

NARA BANCORP INC
Form 10-Q/A
January 25, 2005

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

(AMENDMENT NO. 1)

(Mark One)

Quarterly report pursuant to section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2004 or

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

For the transition period from _____ to _____

Commission File Number: 000-50245

NARA BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware

95-4849715

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification Number)

3701 Wilshire Boulevard, Suite 220, Los Angeles,
California

90010

(Address of Principal executive offices)

(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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

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As of April 30, 2004, there were 11,585,089 outstanding shares of the issuer's Common Stock, \$0.001 par value.

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This Quarterly Report on Form 10-Q/A amends our previously filed Quarterly Report on Form 10-Q for the quarter ended March 31, 2004. All references in this amendment to this Quarterly Report on Form 10-Q or the Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 shall refer to this amendment. Readers should note that the only changes made in this amendment were to correct clerical errors that appeared on pages 5 and 31 of the original filing. On page 5, Interest and fees on loans as of March 31, 2004 was changed from \$4,880,016 to \$14,880,016. On page 31, four corrections were made: (1) the Trust Name of Nara Statutory Trust VI was changed to Nara Statutory Trust IV; (2) the Stated Maturity date for Nara Capital Trust III was changed from 3/26/2032 to 6/15/2033; (3) the Stated Maturity date for Nara Statutory Trust IV was changed from 3/26/2032 to 1/7/2034; and (4) the Stated Maturity date for Nara Statutory Trust V was changed from 3/26/2032 to 12/17/2033. All other information contained in the original filing remains unchanged. For the convenience of the reader, we have included in this amendment our entire Quarterly Report on Form 10-Q, as amended hereby. This amendment continues to speak as of the date of the original Quarterly Report on Form 10-Q, and we have not updated the disclosure contained herein to reflect any events that occurred at a later date, other than as described in this explanatory note. All information contained in this amendment is subject to updating and supplementing as provided in our periodic reports filed with the Securities and Exchange Commission.

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(Unaudited)

ASSETS

	March 31, 2004	December 31, 2003
	<hr/>	<hr/>
Cash and due from banks	\$ 30,322,856	\$ 34,238,497
Federal funds sold	7,000,000	37,200,000
Term federal funds sold	7,000,000	5,000,000
	<hr/>	<hr/>
Total cash and cash equivalents	44,322,856	76,438,497
Securities available for sale, at fair value	125,382,686	126,412,488
Securities held to maturity, at amortized cost (fair value: March 31, 2004 - \$2,173,541; December 31, 2003- \$2,148,907)	2,001,388	2,001,493
Interest-only strips, at fair value	565,714	521,354
Interest rate swaps, at fair value	4,167,013	1,822,981
Loan held for sale, at the lower of cost or market	5,403,575	3,926,885
Loans receivable, net of allowance for loan losses (March 31, 2004 - \$13,563,678; December 31, 2003 - \$12,470,735)	1,035,045,217	984,867,614
Federal Reserve Bank stock, at cost	1,263,300	1,263,300
Federal Home Loan Bank Stock, at cost	4,048,500	4,695,400
Premises and equipment	6,606,190	6,765,666
Accrued interest receivable	4,338,129	4,718,360
Servicing assets	2,773,086	2,743,115
Deferred income taxes, net	9,112,548	10,892,336
Customers acceptance liabilities	3,706,744	4,340,037
Cash surrender value of life insurance	14,441,756	14,302,761
Goodwill	1,909,150	1,909,150
Intangible assets, net	4,647,263	4,854,867
Other assets	8,252,042	7,551,335
	<hr/>	<hr/>
TOTAL	\$1,277,987,157	\$1,260,027,639

(Continued)

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

(Unaudited)

LIABILITIES AND STOCKHOLDERS EQUITY

	March 31, 2004	December 31, 2003
	<hr/>	<hr/>
LIABILITIES:		
Deposits:		
Noninterest-bearing	\$ 325,712,349	\$ 325,646,661
Interest-bearing:		
Money market and other	155,595,530	134,125,212
Savings deposits	141,080,047	157,502,612
Time deposits of \$100,000 or more	365,154,416	348,646,862
Other time deposits	93,112,378	95,493,348
	<hr/>	<hr/>
Total deposits	1,080,654,720	1,061,414,695
Borrowing from Federal Home Loan Bank	52,000,000	60,000,000
Accrued interest payable	3,413,041	3,291,150
Acceptances outstanding	3,706,744	4,340,037
Junior subordinated debenture	39,268,000	39,268,000
Other liabilities	7,272,620	6,716,885
	<hr/>	<hr/>
Total liabilities	1,186,315,125	1,175,030,767
Commitments and Contingencies (Note 9)		
Stockholders' equity:		
Common stock, \$0.001 par value; authorized, 20,000,000 shares; issued and outstanding, 11,585,089 and 11,560,089 shares at March 31, 2004 and December 31, 2003, respectively	11,585	11,560
Capital surplus	43,491,811	43,057,760
Deferred compensation	(8,306)	(10,222)
Retained earnings	45,555,697	41,992,345
Accumulated other comprehensive income (loss), net of taxes	2,621,245	(54,571)
	<hr/>	<hr/>
Total stockholders' equity	91,672,032	84,996,872
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$1,277,987,157	\$1,260,027,639
	<hr/>	<hr/>

See accompanying notes to consolidated financial statements

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the three months ended March 31, 2004 and 2003
(Unaudited)**

	Three Months Ended March 31,	
	2004	2003
INTEREST INCOME:		
Interest and fees on loans	\$ 14,880,016	\$ 11,467,559
Interest on securities	1,340,526	1,402,814
Interest on interest rate swaps	904,944	833,000
Interest on federal funds sold and interest-bearing deposits with other financial institutions	120,547	237,906
	<hr/>	<hr/>
Total interest income	17,246,033	13,941,279
	<hr/>	<hr/>
INTEREST EXPENSE:		
Interest expense on deposits	3,082,960	3,295,914
Interest expense on junior subordinated debentures	558,692	353,980
Interest on other borrowings	292,303	418,998
	<hr/>	<hr/>
Total interest expense	3,933,955	4,068,892
	<hr/>	<hr/>
Net interest income before provision for loan losses	13,312,078	9,872,387
Provision for loan losses	1,500,000	1,300,000
	<hr/>	<hr/>
Net interest income after provision for loan losses	11,812,078	8,572,387
	<hr/>	<hr/>
NON-INTEREST INCOME:		
Service charges on deposit accounts	2,027,331	1,723,948
Other charges and fees	1,898,800	1,602,819
Net gain on sale of available-for sale of securities	304,976	158,757
(Loss) gain on sale of premises and equipment	(217)	11,521
Net loss on sales of other real estate owned		(2,031)
Gain on interest rate swaps	719,735	147,857
Net gain on sale of SBA loans	938,303	1,200,222
	<hr/>	<hr/>
Total non-interest income	5,888,928	4,843,093
	<hr/>	<hr/>

NON-INTEREST EXPENSE:		
Salaries and employee benefits	4,881,827	4,560,584
Occupancy	1,267,469	1,031,362
Furniture and equipment	419,195	376,063
Advertising and marketing	306,540	334,734
Communications	161,420	149,201
Data processing	572,601	465,673
Professional fees	551,676	453,180
Office supplies and forms	98,627	83,604
Other than temporary impairment on investment securities	1,633,166	
Other	996,790	804,817
	<u> </u>	<u> </u>
Total non-interest expense	10,889,311	8,259,218
	<u> </u>	<u> </u>
Income before income tax provision	6,811,695	5,156,262
Income tax provision	2,668,411	1,919,338
	<u> </u>	<u> </u>
Net income	\$ 4,143,284	\$ 3,236,924
	<u> </u>	<u> </u>
Earnings Per Share:		
Basic	\$ 0.36	\$ 0.30
Diluted	0.35	0.29

See accompanying notes to consolidated financial statements

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2004 and 2003**

(Unaudited)

	Number of Shares	Common Stock	Capital Surplus	Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income
BALANCE, JANUARY 1, 2004	11,560,089	\$11,560	\$43,057,760	\$(10,222)	\$41,992,345	\$ (54,571)	
Stock options exercised	25,000	25	233,875				
Tax benefit from stock options exercised			200,176				
Amortization of restricted stock				1,916			
Cash dividend declared					(579,932)		
Comprehensive income: Net income					4,143,284		\$4,143,284
Other comprehensive income: Change in unrealized gain on securities available for sale, interest-only-strips and interest rate swaps - net of tax						1,701,238	1,701,238
Change in unrealized gain on interest swaps - net of tax						974,578	974,578
Comprehensive income							\$6,819,100
BALANCE, MARCH 31, 2004	11,585,089	\$11,585	\$43,491,811	\$ (8,306)	\$45,555,697	\$2,621,245	

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BALANCE, JANUARY 1, 2003	10,690,630	\$ 10,690	\$ 32,930,307	\$ 29,903,338	\$ 2,524,732
Warrants exercised	29,100	30	189,570		
Stock options exercised	15,328	15	46,258		
Cash dividend declared				(537,257)	
Comprehensive income:					
Net income				3,236,924	\$ 3,236,924
Other comprehensive income:					
Change in unrealized gain on securities available for sale and interest-only- strips, net of tax					73,184 73,184
Change in unrealized gain on interest swaps - net of tax				415,709	415,709
					<u>415,709</u>
Comprehensive income					<u>\$ 3,725,817</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
BALANCE, MARCH 31, 2003	10,735,058	\$ 10,735	\$ 33,166,134	\$ 32,603,005	\$ 3,013,625
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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THREE MONTHS ENDED MARCH 31, 2004 AND 2003**

(Unaudited)

	2004	2003
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	\$ 4,143,284	\$ 3,236,924
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	2,382,062	449,445
Provision for loan losses	1,500,000	1,300,000
Proceeds from sales of SBA loans	11,151,371	18,488,891
Originations of SBA loans held for sale	(16,993,000)	(20,190,300)
Net gain on sales of SBA loans	(938,303)	(1,200,222)
Net loss on sales of other real estate owned		2,031
Gain on sales of securities available for sale	(304,976)	(158,757)
Loss (gain) on sale of premises and equipment	217	(11,521)
Net increase in cash surrender value	(138,995)	(139,860)
Gain on interest rate swaps	(719,735)	(147,857)
Decrease (increase) in accrued interest receivable	380,231	(163,635)
Deferred income taxes	(2,172)	(52,362)
Tax benefit from stock option exercised	200,176	
Increase in other assets	(810,085)	(1,808,993)
Increase in accrued interest payable	121,891	631,157
Increase in interest-only strip	(63,093)	(798)
Increase in other liabilities	555,733	4,098,580
	<hr/>	<hr/>
Net cash provided by operating activities	464,606	4,332,723
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in loans receivable	(46,413,935)	(26,961,005)
Purchase of premises and equipment	(184,125)	(240,327)
Purchase of investment securities available for sale	(17,400,790)	(41,426,343)
Proceeds from sale of equipment	508	3,403
Proceeds from sale of investment securities available for sale	6,290,803	3,154,688
Proceeds from matured or called investment securities available for sale	13,586,399	11,590,476
Proceeds from sales of other real estate owned		71,652
Purchase of Federal Home Loan Bank Stock	646,900	(514,800)
	<hr/>	<hr/>
Net cash used in investing activities	(43,474,240)	(54,322,256)
	<hr/>	<hr/>

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	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	19,240,025	13,468,238
Payment of cash dividend	(579,932)	(537,257)
(Repayment of) proceeds from Federal Home Loan Bank borrowing	(8,000,000)	15,000,000
Proceeds from warrants exercised		189,600
Proceeds from stock options exercised	233,900	46,272
	<hr/>	<hr/>
Net cash provided by financing activities	10,893,993	28,166,853
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(32,115,641)	(21,822,680)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	76,438,497	104,742,728
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 44,322,856	\$ 82,920,048
	<hr/>	<hr/>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$ 3,810,701	\$ 3,473,018
Income taxes paid	\$ 1,672,500	\$ 500,275
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTMENT ACTIVITIES		
Transfer of loans to other real estate owned	\$	\$ 15,601
See accompanying notes to consolidated financial statements		

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NARA BANCORP, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

Three months ended March 31, 2004 and 2003, unaudited

1. Nara Bancorp, Inc.

Nara Bancorp, Inc. (Nara Bancorp , on a parent-only basis, and we or our on a condensed consolidated basis), incorporated under the laws of the State of Delaware in 2000, is a bank holding company, headquartered in Los Angeles, California, offering a full range of commercial banking and consumer financial services through its wholly owned subsidiary, Nara Bank, N.A., a national bank (Nara Bank) with branches in California and New York as well as Loan Production Offices in Seattle, Chicago, New Jersey, Atlanta, Virginia, and Denver.

2. Basis of Presentation

Our condensed consolidated financial statements included herein have been prepared without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures, normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such SEC rules and regulations.

The condensed consolidated financial statements include the accounts of Nara Bancorp and its wholly owned subsidiaries, principally Nara Bank, N. A. (the Bank). All intercompany transactions and balances have been eliminated in consolidation.

Nara Bancorp also has five special-purpose subsidiaries that were formed for capital-raising transactions: Nara Capital Trust I, Nara Statutory Trust II, Nara Capital Trust III, Nara Statutory Trust IV, and Nara Statutory Trust V. With the adoption of FIN No. 46, Nara Bancorp deconsolidated the five grantor trusts as of December 31, 2003. As a result, the junior subordinated debentures issued by Bancorp to the grantor trusts, totaling \$39.3 million, are reflected in our consolidated balance sheet in the liabilities section at March 31, 2004 and December 31, 2003, under the caption as junior subordinated debentures. We record interest expense on the corresponding junior subordinated debentures in the consolidated statement of income. We also recorded \$2.0 million in other assets in the consolidated statement of financial condition at March 31, 2004 and December 31, 2003 for the common capital securities issued by the issuer trusts.

We also believe that we have made all adjustments necessary to fairly present our financial position and the results of our operations for the interim period ended March 31, 2004. Certain reclassifications have been made to prior period figures in order to conform to the March 31, 2004 presentation. The results of operations for the interim period are not necessarily indicative of results for the full year.

These condensed consolidated financial statements should be read along with the audited consolidated financial statements and accompanying notes included in our 2003 Annual Report on Form 10-K/A.

3. Dividends

On March 11, 2004, we declared a \$0.05 per share cash dividend paid on April 12, 2004 to stockholders of record at the close of business March 31, 2004.

4. Earnings Per Share (EPS)

Basic EPS excludes dilution and is computed by dividing earnings available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of securities that could share in the earnings of the Company.

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The following table shows how we computed basic and diluted earnings per share (EPS) for the three months ended March 31, 2004 and 2003.

	For the three months ended March 31,					
	2004			2003		
	Income (Numerator)	Shares (Denominator)	Per Share (Amount)	Income (Numerator)	Shares (Denominator)	Per Share (Amount)
Net income						
Basic EPS	\$4,143,284	11,578,111	\$ 0.36	\$3,236,924	10,697,812	\$ 0.30
Effect of Dilutive Securities:						
Options		428,238			478,032	
Warrants					49,476	
Diluted EPS	\$4,143,284	12,006,349	\$ 0.35	\$3,236,924	11,225,320	\$ 0.29

5. Stock-Based Compensation

Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*, encourages, but does not require, companies to record compensation cost for stock-based compensation plans at fair value. We have elected to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the fair value of our stock at the date of grant over the grant price.

We have adopted the disclosure only provisions of SFAS No. 123. Had compensation cost for our stock-based compensation plans been determined based on the fair value at the grant date for awards consistent with the provisions of SFAS No. 123, our net income and earnings per share would have been reduced to the pro forma amounts as follows:

	For the three months ended	
	2004	2003
Net income:		
Net income as reported	\$4,143,284	\$3,236,924
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards net of related tax effects	179,497	97,129
Pro forma net income	\$3,963,787	\$3,139,795

	_____	_____
EPS:		
Basic as reported	\$ 0.36	\$ 0.30
Basic pro forma	0.34	0.29
Diluted as reported	\$ 0.35	\$ 0.29
Diluted pro forma	0.33	0.28

The weighted-average fair value of options granted during the first quarter of 2004 was \$12.46. The fair value of options granted under our stock option plans during the first quarter of 2004 was estimated on the date of grant using the Black-Scholes option-pricing model, with the following weighted-average assumptions used: 0.67% dividend yield, volatility of 38.68%, risk-free interest rate of 3.5% and expected lives of six years. We did not grant any options for the quarters ended March 31, 2003.

6. SBA

Certain Small Business Administration (SBA) loans that we have the intent to sell prior to maturity have been designated as held for sale at origination and are recorded at the lower of