

HANMI FINANCIAL CORP
Form DEF 14A
April 07, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

HANMI FINANCIAL CORPORATION

(Name of Registrant as Specified In Its Charter)

Not Applicable

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

No fee required.

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

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

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HANMI FINANCIAL CORPORATION

3660 Wilshire Boulevard, Penthouse Suite A

Los Angeles, California 90010

(213) 382-2200

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 17, 2017

TO THE STOCKHOLDERS OF HANMI FINANCIAL CORPORATION:

NOTICE IS HEREBY GIVEN that the 2017 annual meeting of stockholders (the Annual Meeting) of Hanmi Financial Corporation (Hanmi, the Company, we, us or our) will be held at the Oxford Palace Hotel, located at 7 Oxford Ave., Los Angeles, California, on Wednesday, May 17, 2017 at 10:30 a.m., Pacific Time, for the following purposes:

1. To elect eight (8) directors to serve for terms expiring at the 2018 Annual Meeting of Stockholders and until their successors are elected and qualified;
2. To provide a non-binding advisory vote to approve the compensation of our Named Executive Officers (Say-on-Pay vote);
3. To provide a non-binding advisory vote to approve the frequency of future Say-on-Pay votes;
4. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017; and
5. To consider any other business properly brought before the meeting.

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

By Order of Our Board of Directors,

C. G. Kum

President and Chief Executive Officer

Los Angeles, California

April 7, 2017

Important Notice Regarding the Availability of Proxy Materials for the

2017 Annual Meeting of Stockholders to be held on May 17, 2017: This Proxy Statement and the 2016 Annual Report on Form 10-K are available electronically at www.hanmi.com by clicking on Investor Relations and then Proxy Materials.

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PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 17, 2017

The Board of Directors (our Board) of HANMI FINANCIAL CORPORATION is soliciting your proxy for use at the 2017 Annual Meeting of Stockholders to be held at the Oxford Palace Hotel, located at 745 S. Oxford Ave., Los Angeles, California, on Wednesday, May 17, 2017, beginning at 10:30 a.m., Pacific Time, and at any adjournments or postponements thereof.

PROXY STATEMENT SUMMARY

MATTERS TO BE CONSIDERED AND VOTE RECOMMENDATION

We are asking stockholders to vote on the following matters at the 2017 Annual Meeting of Stockholders:

Proposal	Our Board's Recommendation
<p>Item 1. Election of Directors (page 14)</p> <p>The Board believes that the eight (8) director nominees possess the necessary qualifications to provide effective oversight of the Company's business and quality advice and counsel to our management.</p>	<p>FOR each Director Nominee</p>
<p>Item 2. Advisory Vote to Approve Executive Compensation (Say-on-Pay Vote) (page 38)</p> <p>The Company seeks a non-binding advisory vote from its stockholders to approve the compensation of its Named Executive Officers (NEOs) for 2017 as described in the <i>Executive Compensation Compensation Discussion and Analysis</i> section beginning on page 16. Because your vote is advisory, it will not be binding upon our Board and may not be construed as overruling any decision by our Board. However, the Compensation and Human Resources Committee may, in its sole discretion, take into account the outcome of the vote when considering future executive compensation arrangements.</p>	<p>FOR</p>
<p>Item 3. Advisory Vote to Approve Frequency of Future Say-on-Pay Votes (page 39)</p> <p>The Company seeks a non-binding advisory vote from its stockholders to approve the option of every 1 year as the frequency with which stockholders are provided a future Say-on-Pay vote. The Board values stockholders' opinions and it will take into account the outcome of the advisory vote when considering the frequency of future Say-on-Pay votes.</p>	<p>Every 1 YEAR</p>
<p>Item 4. Ratification of Auditors (page 40)</p>	<p>FOR</p>

The Audit Committee and the Board believe that the continued retention of KPMG, LLP to serve as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2017, is in the best interests of the Company and its stockholders. As a matter of good corporate governance, stockholders are being asked to ratify the Audit Committee's selection of the independent registered public accounting firm. If the stockholders do not ratify the selection by a majority vote of the present and voting shares, we will reconsider whether or not to retain KPMG. Even if the selection is ratified, we may, in our discretion, appoint a different independent registered public accounting firm at any time during the year if we determine that such a change would be in our and our stockholders' best interests.

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QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND THE ANNUAL MEETING

Why did I receive this Proxy Statement?

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

We will begin posting this Proxy Statement, notice of the Annual Meeting, and the enclosed proxy card on or about April 7, 2017, to all stockholders entitled to vote. The record date for those entitled to vote is March 28, 2017.

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

All stockholders who were stockholders of record of our common stock as of the close of business on March 28, 2017, and only those stockholders will be entitled to vote at the Annual Meeting. You have one vote for each share of our common stock you owned as of the close of business on the record date.

How many shares are eligible to be voted?

As of March 28, 2017, 32,355,668 shares of our common stock were outstanding. Each outstanding share of our common stock will entitle its holder to one vote on each matter to be voted on at the Annual Meeting.

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

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

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

What is the required quorum at the Annual Meeting?

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

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

1. Election of Directors. Directors are elected by a majority of votes cast, in uncontested elections. In order to be elected to the Board, the votes cast for the nominee must exceed the number of votes cast against the nominee. Abstentions and broker non-votes will have no effect on the election of a director.
2. Advisory Vote on the Compensation of our NEOs. Approval, on an advisory basis, of the compensation of our NEOs requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote.

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3. Advisory Vote on the Frequency of Future Say-on-Pay Votes. Our stockholders will have four options to choose from when voting on the advisory vote on the frequency of future advisory votes regarding NEO compensation: Every **1 YEAR** ; **2 YEARS** ; **3 YEARS** ; or **ABSTAIN**. The option, if any, that receives the vote of a majority of the shares present in person or represented by proxy and entitled to vote will be the option selected by our stockholders.
4. Ratification of Selection of Auditors. Ratification of the selection of KPMG as our independent registered public accounting firm for the fiscal year ending December 31, 2017, requires the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote.

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

Abstentions and broker non-votes will be counted for purposes of determining a quorum. Your broker, however, will not be entitled to vote without your instruction on Proposals 1 through 3 on the election of Directors, and the advisory (non-binding) proposals to approve the compensation of our NEOs and the frequency of future Say-on-Pay votes.

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

Abstentions will have no effect on the election of Directors in Proposal 1, but will have the effect of a vote AGAINST Proposals 2 through 4 for the advisory (non-binding) votes to approve the compensation of NEOs and the frequency of future Say-on-Pay votes, and the ratification of our independent registered public accounting firm, respectively.

How can I vote my shares?

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

By Telephone. If you hold your shares of common stock in your own name and not through a broker or another nominee, you can vote by dialing the toll-free telephone number printed on your proxy card. Telephone voting is available 24 hours a day until 11:59 p.m., Pacific Time, on May 16, 2017. If you vote by telephone, you do not need to return your proxy card.

By Internet. If you hold your shares of common stock in your own name and not through a broker or another nominee, you can choose to vote on the website printed on your proxy card. Internet voting is available 24 hours a day until 11:59 p.m., Pacific Time, on May 16, 2017. If you vote via the Internet, you do not need to return your proxy card.

By Mail. You can vote by mail by signing, dating and returning the proxy card in the postage-paid envelope sent concurrently therewith. Proxy cards sent by mail must be received by May 16, 2017.

In Person. By attending the Annual Meeting and voting in person.

Whichever of these methods you select to transmit your instructions, the proxy holders will vote your shares of common stock in accordance with your instructions. If you give a proxy without specific voting instructions, your proxy will be voted by the proxy holders FOR each of the Director nominees named in this Proxy Statement, FOR the approval, on an advisory basis, of the compensation of our NEOs, 1 YEAR for frequency of future Say-on-Pay votes,

FOR the ratification of our independent registered public accounting firm, and at the proxy holders discretion on such other matters, if any, as may properly come before the Annual Meeting (including any proposal to adjourn the Annual Meeting).

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

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

How do I vote in person?

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

How will proxies be solicited?

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

Will any other matters be considered at the Annual Meeting?

We are not aware of any matter to be presented at the Annual Meeting other than the proposals discussed in this Proxy Statement. If other matters are properly presented at the Annual Meeting, then the persons named as proxies will have the authority to vote all properly executed proxies in accordance with the direction of our Board, or, if no such direction is given, in accordance with the judgment of the persons holding such proxies on any such matter, including any proposal to adjourn or postpone the Annual Meeting.

Are there any rules regarding admission to the Annual Meeting?

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

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

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

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

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

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

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If you do not have a valid form of photo identification and proof that you owned, or are legally authorized to act as proxy for someone who owned, shares of our common stock on March 28, 2017, you will not be admitted into the Annual Meeting.

Is my vote confidential?

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

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

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

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The following table provides summary information about our current directors as of April 7, 2017.

Name	Age	Director Since	Principal Occupation	A	Committee Memberships		
					CHR	NCG	RCP
Joseph K. Rho (Chairman)*	76	2000	<i>Retired (current and former Chairman of the Boards of Hanmi and Hanmi Bank)</i>				
John J. Ahn*	52	2014	<i>President of Great American Capital Partners, LLC</i>				
Christie K. Chu*	52	2015	<i>President & CEO of CKC Accountancy Corporation</i>				
Harry Chung*^{FE}	47	2016	<i>Chief Financial Officer of Breakwater Investment Management</i>				
Paul Seon-Hong Kim*^{FE}	73	2009	<i>Retired (former President & CEO of Center Financial Corp/Center Bank)</i>				
C. G. Kum	62	2013	<i>President & CEO of Hanmi and Hanmi Bank</i>				
Joon Hyung Lee*	73	2000	<i>President of Root-3 Corporation</i>				
David L. Rosenblum*^{FE}	64	2014	<i>Retired (former senior Principal at Deloitte Consulting LLP)</i>				
Thomas J. Williams*	54	2016	<i>Retired (former Senior Vice President & Chief Risk Officer of BofI Federal Bank)</i>				
Michael Yang* Chairperson Member	55	2016	<i>Founder and CEO of MSY LLC</i>				

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

RCP = Risk, Compliance and Planning

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

CORPORATE GOVERNANCE

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

and Ethics will also be posted on Hanmi's website.

DIRECTOR INDEPENDENCE

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

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Our Board has undertaken a review of the independence of each director in accordance with NASDAQ rules and requirements of the U.S. Securities and Exchange Commission (the SEC). Based on this review, our Board has determined that all of its Directors are independent under the applicable listing standards of NASDAQ, except for C. G. Kum, who also serves as the President and Chief Executive Officer of Hanmi. In making this determination, our Board considered the relationships that each non-employee director has with us and all other facts and circumstances that the Board deemed relevant in determining their independence. See *Board Meetings and Committees* below for additional information regarding the Board's independence determinations applicable to each of the committees.

BOARD MEETINGS AND COMMITTEES

During the fiscal year ended December 31, 2016, our Board held twelve (12) joint board meetings with the Board of Hanmi Bank (the Bank), the wholly-owned subsidiary of Hanmi and three (3) special board meetings, for a total of fifteen (15) board meetings. All Board members were present for more than 75% of the aggregate number of meetings of our Board and the committees on which he or she served. Hanmi's policy is to encourage all Directors to attend all Annual and Special Meetings of Stockholders. Hanmi's 2016 Annual Meeting of Stockholders was attended by all Directors, other than our new director Thomas J. Williams.

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

Audit Committee

The current members of Hanmi's Audit Committee are Harry Chung, Paul Seon-Hong Kim, Joon Hyung Lee, Joseph K. Rho, David L. Rosenblum and Thomas J. Williams, with Mr. Kim serving as its Chairperson. Each member meets the independence requirements of the SEC, the Federal Deposit Insurance Corporation (the FDIC) and NASDAQ. Based on its review, the Board determined that Messrs. Kim, Chung and Rosenblum qualify as an audit committee financial expert as defined under the applicable SEC rules. The Audit Committee held fourteen (14) meetings during the fiscal year ended December 31, 2016. The Audit Committee operates under a charter adopted by the Board and is available on our website at www.hanmi.com on the Investor Relations page. The Audit Committee reports to the Board and is responsible for overseeing and monitoring financial accounting and reporting, the system of internal controls established by management and our audit process and policies. Through its oversight of the audit function, the Audit Committee ensures compliance with laws and regulations.

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

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

Review the unaudited quarterly and audited annual financial statements;

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

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

Review and approve the general scope of the annual internal audit plan and associated fees.

Compensation and Human Resources Committee

The current members of the CHR Committee are John J. Ahn, Christie K. Chu, Joon Hyung Lee, Joseph K. Rho, David L. Rosenblum and Michael Yang, with Mr. Ahn serving as its Chairperson. Each member is an outside director (as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code)) and a non-

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employee director (as defined in Section 16 of the Securities Exchange Act of 1934 (the Exchange Act)) and meets the independence requirements of the SEC and NASDAQ. The CHR Committee held eight (8) meetings during the fiscal year ended December 31, 2016.

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

Review and approval of the Company's overall compensation theory, plans and policies and programs as it relates to Directors, the Chief Executive Officer and Senior Officers;

Approve Directors overall compensation, policies and programs;

Oversee management development and management succession planning;

Review and approve Senior Officers separation plan or severance agreements; and

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

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

Nominating and Corporate Governance Committee

The members of the NCG Committee are John J. Ahn, Christie K. Chu, Paul Seon-Hong Kim, Joseph K. Rho, David L. Rosenblum and Michael Yang, with Ms. Chu serving as its Chairperson. Each member meets the independence requirements of the SEC and NASDAQ. The NCG Committee held six (6) meetings during the fiscal year ended December 31, 2016.

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

Identify individuals qualified to become Directors;

Recommend to the Board nominees for the Board and its committees for the next Annual Meeting of Stockholders;

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

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

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

Risk, Compliance and Planning Committee

The current members of the RCP Committee are John J. Ahn, Paul Seon-Hong Kim, C. G. Kum, David L. Rosenblum, Thomas J. Williams and Michael Yang, with Mr. Rosenblum serving as its Chairperson. Except for

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Mr. Kum, each member is an outside (or non-employee) Director and meets the independence requirements of the SEC and NASDAQ. The RCP Committee held eleven (11) meetings during the fiscal year ended December 31, 2016.

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

BOARD LEADERSHIP STRUCTURE

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

We believe that yearly elections hold the Directors of the Board accountable to our stockholders, as each director is subject to re-nomination and re-election each year.

All of the Directors are independent, except for C. G. Kum, our President and Chief Executive Officer. The Board has affirmatively determined that the other seven (7) Directors nominated are independent under the SEC and NASDAQ corporate governance rules, as applicable.

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

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

BOARD'S ROLE IN RISK OVERSIGHT

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

The RCP Committee goes through an extensive review of the enterprise risk assessment on a quarterly basis with the guidance of the RCP Committee Chairperson and the Bank's Chief Risk Officer. The quarterly risk assessment is also

reviewed at the Board quarterly. In this process, risk is assessed throughout the Company by focusing on six (6) areas of risk, including risks relating to: credit, liquidity, market, operations, compliance / legal, and reputational. Risks that simultaneously affect different parts of the Company are identified, and an interrelated response is made. The Board provides ongoing oversight of enterprise-wide risks through a periodic enterprise risk assessment update.

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

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

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

CONSIDERATION OF DIRECTOR NOMINEES

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

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

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

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

Board Diversity

The Board's policy with regard to the consideration of diversity in identifying director nominees is contained within the Corporate Governance Guidelines. The Corporate Governance Guidelines require the NCG Committee to consider diversity when reviewing the qualifications of candidates to the board. Board member nominees are identified and considered on the basis of knowledge, experience, integrity, diversity, leadership, community prominence and reputation, and ability to understand the Company's business.

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Stockholder Recommendations

The NCG Committee will consider stockholder recommendations for Director nominees. Such notices must be submitted in writing to the Hanmi Financial Corporation, 3660 Wilshire Boulevard, Penthouse Suite A, Los Angeles, California 90010, Attention: Corporate Secretary. Such notices also must comply with other requirements set forth in the Company's Bylaws and be received by the Corporate Secretary within the deadlines provided below under Stockholder Proposals for the 2018 Annual Meeting.

In identifying and evaluating Director candidates, the NCG Committee will solicit and receive recommendations, and review qualifications of potential Director candidates. The NCG Committee also may use search firms to identify Director candidates when necessary. To enable the NCG Committee to effectively evaluate Director candidates, the NCG Committee also may conduct appropriate inquiries into the backgrounds and qualifications of Director candidates, including reference checks. As stated above, the NCG Committee will consider Director candidates recommended by stockholders utilizing the same criteria as candidates identified by the NCG Committee.

COMMUNICATIONS WITH THE BOARD

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

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

STOCK OWNERSHIP GUIDELINES

Each director is encouraged to own shares of common stock of the Company at a level that demonstrates a meaningful comm