signatures

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

Hanmi Financial Corporation

Date: May 3, 2024	By: /s/ *Bonita I. Lee* Bonita I. Lee *President and Chief Executive Officer (Principal Executive Officer)*
Date: May 3, 2024	By: /s/ *Romolo C. Santarosa* Romolo C. Santarosa *Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)*