

NARA BANCORP INC  
Form 10-Q  
May 10, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

**x**    **Quarterly report pursuant to section 13 or 15 (d) of the Securities Exchange Act of 1934**  
For the quarterly period ended March 31, 2010 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: 000-50245

**NARA BANCORP, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of

**95-4849715**  
(IRS Employer

incorporation or organization)

Identification Number)

**3731 Wilshire Boulevard, Suite 1000, Los Angeles, California**  
(Address of Principal executive offices)

**90010**  
(ZIP Code)

**(213) 639-1700**

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

☐ Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller Reporting Company

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

As of April 30, 2010 there were 37,955,407 outstanding shares of the issuer's Common Stock, \$0.001 par value.

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**Forward-Looking Information**

Certain matters discussed in this report may constitute forward-looking statements under Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. There can be no assurance that the results described or implied in such forward-looking statements will, in fact, be achieved and actual results, performance, and achievements could differ materially because our business involves inherent risks and uncertainties. Risks and uncertainties include deterioration in economic conditions in our areas of operation; interest rate risk associated with volatile interest rates and related asset-liability matching risk; liquidity risks; risk of significant non-earning assets, and net credit losses that could occur, particularly in times of weak economic conditions or times of rising interest rates; risks of available for sale securities declining significantly in value as interest rates rise; and regulatory risks associated with the current and future regulations as well as the possibility of regulatory enforcement actions to which we are subject. For additional information concerning these factors, see Item 1A. Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2009.

**Table of Contents****PART I****FINANCIAL INFORMATION****Item 1. Financial Statements****NARA BANCORP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

	(Unaudited)	
	March 31, 2010	December 31, 2009
	(Dollars in thousands, except share data)	
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 23,888	\$ 23,739
Interest-bearing deposit at Federal Reserve Bank	236,142	81,853
Federal funds sold	20,000	20,000
Total cash and cash equivalents	280,030	125,592
Securities available for sale, at fair value	498,801	782,690
Loans held for sale, at the lower of cost or fair value	28,679	4,756
Loans receivable, net of allowance for loan losses (March 31, 2010 - \$63,995; December 31, 2009 - \$59,424)	2,098,269	2,162,009
Other real estate owned	5,856	2,044
Federal Reserve Bank stock, at cost	4,399	4,399
Federal Home Loan Bank (FHLB) stock, at cost	19,935	19,935
Premises and equipment, net	10,950	10,865
Accrued interest receivable	9,723	11,261
Deferred tax assets, net	31,639	28,875
Customers' liabilities on acceptances	11,243	10,488
Bank owned life insurance	23,645	23,571
Goodwill	2,509	2,509
Other intangible assets, net	915	1,042
Other assets	52,427	37,921
Total assets	\$ 3,079,020	\$ 3,227,957

(Continued)

**Table of Contents****NARA BANCORP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****LIABILITIES AND STOCKHOLDERS' EQUITY**

	(Unaudited) March 31, 2010 (Dollars in thousands, except share data)	December 31, 2009
<b>LIABILITIES:</b>		
Deposits:		
Non-interest bearing	\$ 360,801	\$ 330,489
Interest bearing:		
Money market and NOW accounts	547,468	524,188
Savings deposits	136,821	136,804
Time deposits of \$100,000 or more	714,952	932,699
Other time deposits	521,750	510,010
Total deposits	2,281,792	2,434,190
Federal Home Loan Bank borrowings	350,000	350,000
Subordinated debentures	39,268	39,268
Secured borrowings	4,050	
Accrued interest payable	10,070	12,674
Acceptances outstanding	11,243	10,488
Other liabilities	18,776	13,362
Total liabilities	2,715,199	2,859,982
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, \$0.001 par value - authorized 10,000,000 undesignated shares; issued and outstanding 67,000 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A with a liquidation preference of \$67,428,000 at March 31, 2010 and December 31, 2009	67,000	67,000
Preferred stock discount	(3,503)	(3,737)
Common stock, \$0.001 par value; authorized, 40,000,000 shares; issued and outstanding, 37,835,407 and 37,824,007 shares at March 31, 2010 and December 31, 2009, respectively	38	38
Capital surplus	169,848	169,806
Retained earnings	128,288	131,891
Accumulated other comprehensive income, net	2,150	2,977
Total stockholders' equity	363,821	367,975
Total liabilities and stockholders' equity	\$ 3,079,020	\$ 3,227,957

See accompanying notes to condensed consolidated financial statements (unaudited)

**Table of Contents****NARA BANCORP, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)****For the three months ended March 31, 2010 and 2009**

(Unaudited)

	Three Months Ended March 31,	
	2010	2009
	(In thousands, except per share data)	
INTEREST INCOME:		
Interest and fees on loans	\$ 33,348	\$ 31,672
Interest on securities	5,088	4,320
Interest on federal funds sold and other investments	225	49
Total interest income	38,661	36,041
INTEREST EXPENSE:		
Interest on deposits	9,947	11,825
Interest on subordinated debetures	454	558
Interest on other borrowings	3,017	3,237
Total interest expense	13,418	15,620
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	25,243	20,421
PROVISION FOR LOAN LOSSES	25,407	15,670
NET INTEREST INCOME (LOSS) AFTER PROVISION FOR LOAN LOSSES	(164)	4,751
NON-INTEREST INCOME:		
Service fees on deposit accounts	1,619	1,769
International service fees	539	420
Loan servicing fees, net	457	475
Wire transfer fees	293	352
Other income and fees	353	378
Net gains on sales of SBA loans	43	63
Net gains on sales of other loans		387
Net gains on sales of securities available for sale	6,296	785
Net valuation losses on interest rate swaps	(231)	(116)
Net gains (losses) on sales of OREO	15	(130)
Total non-interest income	9,384	4,383
NON-INTEREST EXPENSE:		
Salaries and employee benefits	5,593	6,443
Occupancy	2,427	2,426
Furniture and equipment	778	695
Advertising and marketing	459	457
Data processing and communications	933	901
Professional fees	702	678
FDIC assessment	1,367	750
Credit related expenses	563	1,488

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Other	1,362	1,410
Total non-interest expense	14,184	15,248
LOSS BEFORE INCOME TAX BENEFIT	(4,964)	(6,114)
INCOME TAX BENEFIT	(2,432)	(2,934)
NET LOSS	\$ (2,532)	\$ (3,180)
DIVIDENDS AND DISCOUNT ACCRETION ON PREFERRED STOCK	\$ (1,071)	\$ (1,068)
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	\$ (3,603)	\$ (4,248)
LOSS PER COMMON SHARE		
Basic	\$ (0.10)	\$ (0.16)
Diluted	\$ (0.10)	\$ (0.16)
See accompanying notes to condensed consolidated financial statements (unaudited)		



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(Unaudited)

	Preferred		Common Stock				Accumulated Other Comprehensive Income (loss), net	Comprehensive Income (loss)
	Preferred Stock	Stock Discount	Shares	Amount	Capital Surplus	Retained Earnings		
(In thousands, except share data)								
<b>BALANCE, JANUARY 1, 2009</b>	<b>\$ 67,000</b>	<b>\$ (4,664)</b>	<b>26,246,560</b>	<b>\$ 26</b>	<b>\$ 86,843</b>	<b>\$ 141,890</b>	<b>\$</b>	<b>(1,142)</b>
Issuance of additional stocks pursuant to stock plans			10,400					
Tax effects of stock plans					14			
Stock-based compensation					578			
Cash dividends accrued (5%)						(837)		
Accretion on preferred stock discount		230				(230)		