

NARA BANCORP INC
Form 10-Q
August 09, 2011
Table of Contents

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

FORM 10-Q

(Mark One)

Quarterly report pursuant to section 13 or 15 (d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2011

or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to

Commission File Number: 000-50245

NARA BANCORP, INC.

(Exact name of registrant as specified in its charter)

Edgar Filing: NARA BANCORP INC - Form 10-Q

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 July 29, 2011 there were 38,097,910 outstanding shares of the issuer's Common Stock, \$0.001 par value.

Table of Contents

Table of Contents

	Page
<u>PART I FINANCIAL INFORMATION</u>	
	3
Item 1.	3
	4
	6
	7
	8
	9
Item 2	38
Item 3.	60
Item 4.	61
<u>PART II OTHER INFORMATION</u>	
Item 1.	61
Item 1A.	61
Item 2.	61
Item 3.	61
Item 4.	61
Item 5.	62
Item 6.	62
	63
	64

Table of Contents

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. The risks and uncertainties include possible 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 current and future regulations as well as the possibility of regulatory enforcement actions to which we are subject. For additional information concerning these and other risk factors, see Part II, Item 1A. Risk Factors herein and Part I, Item 1A. Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2010.

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

ASSETS	(Unaudited)	
	June 30, 2011	December 31, 2010
	(Dollars in thousands, except share data)	
Cash and cash equivalents:		
Cash and due from banks	\$ 29,836	\$ 23,916
Interest-bearing deposit at Federal Reserve Bank	141,293	148,415
Total cash and cash equivalents	171,129	172,331
Securities available for sale, at fair value	472,420	528,262
Loans held for sale, at the lower of cost or fair value	27,120	26,927
Loans receivable, net of allowance for loan losses (June 30, 2011 - \$59,696; December 31, 2010 - \$62,320)	2,142,750	2,085,425
Other real estate owned, net	4,404	1,581
Federal Reserve Bank stock, at cost	6,372	6,367
Federal Home Loan Bank (FHLB) stock, at cost	16,285	17,717
Premises and equipment, net	9,938	10,915
Accrued interest receivable	8,069	8,648
Deferred tax assets, net	30,727	37,072
Customers' liabilities on acceptances	11,360	11,528
Bank owned life insurance	24,489	24,117
Goodwill	2,509	2,509
Other intangible assets, net	379	534
Prepaid FDIC insurance	7,583	9,639
Other assets	31,754	19,724
Total assets	\$ 2,967,288	\$ 2,963,296

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

LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited)	
	June 30, 2011	December 31, 2010
	(Dollars in thousands, except share data)	
LIABILITIES:		
Deposits:		
Non-interest bearing	\$ 432,616	\$ 388,731
Interest bearing:		
Money market and NOW accounts	712,028	688,593
Savings deposits	126,694	126,255
Time deposits of \$100,000 or more	343,366	321,542
Other time deposits	617,476	650,993
Total deposits	2,232,180	2,176,114
Federal Home Loan Bank borrowings	300,000	350,000
Subordinated debentures	39,268	39,268
Secured borrowings	0	11,758
Accrued interest payable	3,382	4,830
Acceptances outstanding	11,360	11,528
Other liabilities	8,559	11,235
Total liabilities	2,594,749	2,604,733
STOCKHOLDERS' EQUITY:		
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 June 30, 2011 and December 31, 2010	67,000	67,000
Preferred stock discount	(2,321)	(2,797)
Common stock, \$0.001 par value; authorized, 100,000,000 shares; issued and outstanding, 38,097,327 and 37,983,027 shares at June 30, 2011 and December 31, 2010, respectively	38	38
Capital surplus	172,066	171,364
Retained earnings	131,275	120,361
Accumulated other comprehensive income, net	4,481	2,597
Total stockholders' equity	372,539	358,563
Total liabilities and stockholders' equity	\$ 2,967,288	\$ 2,963,296

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 and six months ended June 30, 2011 and 2010

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
INTEREST INCOME:				
Interest and fees on loans	\$ 33,150	\$ 33,510	\$ 66,235	\$ 66,858
Interest on securities	3,965	2,884	7,895	7,972
Interest on federal funds sold and other investments	179	199	358	424
Total interest income	37,294	36,593	74,488	75,254
INTEREST EXPENSE:				
Interest on deposits	5,090	6,279	10,221	16,226
Interest on FHLB advances	2,412	3,012	4,984	5,997
Interest on other borrowings	461	494	1,069	980
Total interest expense	7,963	9,785	16,274	23,203
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	29,331	26,808	58,214	52,051
PROVISION FOR LOAN LOSSES	10,047	42,323	15,309	67,730
NET INTEREST INCOME (LOSS) AFTER PROVISION FOR LOAN LOSSES	19,284	(15,515)	42,905	(15,679)
NON-INTEREST INCOME:				
Service fees on deposit accounts	1,413	1,572	2,910	3,191
International service fees	669	613	1,239	1,152
Loan servicing fees, net	418	443	881	900
Wire transfer fees	348	302	670	595
Other income and fees	557	517	1,064	870
Net gains on sales of SBA loans	4,354	329	5,514	372
Net gains on sales of other loans	0	650	0	650
Net gains on sales and calls of securities available for sale	6	96	6	6,392
Net valuation losses on interest rate swaps and caps	(106)	(495)	(117)	(726)
Net gains on sales of OREO	25	(567)	27	(552)
Total non-interest income	7,684	3,460	12,194	12,844
NON-INTEREST EXPENSE:				
Salaries and employee benefits	7,625	5,977	14,779	